Fourth quarter report 2018

SPAREBANK 1 ØSTLANDET

A new virtual education program in personal finance has been developed by the Bank in cooperation with EON Reality and students at Høgskolen i Innlandet. In this picture from Brumunddal secondary school, the program is used for the first time by the Bank's mobile economics teacher.

Content

Key figures Group

Summary (NOK mill and per cent of average assets)	01.01-31.12 2018 Amount	Per cent [1]	01.01-31.12 2017 Amount	Per cent [1]
Net interest income	2,074	1.77 %	1,956	1.86 %
Net commission and other operating income	1,286	1.10 %	1,263	1.20 %
Net income from financial assets and liabilities	291	0.25 %	277	0.26 %
Total income	**3,651**	**3.11 %**	**3,496**	**3.32 %**
Total operating expenses	**1,881**	**1.60 %**	**1,898**	**1.81 %**
Operating profit before losses on loans and guarantees	**1,770**	**1.51 %**	**1,598**	**1.52 %**
Impairment on loans and guarantees	35	0.03 %	-20	-0.02 %
Pre-tax operating profit	**1,735**	**1.48 %**	**1,618**	**1.54 %**
Tax expense	321	0.27 %	356	0.34 %
Profit after tax	**1,414**	**1.20 %**	**1,263**	**1.20 %**
Interest expenses on hybrid capital	17	0.01 %	13	0.01 %
Profit after tax incl. interest hybrid capital [2]	1,396	1.19 %	1,250	1.19 %
Profitability				
Return on equity capital [2]	10.5%		10.2%	
Cost income ratio [2]	51.5%		54.3%	
Balance sheet and ratios				
Gross loans to customers	98,940		90,460	
Gross loans to customers including loans transferred to covered bond companies [2]	140,165		129,535	
Growth in loans during the last 12 months [2]	9.4%		9.1%	
Growth in loans including loans transferred to covered bond companies in the last 12 months [2]	8.2%		8.4%	
Deposits from customers	71,497		65,985	
Growth in deposits in the last 12 months [2]	8.4%		4.6%	
Deposit to loan ratio [2]	72.3%		72.9%	
Deposit to loan ratio incl. loans transferred to covered bond companies [2]	51.0%		50.9%	
Average total assets	117,358		105,157	
Total assets	123,472		108,321	
Total assets including loans transferred to covered bond companies [2]	164,696		147,396	
Losses and commitments in default				
Impairment on loans as a percentage of gross loans [2]	0.0%		0.0%	
Commitments in default, percentage of gross loans [2]	0.3%		0.3%	
Other doubtful commitments, percentage of gross loans [2]	0.1%		0.3%	
Net commitments in default and other doubtful commitments, percentage of gross loans [2]	0.4%		0.4%	
Solidity and liquidity				
CET 1 capital ratio	16.8%		16.8%	
Tier 1 capital ratio	17.6%		17.7%	
Capital adequacy ratio	19.6%		20.5%	
Total eligible capital	14,672		14,138	
Equity ratio [2]	12.0%		12.3%	
Leverage Ratio	7.5%		7.1%	
LCR [3]	152.5%		114.0%	
LCR in NOK [3]	164.2%		113.0%	
LCR i EUR [3]	123.2%		N.A	
Staff				
Number of fulltime equivalents	1,139		1,109	
Equity capital certificates				
Market price (NOK)	83.00		90.50	
Market capitalisation (NOK million)	9,572		9,700	
Book equity per EC [2]	85.83		81.14	
Earnings per EC, NOK [4]	8.46		7.92	
Price/Earnings per EC [2]	9.81		11.43	
Price/book equity [2]	0.97		1.12	

1) Calculated as a percentage of average total assets.
2) See attachment regarding Alternative performance measures.
3) Liquidity Coverage Ratio: Measures the size of banks' liquid assets relative to net liquidity output 30 days ahead of time given a stress situation.
4) Profit after tax for controlling interests * Equity capital certificate ratio as at 31.12.18 / number of EC's as at 31.12.2018.

Board of directors' report

Fourth quarter of 2018 (Consolidated figures. Figures in brackets concern the corresponding period in 2017)

- Profit after tax: NOK 321 (337) million
- Return on equity: 9.1 (10.4) per cent
- Net interest income: NOK 544 (501) million
- Net commissions and other operating income: NOK 313 (315) million
- Net income from financial assets and liabilities: NOK 7 (143) million
- Total operating costs: NOK 506 (550) million
- Impairment losses on loans and guarantees: NOK 11 million (reversal of 13 million)

Provisional accounts for 2018 (Consolidated figures. Figures in brackets concern 2017)

- Profit after tax: NOK 1,414 (1,263) million
- Return on equity: 10.5 (10.2) per cent
- Earnings per equity certificate: NOK 8.47 (7.92)
- Net interest income: NOK 2,074 (1,956) million
- Net commissions and other operating income: NOK 1,286 (1,263) million
- Net income from financial assets and liabilities: NOK 291 (277) million
- Total operating costs: NOK 1,881 (1,898) million
- Impairment losses on loans and guarantees: NOK 35 million (reversal of 20 million)
- Common equity tier 1 ratio: 16.8 (16.8) per cent.
- The Board of Directors proposes to the Supervisory Board of the Bank a cash dividend of NOK 4.12 (3.96) per equity certificate, totalling NOK 477 (424) million. A customer dividend of NOK 222 (204) million is also proposed, and a provision of NOK 6 million for gifts.

SpareBank 1 Østlandet (the Bank) was the first bank in Norway to share its profits with its customers and on 19 April it paid out NOK 202 million in customer dividends to the Bank's loan and deposit customers. On 28 January 2019, SpareBank 1 Østlandet received a binding advance ruling from the Norwegian Tax Administration that customer dividends paid out are tax-deductible. The payout gives a tax deduction of NOK 51 million for the fiscal year 2018. The tax deduction is recognised according to IAS 12 as a reduction in tax expence for 2018, and thus increases profits by NOK 51 million in the 2018 accounts. The tax deduction was not previously recognised pending the advance ruling, and is thus posted in the fourth quarter of 2018.

On 9 November, SpareBank 1 Østlandet conducted a private placement of 8,139,534 new equity certificates at a subscription price of NOK 86.00 with gross proceeds of NOK 700 million.

In January 2019, there was a subsequent offering, a repair issue to the Norwegian Confederation of Trade Unions (LO) and an employee offering, with a total of 510,268 equity certificates issued and with gross proceeds of NOK 37 million.

The SpareBank 1 Østlandet Group

The Group comprises SpareBank 1 Østlandet and the wholly-owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second tier subsidiary), Youngstorget 5 AS and Vato AS, as well as the 95 per cent-owned subsidiary SpareBank 1 Finans Østlandet AS. The Group also includes the 70.7 per cent-owned holding company SpareBank 1 Østlandet VIT AS, which in turn owns 100 per cent of the shares in the subsidiary TheVIT AS. The accounts of these companies are fully consolidated into SpareBank 1 Østlandet's financial statements.

SpareBank 1 Østlandet owns 12.4 per cent of SpareBank 1 Gruppen AS, 18.0 per cent of SpareBank 1 Banksamarbeidet DA, 20.5 per cent of SpareBank 1 Kredittkort AS, 20.0 per cent of SMB Lab AS, 20.0 per cent of Betr AS, and 18.7 per cent of SpareBank 1 Betaling AS. The Bank also owns 21.6 per cent of SpareBank 1 Boligkreditt AS and 13.3 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above mentioned companies are recognised in the Bank's consolidated financial statements in proportion to the Bank's stakes. The Group prepares its financial statements in accordance with international accounting standards as adopted by the EU (IAS 34).

Financial performance for the fourth quarter of 2018

The SpareBank 1 Østlandet Group's profit after tax amounted to NOK 321 (337) million, compared with NOK 362 million in the third quarter of 2018. The return on equity was 9.1 (10.4) per cent, compared to 10.8 per cent in the third quarter of 2018.

Net interest income amounted to NOK 544 (501) million, an increase from NOK 524 million in the third quarter of 2018. Net interest income as a percentage of average total assets was 1.76 (1.85) per cent, compared with 1.73 per cent in the third quarter of 2018.

Net commission and other operating income amounted to NOK 313 (315) million, compared with NOK 316 million in the third quarter of 2018. Commissions from the covered bond companies amounted to NOK 89 (109) million, compared with NOK 82 million in the third quarter of 2018.

Income from real estate brokerage amounted to NOK 75 (70) million, compared with NOK 83 million in the third quarter of 2018.

Income from accounting services amounted to NOK 43 (33) million, compared with NOK 39 million in the third quarter of 2018.

The net income from financial assets and liabilities amounted to NOK 7 (143) million, compared with NOK 90 million in the third quarter of 2018.

Total operating costs amounted to NOK 506 (550) million, an increase from NOK 457 million in the third quarter of 2018. Of the NOK 49 million increase from the third quarter of 2018, NOK 19 million is due to increased personnel costs in the subsidiaries, while the Parent Bank's personnel costs increased by NOK 7 million. In the fourth quarter, NOK 9 million in expenses were recognised in relation to the maintenance of Youngstorget 5. NOK 10 million in wealth tax was also expensed in the fourth quarter; under IFRS this is an operating expense incurred at the end of the year.

Impairment losses on loans and guarantees amounted to NOK 11 million (reversal of NOK 13 million), compared with NOK 12 million in the third quarter of 2018.

Consolidated results for 2018

The consolidated profit after tax for 2018 was NOK 1,414 (1,263) million. The return on equity was 10.5 (10.2) per cent.

Specification of the consolidated profit after tax in NOK millions:	**31.12.18**	**31.12.17**
Parent Bank's profit after tax	1,447	1,102
Dividends received from subsidiaries/associated companies	-372	-266
Share of profit from:		
SpareBank 1 Gruppen AS	184	222
Bank 1 Oslo Akershus AS (Q1-17)	0	119
SpareBank 1 Boligkreditt AS	-8	-44
SpareBank 1 Næringskreditt AS	3	1
EiendomsMegler 1 Hedmark Eiendom AS	8	10
EiendomsMegler 1 Oslo Akershus - Group	3	-12
SpareBank 1 Finans Østlandet AS	139	118
SpareBank 1 Østlandet VIT - Group [1]	-9	-3
SpareBank 1 Kredittkort AS	27	17
SpareBank 1 Betaling AS	-12	-7
Other associated companies/joint ventures	3	5
Consolidated profit after tax	**1,414**	**1,263**

1) The results at 30 September 2017 are for SpareBank 1 Regnskapshuset Østlandet AS only.

Net interest income

Net interest income amounted to NOK 2,074 (1,956) million. Net interest income must be viewed in conjunction with commissions from mortgages transferred to partly-owned covered bond companies (recognised as commissions) totalling NOK 365 (377) million. Net interest income and commissions from the covered bond companies totalled NOK 2,439 (2,332) million. The increase was mainly due to growth in lending and deposits, partly offset by slightly lower commission income from the covered bond companies and reduced interest rate margins. Net interest income as a percentage of average total assets was 1.77 (1.86) per cent.

Net commissions and other operating income

Net commission and other operating income came to NOK 1,286 (1,263) million. The increase is due mainly to increased income from real estate and accounting services.

NOK million	**31.12.18**	**31.12.17**
Net money transfer fees	133	139
Commissions revenues from insurance and savings	196	197
Commissions revenues from covered bonds companies	365	377
Commission revenues from credit cards	66	62
Real estate broker commision	321	297
Accounting services	164	149
Other income	42	43
Net commissions and other (non interest) income	**1,286**	**1,263**

For more detailed information about the various profit centres in the Group, refer to Note 3 'Segment information'.

Net income from financial assets and liabilities

The net income from financial assets and liabilities was NOK 291 (277) million.

NOK million	31.12.18	31.12.17
Dividends from other than Group companies	13	11
Net profit from ownership interests	198	194
Net profit from other financial assets and liabilities	80	72
Net commission and other operating income	**291**	**277**

Dividends of NOK 13 (11) million consist mainly of dividends from Totens Sparebank of NOK 12 (9) million.

The net profit from ownership interests amounted to NOK 198 (194) million.

Contribution from Associated companies and joint ventures	31.12.18	31.12.17
SpareBank 1 Gruppen AS	184	222
SpareBank 1 Boligkreditt AS	-8	-44
SpareBank 1 Næringskreditt AS	3	1
SpareBank 1 Kredittkort AS	27	17
SpareBank 1 Betaling AS	-12	-7
Other associated companies/joint ventures	5	5
Net profit from ownership interests	**198**	**194**

The increase of NOK 4 million was mainly due to higher profits from SpareBank 1 Boligkreditt AS and SpareBank 1 Kredittkort AS compared with last year, whereas SpareBank 1 Boligkreditt AS's profits in 2017 were heavily affected by negative value adjustments on basis swaps. These items are partially offset by lower profits from SpareBank 1 Gruppen AS and SpareBank 1 Betaling AS.

The net profit from other financial assets and liabilities was NOK 80 (72) million. The increase was largely due to a NOK 59 million write-up of accounting values in SpareBank 1 Østlandet in connection with the merger of Vipps AS, BankAxept AS and BankID Norge AS, offset by the change in the value of fixed-interest loans to customers.

Refer also to Note 7 'Net income from financial assets and liabilities'. Reference is made to Note 43 in the 2017 Annual Report for a further description of the implementation of IFRS 9.

Operating expenses

Total operating expenses were NOK 1,881 (1,898) million and amounted to 51.5 (54.3) per cent of net income.

NOK million	31.12.18	31.12.17
Personnel expenses	1,050	1,010
Depreciation/amortization	102	84
IT expenses	264	279
Marketing	102	109
Operating expences from real estate	102	96
Other expenses	260	320
Total operating expenses	**1,881**	**1,898**

The NOK 17 million reduction in operating expenses is mainly due to the reduction in costs related to the merger and listing process from NOK 111 million in 2017 to NOK 3 million in 2018. This is partially offset by increased personnel costs, largely due to the fact that the Group recognised net pension costs of NOK 24 million in the first quarter of 2017. This was the result of the former Bank 1 Oslo Akershus (B1OA) discontinuing its defined-benefit pension scheme on 1 January 2017 with a gain of NOK 53 million, and adjustments to pension costs in the former Sparebanken Hedmark of NOK 12 million and in the former Bank 1 Oslo Akershus of NOK 17 million for 2016 which produced costs of NOK 29 million.

Adjusted for this net revenue recognition in relation to pension costs and the reduction in merger and listing costs, the Group's operating expenses increased by NOK 67 million compared to the previous year. The increase is mainly related to increased activity levels in the subsidiaries, where total operating costs have increased by NOK 56 million.

As of 31 December 2018, the Group employed 1,139 (1,109) full-time equivalents. The addition of 30 FTEs to the workforce is related to the subsidiaries, with the brokerage business growing by 16 FTEs and the accounting company by 24 FTEs. The number of FTEs in the Parent Bank and SpareBank 1 Finans Østlandet AS were reduced by 8 and 2 FTEs respectively.

Impairment losses on loans and guarantees

As from 1 January 2018, a new loss model in accordance with IFRS 9 was implemented, replacing the previous loss model in accordance with IAS 39. Please refer to Note 43 in the 2017 Annual Report for a description of the new loan loss model.

The Group's impairment losses in 2018 amounted to NOK 35 million (reversal of NOK 20 million). Net reversals in 2017 were primarily due to a NOK 42 million reduction in collective impairments. Impairment losses on loans and guarantees can be broken down as follows:

Specification of total losses on loans and guarantees in the period, NOK million	Totalt	PM	BM	SB1FØ
Change in impairments in the period	-27	3	-24	-6
Realised losses on commitments for which earlier impairment provisions have been made	25	4	21	0
Realised losses on commitments for which no earlier impairment provisions has been made	49	3	11	35
-Recoveries on loans and guarantees previously impaired	12	2	0	10
Total impairment losses on loans and guarantees in the period	**35**	**8**	**8**	**19**

74 per cent of the SpareBank 1 Østlandet Group's total lending, including loans transferred to the covered bond companies, is to retail customers, mainly in the form of mortgages. The corporate portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk.

Credit risk
As of 31 December 2018, gross non-performing commitments totalled NOK 314 (287) million. This corresponded to 0.3 (0.3) per cent of gross lending. Gross other doubtful commitments amounted to NOK 134 (254) million. This corresponded to 0.1 (0.3) per cent of gross lending.

The loan loss impairment ratio, measured as total individual write-downs as a percentage of gross commitments, was 15.9 (14.7) per cent for non-performing loans and 32.1 (40.7) per cent for other impaired commitments. Loan loss provision ratios will vary over time depending on the collateral coverage of the credits.

Total provisions for loan loss impairments were NOK 385 million as of 31 December 2018, compared to NOK 409 million as of 1 January 2018. For more detailed information about the total provisions, refer to Note 6 'Loan loss provisions'.

Credit quality, measured as total problem loans in relation to total lending, improved from last year. Overall, the Group's problem loans accounted for 0.4 (0.6) per cent of gross lending. When the mortgages transferred to the covered bond companies are included, the ratio of problem loans is unchanged at 0.4 (0.4) per cent.

Overall, the risk profile in the Bank's credit portfolio was stable through 2018. This applies to both the retail portfolio and the corporate portfolio. There have been consistently low defaults and low losses. The Board considers that SpareBank 1 Østlandet's total credit risk is within the Bank's accepted risk tolerance. The Group's credit risk is considered low.

Total assets
Total assets as of 31 December 2018 amounted to NOK 123.5 (108.3) billion. Adjusted total assets, defined as total assets including mortgages transferred to the covered bond companies, amounted to NOK 164.7 (147.4) billion.

Lending to customers
Gross lending to customers, including mortgages transferred to the covered bond companies, totalled NOK 140.2 (129.5) billion. At the end of the year, mortgages of NOK 39.8 (37.5) billion had been transferred to SpareBank 1 Boligkreditt AS, and mortgages totalling NOK 1.4 (1.6) billion had been transferred to SpareBank 1 Næringskreditt AS.

Growth in lending during the past 12 months, including mortgages transferred to the covered bond companies, was NOK 10.6 (10.1) billion, equivalent to 8.2 (8.4) per cent. The growth in retail lending was NOK 7.0 (7.7) billion, while the growth in corporate lending was NOK 3.6 (2.4) billion.

Deposits from customers
As of 31 December 2018, deposits from customers totalled NOK 71.5 (66.0) billion. The growth in deposits during the last 12 months was NOK 5.5 (2.9) billion, equivalent to 8.4 (4.6) per cent. The growth in retail deposits was NOK 2.2 (0.2) billion, while the growth in corporate deposits was NOK 3.3 (2.7) billion.

The Group's deposit coverage ratio was 72.2 (72.9) per cent. The Group's deposit coverage ratio, inclusive of mortgages transferred to the covered bond companies, was 51.0 (50.9) per cent.

Liquidity
Longer-term borrowing from credit institutions and issued securities (including subordinated capital) totalled NOK 35.0 (27.3) billion, 33.3 (6.0) per cent of which is euro-denominated. The average term to maturity of the Group's long-term funding was 4.2 (4.1) years. The average term to maturity for all borrowing was 3.8 (3.6) years.

The liquidity coverage ratio (LCR) was 152.5 (114.0) per cent, where the average for the last quarter was 160.2%. The increase in LCR during the last year is a natural consequence of a larger liquidity portfolio as a consequence of the Bank's euro financing with larger individual bonds issues. The Board of Directors considers the Group's liquidity risk to be low.

Equity certificates
As of 31 December 2018, the equity share capital comprises 115,319,521 equity certificates. The book value per equity certificate at the end of the year was NOK 85.83 (81.14) and earnings per equity certificate were NOK 8.46 (7.92). At the end of the year, the price per equity certificate was NOK 83.00 (90.50).

On 9 November, SpareBank 1 Østlandet conducted a private placement of 8,139,534 new equity certificates at a subscription price of NOK 86.00, with gross proceeds of NOK 700 million.

In January 2019, there was a subsequent offering, a repair issue to the Norwegian Confederation of Trade Unions (LO) and an employee offering, for a total of 510,268 equity certificates with gross proceeds of NOK 37 million.

Financial strength and total capital adequacy ratio
The Group's equity at the end of 2018 totalled NOK 14.8 (13.3) billion and amounted to 12.0 (12.3) per cent of total capital. The leverage ratio was 7.5 (7.1) per cent. The profit for the period after expected tax expense and dividends is included in the capital adequacy calculation.

At the end of the year, the Group's common equity tier 1 ratio was 16.8 (16.8) per cent. The tier 1 capital and capital adequacy ratios were 17.6 (17.7) percent and 19.6 (20.5) per cent respectively. The Group grew substantially over the course of 2018, but the equity issue in the fourth quarter largely made up for reduced capital adequacy levels. The effect of the equity issue was +1.0 percentage point on the common equity tier 1 ratio. The Group's long-term capital target for the common equity tier 1 ratio is 16 per cent. The Group's target common equity tier 1 ratio will be reassessed when the notified regulatory changes, including SIFI status and implementation of CRD4, have been fully clarified.

Rating
SpareBank 1 Østlandet's deposits and senior unsecured debt are rated A1 (negative outlook) by Moody's Investor Service. SpareBank 1 Østlandet is thus rated at the same level as the best-rated savings banks in Norway. In the latest credit opinion from Moody's (11 December 2018), the rating of A1 is affirmed, and the rating outlook is still negative. The negative outlook is a consequence of the bill presented by the Norwegian Ministry of Finance on 21 June 2017, which is intended to transpose the EU's crisis management directives, the Bank Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Directive, into Norwegian law. The rating outlook expresses Moody's assessment of the probability of public support being reduced as a consequence of this.

In the 'Banking system outlook – Norway' from Moody's Investor Service dated 28 August, the outlook for the Norwegian banking sector was upgraded from negative to stable as a result of strong macroeconomic development and expectations of continued improvement in the credit quality of Norwegian banks.

Parent Bank

Reported profit and loss
The Parent Bank's profit after tax for 2018 was NOK 1,447 (1,102) million. Besides the merger with B1OA, the increase from 2017 is mainly due to growth in lending, increased dividend payments, increased net income from other financial assets and liabilities and reduced tax due to tax deductions for customer dividends paid out.

The former B1OA merged with the Parent Bank on 1 April 2017. The Parent Bank's accounts for 2018 are therefore not directly comparable with the figures for the previous year.

The common equity tier 1 ratio was 23.0 (22.4) per cent at year-end. The tier 1 capital ratio was 23.7 (23.2) per cent and the capital adequacy ratio was 25.7 (26.4) per cent. The profit for the period after expected tax expense and dividends is included in the capital adequacy calculation. The Parent Bank grew substantially over the course of 2018, but the equity issue in the fourth quarter largely made up for reduced capital adequacy levels. The effect of the equity issue was +1.3 percentage points on the common equity tier 1 ratio.

The Parent Bank's equity amounted to NOK 13.9 (12.4) billion, which was equivalent to 11.4 (11.6) per cent of the total capital at the end of 2018.

The Parent Bank has reduced its headcount from 705 to 697 FTEs in the last 12 months, and from 763 FTEs since the acquisition of Bank 1 Oslo Akershus was announced in December 2015.

Underlying banking operations are defined as the profit before loan losses, excluding securities effects and dividends. Expenses related to the merger and the IPO are also excluded.

Underlying banking operations, MNOK	**31.12.18**	**31.12.17**	**Change**
Net interest income	1,737	1,508	15.2 %
Net commission and other income	849	782	8.7 %
Total operating expenses	-1,309	-1,289	1.6 %
Adjustments: Merger and stock exchange listing process expenses	3	99	-96.8 %
Operating profit underlying banking operations	**1,280**	**1,100**	**16.4 %**

The operating profit from underlying banking operations amounted to NOK 1,280 (1,100) million for 2018. Profit from the underlying banking operations increased by NOK 180 million compared with the year before, which is equivalent to an improvement of 16.4 per cent. Apart from the merger with B1OA, the improvement in the underlying profitability is mainly due to growth in lending and increased commission income, partially offset by increased operating expenses.

Adjusted profit and loss

As the reported profit is not directly comparable with the previous year's, the adjusted profit and loss is presented in order to provide directly comparable numbers. The adjusted accounts show the profit for the Parent Bank as it would have been if B1OA had been a part of the Parent Bank throughout 2017 ('adjusted Parent Bank').

Adjusted Parent Bank (Inkl. B1OA)	31.12.18	31.12.17
Net interest income	1,737	1,645
Net commissions and other operating income	849	870
Net income from financial assets and liabilities	461	354
Total net income	**3,048**	**2,869**
Total operating expenses	1,309	1,382
Operating profit before losses on loans and guarantees	**1,738**	**1,486**
Losses on loans and guarantees	16	-46
Pre-tax operating profit	**1,722**	**1,532**
Taxes	275	313
Ajusted after tax profit	**1,447**	**1,220**

The after-tax profit in 2018 was NOK 1,447 million, compared with NOK 1,220 million in 2017.

The increase in profit after tax of NOK 227 million compared to last year in the adjusted Parent Bank is due to increased net interest income, mainly attributable to growth in lending, as well as improved net income from financial assets and liabilities and reduced operating expenses, offset by reduced net commission and other income and increased losses.

Operating costs decreased by NOK 73 million, or 5.3 per cent, compared to the adjusted Parent Bank for 2017. The reduction in operating expenses was primarily attributable to one-off effects in 2017 combined with expenses related to the merger and listing processes, and net reversals of pension costs. Expenses in connection with the merger and listing processes amounted to NOK 3 (111) million of the adjusted profit for 2018 and were thus reduced by NOK 108 million. Moreover, the adjusted expenses for 2017 included net revenue recognition in relation to pension costs of NOK 24 million. Adjusted for costs of the listing and merger process and recognition of pension costs, the operating costs for the Parent Bank increased by NOK 11 million from 2017 to 2018, equivalent to an underlying increase of 0,8 %.

Subsidiaries

The leasing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 139 (118) million in 2018. The increase in profit is mainly due to growth in lending, but lower losses also contributed to the improvement. The leasing company's gross lending as of 31 December 2018 was NOK 7.8 (7.1) billion. Lending growth over the past 12 months was 9.8 (12.7) per cent.

The estate broker EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 120 (108) million in 2018 and achieved a profit after tax of NOK 8 (10) million. The reduction in profit was due to higher costs following write-downs of an IT project in the EiendomsMegler 1 Alliance

The real estate broker EiendomsMegler 1 Oslo Akershus Group posted earnings of NOK 209 (192) million in 2018 and achieved a net result after tax of NOK 3 (-12) million. The improved profitability is mainly due to increased activity levels and sales volumes. In the opposite direction, increased costs resulted from write-downs of an IT project in the EiendomsMegler 1 Alliance.

On 16 May 2018, SpareBank 1 Østlandet and the owners of TheVIT AS established a joint holding company, SpareBank 1 Østlandet VIT AS, in which SpareBank 1 Østlandet owns 70.7 per cent of the shares. The newly established company acquired 100 per cent of the shares in TheVIT AS and the former SpareBank 1 Regnskapshuset Østlandet AS, which changed its name to TheVIT AS on 15 November 2018. Together, the companies will be a major provider in Eastern Norway of services withinfinance, HR, management consultancy and accounting.

Profit after tax in 2018 for the SpareBank 1 Østlandet VIT Group was NOK -9 (-3) million. Last year's figures are for SpareBank 1 Regnskapshuset Østlandet AS only and are thus not directly comparable. The reduced profits were mainly due to restructuring costs and slightly reduced turnover in the former SpareBank 1 Regnskapshuset AS, while TheVIT AS shows satisfactory underlying profitability.

Associated companies and joint ventures

SpareBank 1 Gruppen AS (12.4 per cent stake) comprises the SpareBank 1 Alliance’s joint product companies within insurance, fund management, claims management and collection. The company posted a consolidated profit after tax of NOK 1,480 (1,811) million for 2018.

The decrease in profits for SpareBank 1 Gruppen AS from 2017 to 2018 is mainly due to lower financial income in the insurance companies. A weaker insurance result in the non-life insurance company, partly due to a harsh winter, is also a contributing factor. The life insurance company had a risk and administration result that was reduced compared to last year. This because of a substantial increase in insurance reserves in December. On the other hand, the subsidiaries ODIN Forvaltning AS, SpareBank 1 Factoring AS and SpareBank 1 Portefølje AS all returned increased profits compared to 2017. This was further assisted by the net recognition of tax expense for 2018 of NOK 95 million, compared with a tax expense of NOK 398 million in 2017. The reason for net recognition of the tax expense in 2018, and hence a post-tax profit which that is higher than the pre-tax profit, is a change in the tax rules for the life and non-life companies. The amendment was adopted in December with effect for 2018 and resulted in a reversal of deferred tax at the group level in the SpareBank 1 Group in the order of NOK 330 million. The return on equity for 2018 was 18.6 (22.7) percent.

The merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS has been approved by the Financial Supervisory Authority of Norway. The merger took effect from 1 January 2019. The merged company is named Fremtind Forsikring AS.

As part of the transaction, the plan is to split off the individual personal risk products from SpareBank 1 Forsikring AS (the life company) and DNB Livsforsikring AS, and the employer-funded personal risk cover from SpareBank 1 Forsikring AS, into the merged company. This part of the transaction is scheduled to be completed during the first quarter of 2019.

The transaction agreement assume ownership shares of approximately 80 per cent for SpareBank 1 Gruppen AS and 20 per cent for DNB ASA. These ownership shares are based on the negotiated market value of the two non-life companies, including the value of the personal risk products in the planned demerger. DNB ASA will then buy up to a 35 per cent stake in the company. DNB has also acquired an option to acquire up to a 40 per cent interest in the company. The company will remain a subsidiary of SpareBank 1 Gruppen AS.

In the transaction, the new non-life company was valued at NOK 19.75 billion, including the value of personal risk products. Fremtind, without personal risk products, is valued at NOK 13.5 billion, which is also the value that was originally assumed in the transaction.

Based on figures for 31 December 2017 and adjusted consolidated accounts, the merger and DNB’s increased stake from 20% to 35% will lead to an increase in the equity for the Sparebank 1 Group of approx. NOK 4.7 billion. Sparebank 1 Østlandet’s share of this increase (12.4 per cent) is approximately NOK 310 million and will be posted as income or directly to equity in the consolidated accounts. The Group’s common equity Tier 1 (CET1) capital ratio will, however, remain virtually unchanged. The latter is due to the fact that the increased book value of the ownership interest in SpareBank 1 Gruppen AS results in a larger deduction from the CET1 ratio and increases risk weighted assets. Overall, this virtually neutralises the effect of the increase in book assets..

SpareBank 1 Gruppen AS (the parent company) will, before the effect of a potential transfer of the personal risk products is taken into account, receive a tax-free capital gain of approximately NOK 1.71 billion, as a result of the sale of shares to DNB ASA. SpareBank 1 Gruppen AS will have a corresponding increase in its basis for dividend payment. SpareBank 1 Østlandet’s share of a potential dividend of NOK 1.71 billion (12.4 per cent) constitutes NOK 212 million. The dividend will reduce the book value of the Group's investment in SpareBank 1 Gruppen, thereby also reducing the deduction from CET1 capital in the calculation of the capital ratio (ref. preceding paragraph). The Group's capital ratio will accordingly rise. Based on the Group's accounting figures as at 30 September 2018, this would entail an increase in the CET1 ratio of an estimated 0.3 percentage points. Any dividend from SpareBank 1 Gruppen AS will be conditional on the capital situation and decisions by the company’s governing bodies and cannot be implemented until the second quarter of 2019 at the earliest.

The Financial Supervisory Authority of Norway recently published a letter to the Ministry of Finance suggesting changes to the regulations which would prevent financial institutions paying dividends based on interim accounts. If this is passed, then the possible dividends from SpareBank 1 Gruppen to the owner banks mentioned above could not be paid until 2020. Similarly, potential increased dividends to the Bank's owners based on the sale could not be paid until 2021.

SpareBank 1 Boligkreditt AS (21.6 per cent stake) was established by the banks in the SpareBank 1 Alliance to utilise the market for covered bonds. The banks sell prime mortgages to the company and achieve lower funding costs. In 2018, the company posted a profit after tax of NOK 5 (-179) million. The improvement in profitability was primarily attributable to the fact that last year's figures were heavily affected negative value adjustments on basis swaps related to its own borrowing. From 1 January 2018, following the implementation of IFRS 9, the company has changed its accounting policy for recognising the effects of basis swaps. value adjustments on basis swaps are now recognised through other comprehensive income in SpareBank 1 Boligkreditt AS and thus do not affect the company's profit before tax or the Group's share of the profit. The share of the profits from SpareBank 1 Boligkreditt AS, which are included the consolidated accounts for SpareBank 1 Østlandet according to the equity method, are adjusted for interest paid on the hybrid capital that is recognised directly in equity. The share of the profits from SpareBank 1 Boligkreditt AS are therefore negative, despite the fact that the company posts a positive profit after tax.

SpareBank 1 Næringskreditt AS (13.3 per cent stake) was established according to the same model, and with the same management, as SpareBank 1 Boligkreditt AS. SpareBank 1 Næringskreditt has two classes of shares with differing rights to dividends. SpareBank 1 Østlandet includes 6.25 per cent of the company's results in its consolidated financial statements, equivalent to the Bank's share of the company's dividend payments. The company posted a profit after tax for 2018 of NOK 51 (59) million. In the same way as for SpareBank 1 Boligkreditt AS, the profit share reported in the consolidated financial statements for SpareBank 1 Østlandet is reduced by interest paid on the hybrid capital.

SpareBank 1 Kredittkort AS (20.5 per cent stake) is the SpareBank 1 Alliance's jointly owned credit card company. The company posted a profit after tax for 2018 of NOK 131 (60) million.

SpareBank 1 Betaling AS (18.7 per cent stake) is the SpareBank 1 Alliance's joint undertaking for payment solutions, including the SpareBank 1 Alliance's holding of Vipps. It was decided to merge infrastructure companies BankID AS and Bank Axept AS with Vipps AS in order to be more competitive with foreign entrants in the Norwegian market. The merger was completed in the second quarter of 2018. The company posted a loss after tax for 2018 of NOK -57 (-33) million. In the second quarter of 2018, SpareBank 1 Østlandet recognised a gain of NOK 59 million related to the agreed merger.

For more information about the financial statements of the various companies, please see the interim reports available on the companies' own websites.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

New rules on crisis management came into force from 1 January 2019. Although the MREL requirement will come into effect from 2019, the subordination requirement for capital that must be included in the recapitalisation amount (subordinated liabilities/tier 3) does not have to be met before the end of 2022. The final impact of the regulations has still to be clarified, but preliminary calculations indicate that SpareBank 1 Østlandet will need to issue NOK 7 billion in tier 3 capital. This requirement is considered manageable and is probably moderate relative to other Norwegian banks. This is due to factors such as the Bank's solid capital adequacy and moderate Pillar 2 requirements.

Tier 3 capital is expected to represent more expensive funding for the Bank than senior bonds issued on the same date and with the same maturity. Given current market prices, and the Bank's historic funding costs, the replacement of senior bonds with tier 3 capital is not expected to have a significant impact on the Bank's overall funding costs. The Financial Supervisory Authority of Norway has announced that it will provide further information and assessments on the banks' MREL requirements during 2019.

Proposed appropriation of profits

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

NOK million	31.12.18	31.12.17
Profit after tax (Parent bank)	1,447	1,102
Changes in fund for unrealised gains	-27	71
Profit available for distribution	**1,474**	**1,031**
Dividend	477	424
Dividend equalisation fund	521	272
Customer dividend	228	204
Primary capital	248	131
Total distribution	**1,474**	**1,031**

The profit available for allocation is determined after changes in the funds for unrealised gains amounting to NOK - 27 million. The total amount available is then NOK 1,474 million.

The profit has been split between primary capital and owners' equity in proportion to their relative share of the total equity. After the share issues made in 2018 and 2019, the equity capital certificate ratio (ECC ratio) has been changed from 67.5 to 69.3 per cent. Dividends and provisions to the dividend equalisation fund constitute 67.7 percent of the allocated profit.

The Board of Directors proposes to the Supervisory Board of the Bank a cash dividend of NOK 705 million. This gives a payout ratio to the equity certificate holders of 50 per cent of the majority's share of consolidated profit. Of this, cash dividends will be NOK 4.12 per equity certificate, totaling NOK 477 million. The Board of Directors also proposes to the Supervisory Board a customer dividend of NOK 222 million, in addition there will be a proposal to allocate NOK 6 million to gifts. The dividend equalisation fund and primary capital are then allocated NOK 521 million and NOK 255 million respectively.

Outlook

Although increased international uncertainty in the form of growing trade wars and a still unresolved Brexit situation could impact the Norwegian economy, the macroeconomic situation in Norway is stable. The Norwegian economy is robust, with strong adaptability, innovation and government finances.

At the regional level, most economic indicators are showing a positive trend. The region is experiencing positive house price development, solid credit growth and low unemployment, along with good profitability and great willingness to invest in SMEs. The Board of Directors considers this to be beneficial to the Group's continued growth and profitability, and conducive to stable credit risk development.

SpareBank 1 Østlandet has a long history as Norway's most solid regional savings bank, and its financial strength should continue to be a hallmark of the Bank, with a common equity tier 1 ratio above its peers. With a high capital adequacy, the Bank has strong credibility as a long-term partner for retail customers, SMEs and the public sector through changing business cycles, as well as providing a strong foundation to exploit the growth opportunities in the Bank's home market. The recently completed equity issues support the Bank's financial strength and strategic ambitions.

Since the merger with Bank 1 Oslo Akershus AS in April 2017, SpareBank 1 Østlandet has seen a steady increase in the number of customers, strong growth in lending and increased profitability. The Bank's distribution model with leading digital offerings combined with a well-developed branch network in central hubs and towns has proven to be a good driver for profitable growth. The growth rate during this period implies that the Bank has increased its market share in line with its strategic objectives.

The Board of Directors considers that the Bank still has profitable growth opportunities through its position in Norway's most interesting market area. The Board focuses on balancing solidity, profitability and growth through sound capital allocation, competitive dividend levels and efficient use of the capital markets to create value for the region, owners, customers and employees.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 7 February 2019

Income statement

Parent Bank						Group			
01.10-31.12		01.01-31.12				01.01-31.12		01.10-31.12	
2017	2018	2017	2018	*(NOK million)*	Notes	2018	2017	2018	2017
0	490	0	1,942	Interest income, fair value		1,942	0	490	0
739	318	2,642	1,132	Interest income, amortized cost		1,473	3,238	406	820
316	350	1,134	1,337	Interest expense		1,340	1,282	352	318
423	**458**	**1,508**	**1,737**	**Net interest income**		**2,074**	**1,956**	**544**	**501**
242	222	807	891	Commission income		1,210	1,197	297	312
18	16	57	74	Commission expenses		104	102	32	27
9	6	31	32	Other operating income		181	168	48	29
233	**213**	**782**	**849**	**Net commission and other operating income**		**1,286**	**1,263**	**313**	**315**
0	0	11	13	Dividends from other than Group companies	7	13	11	0	0
30	4	275	369	Net profit from ownership interests	7	198	194	57	77
60	-51	48	80	Net profit from other financial assets and liabilities	7	80	72	-51	67
90	**-46**	**334**	**461**	**Net income from financial assets and liabilities**		**291**	**277**	**7**	**143**
746	625	2,624	3,048	**Total net income**		3,651	3,496	864	959
224	176	684	674	Personnel expenses		1,050	1,010	286	308
16	18	57	69	Depreciation		102	84	23	22
170	156	548	566	Other operating expenses		728	804	197	220
411	**350**	**1,289**	**1,309**	**Total operating expenses**		**1,881**	**1,898**	**506**	**550**
335	**275**	**1,335**	**1,738**	**Operating profit before losses on loans and guarantees**		**1,770**	**1,598**	**358**	**409**
-20	5	-39	16	Impairment on loans and guarantees	6	35	-20	11	-13
355	**270**	**1,373**	**1,722**	**Pre-tax operating profit**		**1,735**	**1,618**	**347**	**422**
79	18	272	275	Tax expense		321	356	25	85
276	**253**	**1,102**	**1,447**	**Profit after tax**		**1,414**	**1,263**	**322**	**337**
				Majority interest		1,408	1,257	322	337
				Minority interest		5	6	0	1
				Earnings per equity certificate (in NOK)		8.46	7.92	1.61	

Statement of other comprehensive income

Parent Bank						Group			
01.10-31.12		01.01-31.12				01.01-31.12		01.10-31.12	
2017	2018	2017	2018	*(NOK million)*	Notes	2018	2017	2018	2017
276	**253**	**1,102**	**1,447**	**Profit after tax**		**1,414**	**1,263**	**322**	**337**
-7	-3	-7	-3	Actuarial gains/losses on pensions		-3	-7	-3	-7
2	1	2	1	Tax effects of actuarial gains/losses on pensions		1	2	1	2
0	20	0	23	Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk		23	0	20	0
0	-5	0	-6	Tax effects related to the above		-6	0	-5	0
0	0	0	0	Share of other comprehensive income from associated companies and joint ventures		1	3	0	3
-6	**13**	-6	**15**	**Total items that will not be reclassified through profit or loss**		**16**	**-3**	**13**	**-3**
26	0	75	0	Change in value of financial assets avaiable for sale		0	77	0	28
-5	0	-1	0	Financial assets avaiable for sale transferred to profit and loss on write-down due to permanent impairment of value		0	-1	0	-5
6	0	11	0	Financial assets avaiable for sale transferred to profit and loss on realisation		0	11	0	6
0	1	0	2	Net fair value adjustments on loans at fair value through other comprehensive income		2	0	1	0
0	0	0	-1	Tax effects related to the above		-1	0	0	0
0	-9	0	-51	Fair value changes on hedge derivatives due to changes in the currency basis spread		-51	0	-9	0
0	2	0	13	Tax effects related to the above		13	0	2	0
0	0	0	0	Share of other comprehensive income from associates and joint ventures		-40	2	-26	-5
27	**-6**	**86**	**-36**	**Total items that will be reclassified through profit or loss**		**-77**	**90**	**-32**	**24**
21	**7**	**80**	**-21**	**Total profit and loss items recognised in equity**		**-61**	**87**	**-19**	**21**
297	**259**	**1,182**	**1,426**	**Total profit/loss for the period**		**1,353**	**1,350**	**303**	**358**
				Majority interest		1,348	1,344	303	357
				Minority interest		5	6	0	1

Balance sheet

Parent Bank				Group	
31.12.2017	**31.12.2018**	*NOK million*	Notes	**31.12.2018**	**31.12.2017**
		ASSETS			
672	1,878	Cash and deposits with central banks		1,878	673
7,669	7,487	Loans to and receivables from credit institutions		1,023	1,808
83,030	90,878	Loans to and receivables from customers	5,6	98,606	90,098
8,883	14,446	Certificates, bonds and fixed-income funds	10	14,446	8,883
582	819	Financial derivatives	8,10,11	819	582
494	594	Shares, units and other equity interests	10	594	495
3,336	3,635	Investments in associates and joint ventures		4,124	3,929
1,370	1,521	Investments in subsidiaries		0	0
0	0	Assets held for sale		0	0
365	337	Property, plant and equipment		543	578
100	96	Goodwill and other intangible assets		400	366
3	0	Deferred tax asset		0	0
645	699	Other assets	12	1,041	910
107,149	**122,390**	**Total assets**		**123,472**	**108,321**
		LIABILITIES			
2,288	2,704	Deposits from and liabilities to credit institutions		2,636	2,286
66,013	71,540	Deposits from and liabilities to customers	13	71,497	65,985
23,686	31,984	Liabilities arising from issuance of securities	10,14	31,984	23,686
307	354	Financial derivatives	8,10,11	354	307
314	205	Current tax liabilities		248	358
0	69	Deferred tax liabilities		202	122
431	532	Other debt and liabilities recognised in the balance sheet	15	687	541
1,706	1,102	Subordinated loan capital	10,14	1,102	1,706
94,743	**108,490**	**Total liabilites**		**108,710**	**94,990**
		EQUITY CAPITAL			
5,359	5,766	Equity capital certificates	16	5,766	5,359
547	830	Premium fund	16	830	547
1,584	2,112	Dividend equalisation fund	16	2,112	1,584
424	477	Dividend		477	424
3,432	3,690	Primary capital *)		3,690	3,432
165	166	Other paid-up equity		166	165
20	15	Provision for gifts		15	20
279	252	Fund for unrealised gains		253	281
204	222	Dividend customers return		222	204
400	400	Hybrid capital		400	400
-8	-30	Interest expense for hybrid capital		-48	-30
0	0	Other equity		776	883
		Minority interests		102	62
12,406	**13,900**	**Total equity capital**		**14,762**	**13,331**
107,149	**122,390**	**Total equity capital and liabilities**		**123,472**	**108,321**

*) Distributions to donations of NOK 6 million are included in the primary capital as at 31 December 2018, and will, after approval by the Supervisory Board, be awarded to gifts.

The board of SpareBank 1 Østlandet

Hamar, February 7th, 2019

Changes in equity capital

Parent Bank

(NOK million)	Paid-up equity			Earned equity capital							
	Equity certicates	Premium fund	Other paid-up equity	Primary capital [1]	Dividend equalisation funds [2]	Provision for gifts	Fund for unrealised gains	Other equity	Dividends	Hybrid-capital	Total equity capital
Equity capital as of 01.01.2017	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**0**	**148**	**0**	**10,430**
ECs issued and transferred to owners	49	27									**76**
Equity inflated by merger with B1OA			165		338						**503**
Hybrid capital										400	**400**
Interest on hybrid capital								-8			**-8**
Profit after tax				335	696		70				**1,102**
Actuarial gains after tax on pensions				-6							**-6**
Change revaluation reserve							75				**75**
Dividend paid									-148		**-148**
Donations distributed from profit 2016				-6							**-6**
Grants from provision for gifts in 2017						-13					**-13**
Equity capital as of 31.12.2017	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**279**	**0**	**0**	**400**	**12,406**
Equity capital as of 01.01.2018	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**279**	**-8**	**0**	**400**	**12,406**
OB Corr. related to transitional rules IFRS 9				11	23						**35**
Reposting of intereset on hybrid capital					3			-4			**0**
Reposting of acturaial gains after tas on pensions				4	-4						**0**
Adjusted equity capital at 01.01.2018	**5,359**	**547**	**166**	**3,652**	**2,031**	**20**	**279**	**-12**	**0**	**400**	**12,440**
ECs issued and transferred to owners	407	283									**690**
Hybrid capital											**0**
Interest after tax on hybrid capital								-17			**-17**
Profit after tax				477	998		-27				**1,447**
Value changes on creditspread and basisswap				-6	-15						**-21**
Value change on loans measured at fair value				1	1						**2**
Actuarial gains after tax on pensions				-1	-1						**-2**
Dividend paid				-204	-424						**-629**
Donations distributed from profit 2017				-6							**-6**
Grants from provision for gifts in 2018						-5					**-5**
Equity capital as of 31.12.2018	**5,766**	**830**	**166**	**3,912**	**2,589**	**15**	**252**	**-30**	**0**	**400**	**13,900**

Group

(NOK million)	Paid-up equity			Earned equity capital								
	Equity certicates	Premium fund	Other paid-up equity	Primary capital [1]	Dividend equalisation	Provision for gifts	Fund for unrealised	Other equity	Dividends	Hybrid-capital	Minority intersets	Total equity
Equity capital as of 01.01.2017	**5,310**	**520**	**0**	**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]								-8				**-8**
Adjusted equity capital at 01.01.17	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**1,220**	**148**	**400**	**47**	**12,099**
ECs issued and transferred to owners	49	27									13	**89**
Equity inflated by merger with B1OA			165		338			-503				**0**
Profit after tax				335	696		70	155			6	**1,263**
Actuarial gains after tax on pensions				-6								**-6**
associated companies and joint ventures not								3				**3**
Change revaluation reserve							77					**77**
associated companies and joint ventures								11				**11**
Interest expense for hybrid capital								-17				**-17**
Change in Group companies [3]								-16				**-16**
Dividend paid									-148		-4	**-152**
Donations distributed from profit 2016				-6								**-6**
Grants from provision for gifts in 2017						-13						**-13**
Equity capital as of 31.12.2017	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**281**	**853**	**0**	**400**	**62**	**13,331**
Equity capital as of 01.01.2018	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**281**	**853**	**0**	**400**	**62**	**13,331**
OB Corr Parent Bank			1	15	23			-4				**35**
OB Corr. Subsidiary								-19				**-19**
OB Corr. In Group companies								-3				**-3**
Adjusted equity capital at 01.01.2018	**5,359**	**547**	**166**	**3,651**	**2,031**	**20**	**281**	**826**	**0**	**400**	**62**	**13,343**
ECs issued and transferred to owners	407	283			0							**690**
Profit after tax				477	998		-27	-39			5	**1,414**
Value changes on creditspread and basisswap				-6	-15							**-21**
Value change on loans measured at fair value				1	1							**2**
Change revaluation reserve				-1	-1							**-2**
Share of other comprehensive income from associated companies and joint ventures								-39				**-39**
Changes trough equity from associated companies and joint ventures								-3				**-3**
Transferred from new minority interest											42	**42**
Change revaluation reserve												**0**
Interest expense on hybrid capital								-17				**-17**
Dividend paid				-204	-424						-6	**-634**
Donations distributed from profit 2017				-6	0							**-6**
Grants from provision for gifts in 2018						-5						**-5**
Equity capital as of 31.12.2018	**5,766**	**830**	**166**	**3,911**	**2,589**	**15**	**253**	**728**	**0**	**400**	**102**	**14,762**

1) Amounts transferred to primary capital include dividend payments.

2) Amounts transferred to dividend equalization funds includes dividends to customers return.

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

4) Changes in Group companies are mainly due the facth that SpareBank 1 Gruppen over years has allocated to little to fund for self-sustaining

Cash flow statement

Parent Bank 31.12.2017	Parent Bank 31.12.2018	(NOK million)	Group 31.12.2018	Group 31.12.2017
-5,965	-7,806	Change in gross lending to customers	-8,479	-7,486
2,256	2,716	Interest receipts from lending to customers	3,134	2,916
2,825	5,527	Change in deposits from customers	5,511	2,915
-503	-619	Interest payments on deposits from customers	-622	-577
-399	527	Change in receivables and debt from credit institutions	1,151	-101
101	115	Interest on receivables and debt to financial institutions	5	9
910	-5,532	Change in certificates and bonds	-5,532	1,517
246	208	Interest receipts from commercial papers and bonds	208	277
782	849	Net commission receipts	1,286	1,271
25	-9	Capital gains from sale on trading	-9	27
-1,269	-1,240	Payments for operations	-1,778	-1,862
-189	-314	Taxes paid	-355	-245
-864	-190	Other accruals	-234	-589
-2,043	**-5,769**	**Net change in liquidity from operations (A)**	**-5,714**	**-1,927**
-49	-41	Investments in tangible fixed assets	-67	-65
13	0	Receipts from sale of tangible fixed assets	33	13
-401	-340	Change in long-term investments in equities	-339	-392
276	385	Dividends from long-term investments in equities	257	182
-161	**4**	**Net cash flow from investments (B)**	**-116**	**-263**
5,043	12,699	Debt raised by issuance of secutities	12,699	5,113
500	400	Debt raised by subordinated loan capital	400	500
-2,603	-4,400	Repayments of issued securities	-4,400	-3,203
0	-1,000	Repayments of issued subordinated loan capital	-1,000	0
63	687	Payments arising from issuance of equity capital certificates	687	63
-523	-664	Interest payments on securities issued	-664	-592
-32	-37	Interest payments on subordinated loans	-37	-38
0	-629	Payment of dividend	-634	0
-13	-11	Donations	-11	-13
2,435	**7,046**	**Net cash flow from financing (C)**	**7,039**	**1,831**
458	0	**Cash and cash equivalents taken over from B1OA (D)**	0	0
-247	-152	**Payments arising from placements in subsidiaries (E)**	8	13
0	5	**Liquidity effect of acquisition and sale of other subsidiaries (F)**	5	0
441	**1,134**	**CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E+F)**	**1,222**	**-346**
382	824	Cash and cash equivalents at 1 January	736	1,082
824	**1,958**	**Cash and cash equivalents at the end of the period**	**1,958**	**736**
		Cash and cash equivalents at comprise:		
672	1,878	Cash and deposits with central banks	1,878	673
152	80	Deposits etc. at call with banks	80	63
824	**1,958**	**Cash and cash equivalents at the end of the period**	**1,958**	**736**

Notes to the accounts

Note 1 Accounting principles

1.1 Basis for preparation

The quarterly accounts for SpareBank 1 Østlandet cover the period 1 January - 31 December 2018. The quarterly accounts have been prepared in accordance with IAS 34 'Interim reporting'. These quarterly financial statements have been prepared in accordance with the current IFRS standards and IFRIC interpretations. The quarterly financial statements do not include all information required in full annual financial statements and should be read in conjunction with the financial statements for 2017. In this quarterly report, the Group has used the same accounting policies and methods of calculation as in the last financial statements with the following exceptions:

Treatment of tax in equity transactions

In previous periods, the Group has accounted for tax on all equity transactions (distributions) as part of the transaction itself, directly in equity. In the fourth quarter of 2018, the Group modified this principle. If the source of the dividends is past performance (accrued income), the tax consequences of the distribution are now presented as tax expenses in the income statement when dividends are decided on.

The change of principle has implications for customer dividend payouts and payments of 'interest' on hybrid tier 1 securities.

On 19 April 2018, dividends of NOK 202 million were paid to the Bank's loan and deposit customers. The payout gives a tax deduction of NOK 51 million for the 2018 income year. The tax deduction is recognised in accordance with the changed principle as a reduction in tax costs for 2018. The tax deduction was not previously recognised pending the binding advance notification from the Norwegian Tax Administration, so it affects the results for the fourth quarter of 2018.

The Group also has hybrid tier 1 securities classified as equity in the accounts, where interest payments are tax-deductible. The tax deduction was previously recognised directly in equity. The effect of the change on profits, when the tax deduction is recognised, amounts to NOK 4 million.

The change therefore has a total effect of NOK 55 million for the 2018 accounts.

New standards and interpretations applied from 2018:

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" are implemented with effect from 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was implementet 1 January 2018 and replaces IAS 39 Financial Instruments - Recognition and Measurement. IFRS 9 deals with recognition, classification, measurement, and derecognition of financial assets and obligations, as well as hedge accounting.

SpareBank 1 Østlandet has collaborated with other SpareBank 1 banks on modelling work, as well as analyses relating to valuation, classification, etc. over the past few years. The Group has calculated impairment losses based on IFRS 9 regulations as of 1 January 2018. For further information, see note 43 on IFRS 9 Financial Instruments in the annual financial statements for 2017, and note 6 in the first half year 2018 interim report.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was implemented 1 January 2018 and did not have significant consequences for the Group.

New standards and interpretations that have not been adopted yet

A number of new standards, amendments to standards, and interpretations will be mandatory for future annual financial statements. Among the standards that the Group has chosen not to apply early, the most significant is IFRS 16 Leases.

IAS 16 Leases

IFRS 16 Leases is a new accounting standard that takes effect on 1 January 2019 and replaces the current IAS 17 Leases. The standard sets out principles for accounting, measurement, presentation and information on leasing agreements. IFRS 16 removes the current distinction between operational and financial leases, and introduces a common accounting model for lessees. Most leases should be recognised in the balance sheet for the lessee with a lease liability and associated right of use at the date of entry into force. Depreciation of leased assets is recognised separately from interest on lease liabilities in the income statement. In connection with the introduction of the new standard, the Bank and its subsidiaries have reviewed new and existing leases. The following accounting policies and transitional provisions have been chosen for the implementation:

- The Group will avail itself of the option use the modified retrospective method in transitioning to IFRS 16. This means that the comparative figures for 2018 are not reworked. The right of use is measured at the same value as the lease liability and the whole effect is taken to the opening balance in 2019. This choice has been made for all agreements.
- The right of use will be presented in the balance sheet as part of 'Property, plant and equipment', while the lease liability will be recognised under 'Other liabilities'.
- Low-value assets will not be capitalised.
- Leases with a term of 12 months or less will not be capitalised.
- Fixed non-lease components built into the lease will be separated and not recognised as part of the liability.

For the SpareBank 1 Østlandet Group it is mainly residential leases that have been found to fall under the standard. Preliminary estimates indicate an increase in assets and liabilities in the order of NOK 170 million in the Group at the implementation date. This is not a significant amount when viewed against the Group's total balance sheet. The profit effects arising from the new standard are not expected to have any substantial effect on the Group's operating profit either.

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.

Customer dividends

The Bank's supervisory board decides each year how much should be distributed in customer dividends. The first decision was made at the meeting of the supervisory board on 23 March 2018, and the Bank paid NOK 202 million in dividends to its loan and deposit customers on 19 April 2018.

The customers will receive an amount based on the Bank's profit for the year and how much they themselves have in deposits and loans.

- Dividends are granted to individuals and companies.
- The customer can receive dividends on up to NOK 2 million in loans from the Bank.
- Co-debtors (persons with joint loans) can receive customer dividends of up to NOK 4 million.
- The customer can receive dividends on up to NOK 2 million in deposits with the Bank.
- The customer dividend applies from the first krone up to NOK 2 million.

The Ministry of Finance has given permission to use primary capital for customer dividends. The distribution of customer dividends is regulated by Section 10-17, fourth paragraph, of the Financial Institutions Act, which classifies customer dividends as an allocation of the profit for the year. The Bank has used this classification in its accounting, and has thus treated the payment as an equity transaction. The customer dividend payment gives a tax deduction of NOK 51 million for the 2018 income year. The tax deduction is recognised in accordance with changed principle discussed above as a reduction in tax costs for 2018.

Note 2 Change in the composition of the Group

2018

A reallocation of the shares of SpareBank 1 Boligkreditt AS pursuant to the shareholder agreement increased the stake in the company from 21.1 to 21.6 percent. The corresponding reallocation in SpareBank 1 Næringskreditt resulted in an increase in the stake from 12.4 to 13.3 percent.

In the fourth quarter, the investment in Komm-In was reclassified from an associated company to an ordinary shareholding. In the same quarter, the second tier subsidiary SpareBank 1 Regnskaphuset AS changed its name to TheVIT AS.

On 16 May 2018, the holding company SpareBank 1 Østlandet VIT AS was established. The company is 70.68 per cent owned by SpareBank 1 Østlandet. The Bank's former wholly-owned subsidiary SpareBank 1 Regnskapshuset Østlandet AS has been transferred to the holding company. The holding company also owns 100 per cent of the shares in the accounting and consultancy company TheVIT.

The shares of the jointly controlled property company Torggata 22 were sold in the second quarter.

Proaware AS changed its name in the first quarter to Betr AS.

A reallocation of shares in SpareBank 1 Kredittkort AS pursuant to the shareholder agreement resulted in the Group increasing its stake in the company from 19.6 per cent to 20.5 per cent with effect from 1 January 2018.

2017

SpareBank 1 Østlandet has become owner of 20.0 per cent of the shares in Proware AS and 20 per cent of the shares in SMB Lab AS.

In the third quarter SpareBank 1 Østlandet aquired 21.2 per cent of the shares in SpareBank 1 Betaling AS and classifed this company as an accociated company. SpareBank 1 Betaling AS owns 25 per cent of the shares in Vipps AS.

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

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

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 per cent for the retail- and corporate banking.
- Net commission and other income in retail- and corporate banking contain their share of indirect income.
- Operating expenses in retail- and corporate banking contain their share of indirect costs
- The result of the elimination of companies appears with other activities in a separate column.

31.12.2018	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Megler 1 Oslo Akershus Group	SpareBank 1 Østlandet VIT Group	Other operations/ eliminations	Total
Income statement								
Net interest income	987	839	340	0	2	-1	-93	2,074
Net commissions and other income	764	193	-31	120	208	164	-132	1,286
Net income from financial assets and liabilities	0	0	0	0	0	0	291	291
Total operating expenses	888	403	103	109	206	174	-3	1,881
Profit before losses by segment	**863**	**629**	**205**	**11**	**4**	**-11**	**69**	**1,770**
Impairment on loans and guarantees	8	8	19	0	0	0	0	35
Pre-tax operating profit	**855**	**621**	**186**	**11**	**4**	**-11**	**69**	**1,735**
Tax expense	214	155	47	2	1	-2	-95	321
Profit/loss per segment after tax	**641**	**465**	**139**	**8**	**3**	**-9**	**164**	**1,414**
Balance sheet								
Gross lending to customers	60,943	30,215	7,828	0	0	0	-47	98,940
Allowance for credit losses	-68	-211	-56	0	0	0	0	-334
Other assets	2,862	462	234	71	76	134	21,029	24,866
Total assets per segment	**63,738**	**30,467**	**8,006**	**71**	**76**	**134**	**20,982**	**123,472**
Deposits from and liablilities to customers	41,487	29,974	0	0	0	0	36	71,496
Other liabilities and equity	22,251	493	8,006	71	76	134	20,946	51,976
Total equity capital and liabilities per segment	**63,738**	**30,467**	**8,006**	**71**	**76**	**134**	**20,982**	**123,472**

31.12.2017	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Eiendoms-Megler 1 Oslo Akershus Group	SpareBank 1 Østlandet VIT Group *)	Other operations/ eliminations	Total
Income statement								
Net interest income	938	751	312	0	2	-2	-46	1,956
Net commissions and other income	767	216	-39	108	192	148	-130	1,263
Net income from financial assets and liabilities	0	0	0	0	0	0	277	277
Total operating expenses	929	399	89	95	206	150	30	1,898
Profit before losses by segment	**777**	**569**	**184**	**14**	**-12**	**-3**	**71**	**1,598**
Impairment on loans and guarantees	7	-54	26	0	0	0	0	-20
Pre-tax operating profit	**769**	**622**	**158**	**14**	**-12**	**-3**	**71**	**1,618**
Tax expense	192	156	39	3	0	-1	-34	356
Profit/loss per segment after tax	**577**	**467**	**118**	**10**	**-12**	**-3**	**105**	**1,263**
Balance sheet								
Gross lending to customers	56,208	27,046	7,131	0	0	0	75	90,460
Individual impairments to cover losses on loans	-31	-95	-16	0	0	0	0	-142
Collective impairments to cover losses on loans	-75	-124	-22	0	0	0	0	-221
Other assets	1,538	448	154	61	84	130	15,808	18,223
Total assets per segment	**57,641**	**27,275**	**7,247**	**61**	**84**	**130**	**15,883**	**108,321**
Deposits from and liablilities to customers	39,260	26,645	0	0	0	0	81	65,986
Other liabilities and equity	18,382	629	7,247	61	84	130	15,802	42,335
Total equity capital and liabilities per segment	**57,641**	**27,275**	**7,247**	**61**	**84**	**130**	**15,883**	**108,321**

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: Disclosure Requirements

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

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

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

The current requirement for common equity tier 1 (CET1) capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totalling 7.5 per cent, of which the Bank's countercyclical capital buffer requirement was 2 per cent at 31.12.2018. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.8 per cent as at 31.12.2018. The total capital requirement for common equity tier 1 capital was thus 13.8 per cent at 31 December 2018. In addition to this, a further 2 per cent is covered by additional Tier 1 capital and 1.5 per cent is covered by Tier 2 capital.

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

Parent Bank			Group	
Basel III	Basel III		Basel III	Basel III
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
6,078	6,762	Paid-up equity	6,670	6,111
5,928	6,738	Earned equity capital	7,588	6,758
400	400	Hybridcapital	400	400
-	-	Minority interests	104	62
12,406	**13,900**	**Total equity carried**	**14,762**	**13,331**
		Common equity tier 1 capital		
-629	-705	Results for the accounting year not included	-705	-629
-400	-400	Hybridcapital	-400	-400
-	-	Minority interests that is not eligible as CET1 capital	-58	-21
93	20	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	20	93
-	-	Cash flow hedge reserve	6	8
-103	-72	Goodwill and other intangible assets	-395	-380
-189	-238	Positive value of expected losses under the IRB approach	-311	-231
-	-	CET 1 instruments of financial sector entities where the institution does have a significant investement	-326	-154
-28	-27	Value adjustments due to the requirements for prudent valuation (AVA)	-27	-35
11,150	**12,479**	**Common equity tier 1 capital**	**12,566**	**11,583**
		Additional Tier 1 capital		
400	400	Hybrid capital	400	400
-	-	Instruments issued by consolidated entities that are given recognition in AT1 Capital	245	216
		Tier 1 capital		
		Supplementary capital in excess of Tier 1 capital		
1,700	1,100	Subordinated loan capital	1,100	1,700
-	-	Instruments issued by consolidated entities that are given recognition in T2 Capital	361	368
-	-	T2 instruments of financial sector where the institution does not have a significant investement	-	-
		T2 instruments of financial sector where the institution does have a significant investement		
1,570	**1,100**	**Total supplementary capital**	**1,461**	**1,939**
13,120	**13,979**	**Total eligible capital**	**14,672**	**14,138**
5,154	4,781	Corporates - SME	4,781	5,154
9,776	11,034	Corporates - Specialised Lending	11,034	9,776
633	1,411	Corporates - Other	1,411	633
1,020	1,223	SME exposure	1,424	1,203
14,507	16,886	Retail mortgage exposure	24,235	21,840
1,701	1,234	Other retail exposure	1,259	1,723
32,792	**36,569**	**Credit exposures calculated using IRB-approach**	**44,145**	**40,330**
10,869	12,106	Credit exposures calculated using the standardised approach	16,405	14,936
207	383	Counterparty credit risk	1,732	1,267
-	-	Market risk	-	-
3,343	3,433	Operational risk	5,222	4,503
2,577	1,849	Basel I floor adjustment	7,495	7,884
49,787	**54,340**	**Risk-weighted assets**	**74,999**	**68,920**
3,983	**4,347**	**Capital requirements (8%)**	**6,000**	**5,514**
846	**978**	**Pillar 2 (1.8 %, 1.7 % as at 31.12.2017)**	**1,350**	**1,172**
		Buffer requirements		
1,245	1,359	Capital conservation buffer (2.5%)	1,875	1,723
996	1,087	Countercyclical capital buffer (2 %)	1,500	1,378
1,494	1,630	Systemic risk buffer (3%)	2,250	2,068
3,734	**4,076**	**Total buffer requirements for Common Equity Tier 1 (7.5 %)**	**5,625**	**5,169**
4,329	**4,980**	**Available Common Equity (13.8 %, 13.7 % as at 31.12.2017)**	**2,217**	**2,141**
		Capital ratios		
22.4 %	**23.0 %**	CET 1 capital ratio	**16.8 %**	**16.8 %**
23.6 %	**23.8 %**	CET 1 capital ratio (excluding Basel 1-floor)	**18.6 %**	**19.0 %**
23.2 %	**23.7 %**	Tier 1 Capital ratio	**17.6 %**	**17.7 %**
26.4 %	**25.7 %**	Capital adequacy ratio	**19.6 %**	**20.5 %**
10.6 %	**10.2 %**	Leverage Ratio	**7.5 %**	**7.1 %**

Note 5 Loans to and receivables from customers

Parent Bank

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2018	**78,682**	**4,203**	**470**	**83,355**
Transfers in (out) to Stage 1	1,141	-1,105	-35	0
Transfers in (out) to Stage 2	-2,369	2,403	-34	0
Transfers in (out) to Stage 3	-70	-104	174	0
Net increase/decrease excisting loans	-1,651	-2	-33	-1,686
Purchases and originations	43,470	1,549	29	45,049
Derecognitions and maturities	-33,796	-1,532	-214	-35,542
Write-offs	0	0	-15	-15
Balance at 31.12.2018	**85,407**	**5,412**	**342**	**91,160**
Loan and advances to customers at amortised cost				27,786
Loan and advances to customers at fair value				63,374

Group

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2018	**84,976**	**4,958**	**527**	**90,461**
Transfers in (out) to Stage 1	1,347	-1,310	-38	0
Transfers in (out) to Stage 2	-2,846	2,885	-39	0
Transfers in (out) to Stage 3	-99	-139	238	0
Net increase/decrease excisting loans	-2,746	-192	-46	-2,985
Purchases and originations	46,681	1,838	48	48,567
Derecognitions and maturities	-35,126	-1,712	-248	-37,086
Write-offs	0	0	-15	-15
Balance at 31.12.2018	**92,187**	**6,327**	**427**	**98,941**
Loan and advances to customers at amortised cost				35,566
Loan and advances to customers at fair value				63,374

Parent Bank			Group	
31.12.2017	**31.12.2018**		**31.12.2018**	**31.12.2017**
4	251	Public sector	482	295
3,850	4,271	Primary industries	4,636	4,179
926	1,026	Paper and pulp industries	1,051	946
795	1,225	Other industry	1,472	1,030
2,936	3,135	Building and constructions	4,466	3,923
250	230	Power and water supply	397	427
1,053	1,003	Wholesale and retail trade	1,302	1,316
489	467	Hotel and restaurants	483	505
12,767	14,140	Real estate	14,277	12,861
3,823	4,588	Commercial services	5,172	4,368
681	496	Transport and communication	1,657	1,730
0	0	Other	0	8
27,573	**30,834**	**Gross corporate loans by sector and industry**	**35,397**	**31,589**
55,782	60,326	Private customers	63,544	58,872
83,355	**91,160**	**Total gross loans by sector and industry**	**98,940**	**90,461**
	-238	Loan loss allowance for loans at amortised cost	-291	
	-43	Fair value adjustments for loans at fair value through OCI	-43	
-126		Individual loan impairments to cover losses on loans		-142
-198		Collective loan impairments to cover losses on loans		-221
83,030	**90,878**	**Total loans to customers**	**98,606**	**90,098**
37,451	39,792	Loans transferred to SpareBank 1 Boligkreditt AS	39,792	37,451
1,624	1,433	Loans transferred to SpareBank 1 Næringskreditt AS	1,433	1,624
122,105	**132,103**	**Total loans including loans transferred to covered bond companies**	**139,831**	**129,173**

Note 6 Impairment losses on loans and guarantees

There has been calculations of ECL on credit institutions and central banks, but the effect is deemed insignificant and consequently not included in the write-downs.

Parent Bank

31.12.2018

(Millions of Norwegian Kroner)	01.01.2018	Provision for credit losses	Net write-offs	31.12.2018
Provisions for loan and guarantee losses at amortised cost	273	17	-26	265
Provisions for loan losses at fair value over OCI	78	-8	-5	65
Total provisions for credit losses	**351**	**10**	**-31**	**329**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	308	0	-26	282
Liabilities: Provisions for loan losses - increase of liabilities	23	5	-3	25
Eqity: Fair value adjustment of losses	20	2	0	22

Provisions for credit losses	12-month ECL Stage 1	Lifetime ECL not credit-impaird Stage 2	Lifetime ECL credit-impaird Stage 3	Total
Balance at 01.01.2018	**101**	**117**	**133**	**351**
Provision for credit losses				
Transfers in (out) to Stage 1	31	-21	-10	0
Transfers in (out) to Stage 2	-6	18	-12	0
Transfers in (out) to Stage 3	0	-8	8	0
Net remeasurement of loss provisions	-46	35	31	20
Purchases and originations	63	33	10	107
Derecognitions and maturities	-32	-39	-51	-122
Write-offs	0	0	-26	-26
Balance at 31.12.2018	**111**	**136**	**83**	**329**

Group

31.12.2018

(Millions of Norwegian Kroner)	01.01.2018	Provision for credit losses	Net write-offs	31.12.2018
Provisions for loan and guarantee losses at amortised cost	331	15	-26	320
Provisions for loan losses at fair value over OCI	78	-8	-5	65
Total provisions for credit losses	**409**	**8**	**-31**	**385**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	366	-2	-26	337
Liabilities: Provisions for loan losses - increase of liabilities	23	5	-3	25
Eqity: Fair value adjustment of losses	20	2	0	22

Provisions for credit losses	12-month ECL Stage 1	Lifetime ECL not credit-impaird Stage 2	Lifetime ECL credit-impaird Stage 3	Total
Balance at 01.01.2018	**116**	**144**	**149**	**409**
Provision for credit losses				
Transfers in (out) to Stage 1	37	-27	-11	-1
Transfers in (out) to Stage 2	-8	21	-12	0
Transfers in (out) to Stage 3	-1	-9	10	0
Net remeasurement of loss provisions	-54	36	36	18
Purchases and originations	72	41	11	125
Derecognitions and maturities	-36	-43	-61	-140
Write-offs	0	0	-26	-26
Balance at 31.12.2018	**127**	**162**	**96**	**385**

Note 7 Net income from financial assets and liabilities

Parent Bank 01.01-31.12 2017	2018		Group 01.01-31.12 2018	2017
11	13	Dividends from equities	13	11
11	**13**	**Dividends from other than Group companies**	**13**	**11**
265	372	Dividends (Parent Bank) or net profit from Group companies (Group)	198	194
1	-4	Gains or losses on realisation of Group companies (Parent Bank)		
10	0	Impairment on Group companies (Parent Bank)		
275	**369**	**Net profit from ownership interests**	**198**	**194**
16	-20	Net change in value on certificates, bonds and fixed-income funds	-20	33
13	-1	Net change in value on derivatives that hedge securities above	-1	12
29	*-21*	*Net change in value on certificates, bonds and fixed-income funds including he*	*-21*	*45*
19	35	Net change in value of securities issued	35	28
-73	-17	Net change in value in derivatives that hedge securities issued	-17	-86
-53	*17*	*Net change in value on securities issued including hedge derivatives*	*17*	*-58*
0	15	Net change in value on equity instruments at fair value through profit and loss	15	0
5	-64	Net change fixed-rate loans to customers at fair value through profit and loss	-64	12
2	11	Net change in value of other derivatives	11	0
10	73	Gains or losses on realisation of assets at fair value through profit and loss	73	10
15		Gains or losses on realisation of assets available for sale (IAS 39)		17
40	47	Net income from FX trading	47	46
48	**80**	**Net profit from other financial assets and liabilities**	**80**	**72**
334	**461**	**Net income from financial assets and liabilities**	**291**	**277**

Note 8 Financial derivatives

Parent Bank and Group

	31.12.2018		
	Contract amount	Fair value	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	2,196	24	39
Currency swaps	1,118	8	64
Total currency instruments	**3,314**	**32**	**102**
Interest rate instruments			
Interest rate swaps (including cross-currency)	34,858	787	252
Other interest rate contracts	2,984	1	0
Total interest rate instruments	**37,841**	**787**	**252**
Total currency instruments	**3,314**	**32**	**102**
Total interest rate instruments	**37,841**	**787**	**252**
Total financial derivates	**41,155**	**819**	**354**

	31.12.2017		
	Contract amount	Fair value	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	1,263	12	14
Currency swaps	1,576	4	29
Total currency instruments	**2,838**	**16**	**42**
Interest rate instruments			
Interest rate swaps (including cross-currency)	23,631	566	264
Other interest rate contracts	0	0	0
Total interest rate instruments	**23,631**	**566**	**264**
Total currency instruments	**2,838**	**16**	**42**
Total interest rate instruments	**23,631**	**566**	**264**
Total financial derivates	**26,469**	**582**	**307**

Note 9 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations and finance its assets, without an increase in funding cost. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has approved internal limits to achieve as balanced maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturities for bank-specific crises, system crises and a combination of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of the bank's borrowings was 3.8 years at the end of 2018. At the same date, total LCR was 152.5 %.

Note 10 Financial instruments at fair value

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

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

Group

31.12.2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value				
- Derivatives	0	819	0	819
- Certificates, bonds and fixes-income funds	0	14,446	0	14,446
- Fixed-rate loans to customers	0	0	6,471	6,471
- Equity instruments	268	47	279	594
- Other financial assets	0	0	4	4
- Mortgages	0	0	56,859	56,859
Total assets	**268**	**15,311**	**63,614**	**79,193**
Liabilities				
Financial liabilities at fair value				
- Derivatives	0	354	0	354
- Securities issued	0	4,831	0	4,831
Total liabilities	**0**	**5,185**	**0**	**5,185**

31.12.2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	582	0	582
- Bonds and certificates	0	8,883	0	8,883
- Fixed-rate loans to customers	0	0	5,254	5,254
- Equity instruments	0	0	0	0
Financial assets available for sale				
- Equity instruments	258	0	237	495
- Other financial assets	0	0	40	40
Total assets	**258**	**9,465**	**5,531**	**15,254**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	307	0	307
- Securities issued	0	11,543	0	11,543
- Subordinated loan capital	0	503	0	503
- Fixed-rate deposits from customers	0	406	0	406
- Term deposit	0	0	9	9
Total liabilities	**0**	**12,758**	**9**	**12,767**

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

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

If one or more important inputs required to determine the fair value of an instrument are not observable market data, the instrument is included in level 3.

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

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

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

31.12.2017-31.12.2018	Fixed-rate loans to customers	Equity instruments	Term deposit	Mortgages (FVOCI)	Other financial assets	Total
Opening balance	5,254	237	-9	0	40	**5,522**
IFRS 9 implementation effects and other reclassifications	0	38	9	51,244	-36	**51,256**
Investments in the period	2,803	6	0	31,146	0	**33,954**
Sales/redemption in the period	-1,521	-8	0	-25,514	0	**-27,043**
Gains/losses recognised through profit and loss	-64	6	0	-19	0	**-78**
Gains/losses recognised through other comprehensive income	0	0	0	2	0	**2**
Closing balance	6,471	279	0	56,859	4	**63,614**
Gains/losses for the period included in the profit for assets owned on the balance sheet day	-64	6	0	-19	0	**-78**

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

Specification of fair value, instruments classified in level 3:

31.12.2018	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,470	207	56,902	4	**63,584**
Fair value adjustment	1	72	-43	0	**30**
Closing balance	6,471	279	56,859	4	**63,614**

31.12.2017	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	5,190	167	0	-9	4	**5,351**
Fair value adjustment	64	71	0	0	36	**171**
Closing balance	5,254	237	0	-9	40	**5,522**

Sensitivity, instruments classified as level 3

The valuation of fixed-rate loans to customers is based on an agreed rate with the customer. The loans are discounted by the current yield curve plus a discretionary market premium. An increase in the discount rate by ten basis points would have resulted in a negative change in fair value of MNOK 15.

Equity instruments in Level 3 consist of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 54), Eksportfinans ASA (MNOK 71), SpareBank 1 Markets AS (NOK 39 million) and VN Norge AS (NOK 41 million). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass belonging to Oslo Kongressenter Folkets Hus BA (P/B 4.2). Based on an external valuation in connection with a demerger in 2012 and subsequent equity transactions, the value of Eksportfinans ASA is consicered to be less than book value (P/B 0.85). The value of the shareholding in SpareBank 1 Markets are based on current issue pricing. The value of the shareholding in VN Norge (former Visa Norge FLI, transformed into a limited company medio 2018) are based on valuation of underlying assets, of witch preference shares in Visa Inc are most significant. Preference shares in Visa Inc will be converted into tradable shares no later than 2028. The valuation of this underlying asset is based on the share price of tradable Visa Inc stocks and the closing exchange rate (USDNOK) as well as agreed conversion factor for the preference shares. Net value is less deferred tax and a liquidity discount. The preference shares are priced by an external party.

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued bases on carrying amounts and expected credit losses. Mortgages that do not have a significantly higher credit risk than they did upon initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With the current assumptions on expected credit loss, the fair value adjustment amounts to MNOK 62. Change in fair value will mainly relate to estimates on probability of default (PD) and loss given default (LGD), both at portfolio level and for individual loans.

Note 11 Financial instruments and netting

In accordance with IFRS 7 it should be disclosed which of the financial instruments the Bank considers to fulfill the requirements for offsetting and which financial instruments they have signed netting agreements on.

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

SpareBank 1 Østlandet has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, agreements requiring provision of collateral is established. 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 for financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into credit supplementary agreements (CSA) with twelve institutional counterparties. Repurchase agreements are governed by GMRA agreements with counterparty. The Bank has four GMRA agreements.

The assets and liabilities below may be offset.

Parent Bank and Group

31.12.2018	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Amounts not presented on the balance sheet on a net basis: Financial instruments	Amounts not presented on the balance sheet on a net basis: Cash collateral given/(received)	Net amount
Derivatives as assets	819	0	819	-264	-417	**138**
Derivatives as liabilities	-354	0	-354	264	16	**-74**

31.12.2017	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	582	0	582	-212	-218	152
Derivatives as liabilities	-307	0	-307	212	73	-22

Note 12 Other assets

Parent Bank			Group	
31.12.2017	31.12.2018		31.12.2018	31.12.2017
273	273	Capital payments into pension fund	273	273
54	37	Accrued income, not yet received	39	55
66	94	Prepaid costs, not yet incurred	149	135
2	0	Unsettled trades	0	2
249	295	Other assets	581	445
645	**699**	**Total other assets**	**1,041**	**910**

Note 13 Deposits from and liabilities to customers

Parent Bank			Group	
31.12.2017	31.12.2018		31.12.2018	31.12.2017
38,682	40,886	Private customers	40,886	38,682
4,329	5,880	Public sector	5,880	4,329
874	868	Primary industries	868	874
266	275	Paper and pulp industries	275	266
826	754	Other industry	754	826
1,602	1,779	Building and construction	1,779	1,602
139	87	Power and water supply	87	139
1,388	1,496	Wholesale and retail trade	1,496	1,388
267	290	Hotel and restaurants	290	267
3,549	3,826	Real estate	3,826	3,549
12,993	14,338	Commercial services	14,295	12,965
1,013	1,060	Transport and communications	1,060	1,013
84	0	Other operations	0	84
66,013	**71,540**	**Total deposits by sector and industry**	**71,497**	**65,985**

Note 14 Debt securities issued

Parent Bank

Change in liabilities from issuance of securities	31.12.2018	Issued	Due/redeemed	Other Changes	31.12.2017
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	31,165	12,241	-4,400	215	23,109
Subordinated loan capital, nominal value	1,100	400	-1,000	0	1,700
Accrued interest	231	0	0	23	207
Adjustments	591	0	0	216	375
Total debt raised through issuance of securities and subordinated loan capital, book value	**33,087**	**12,641**	**-5,400**	**455**	**25,391**

Change in liabilities from issuance of securities	31.12.2017	Issued	Due/redeemed	Other Changes	31.12.2016
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	23,109	5,764	-2,603	7,854	12,093
Subordinated loan capital, nominal value	1,700	500	0	700	500
Accrued interest	207	0	0	84	123
Adjustments	375	0	0	186	189
Total debt raised through issuance of securities and subordinated loan capital, book value	**25,391**	**6,264**	**-2,603**	**8,824**	**12,906**

Group

Change in liabilities from issuance of securities	31.12.2018	Issued	Due/redeemed	Other Changes	31.12.2017
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	31,165	12,241	-4,400	215	23,109
Subordinated loan capital, nominal value	1,100	400	-1,000	0	1,700
Accrued interest	231	0	0	23	207
Adjustments	591	0	0	216	375
Total debt raised through issuance of securities and subordinated loan capital, book value	**33,087**	**12,641**	**-5,400**	**455**	**25,391**

Change in liabilities from issuance of securities (B1OA included in opening balance)	31.12.2017	Issued	Due/redeemed	Other Changes	31.12.2016
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	23,109	5,764	-3,203	-651	21,199
Subordinated loan capital, nominal value	1,700	500	0	0	1,200
Accrued interest	207	0	0	-14	221
Adjustments	375	0	0	-145	520
Total debt raised through issuance of securities and subordinated loan capital, book value	**25,391**	**6,264**	**-3,203**	**-810**	**23,140**

Note 15 Other debt and liabilities recognized in the balance sheet

Parent Bank			Group	
31.12.2017	**31.12.2018**		**31.12.2018**	**31.12.2017**
120	94	Accrued expenses and prepaid revenue	141	135
4	25	Provisions	25	4
84	86	Pension liabilities	87	87
81	83	Accounts payable	91	88
0	0	Unsettled trades	0	0
142	244	Other liabilities [1)]	343	227
431	**532**	**Total other debt and liabilities recognised in the balance sheet**	**687**	**541**

Note 16 Equity capital certificates and owner structure

Parent Bank	31.12.2018 [1]	31.12.2017
Equity capital certificates	5,766	5,359
Dividend equalisation fund	2,112	1,584
Dividends	477	424
Premium fund	830	547
A. Equity capital certificate owners' capital	**9,185**	**7,914**
Primary capital	3,690	3,432
Dividends to customers	222	204
Other paid-up equity	166	165
B. Total primary capital	**4,078**	**3,801**
Fund for unrealised gains	252	279
Provision for gifts	15	20
Total other equity	**267**	**299**
Other equity	0	0
Hybrid capital	400	400
Total interest expence on hybrid capital	-30	-8
Total equity	**13,900**	**12,406**
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	69.3 %	67.6 %
Equity certificates issued	**115,319,521**	**107,179,987**
Equity Certificates with the ringt to dividend [2]	**115,829,789**	

[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.

[2] In January 2019, there was a subsequent offering, a repair issue to the Norwegian Confederation of Trade Unions (LO) and an employee offering, with a total of 510,268 equity certificates issued and with gross proceeds of NOK 37 million.

20 largest owners of equity certificates:	No. Of EC's	Share in %
Sparebankstiftelsen Hedmark	60,404,892	52.38 %
Landsorganisasjonen LO sentralt	11,528,863	10.00 %
Tredje AP-Fonden	2,806,615	2.43 %
Fellesforbundet	1,950,901	1.69 %
Danske Invest Norske	1,847,725	1.60 %
ODIN Norge	1,621,218	1.41 %
Norsk Nærings og Nytelsesmiddelarbeiderforbund	1,219,526	1.06 %
VPF EIKA Egenkapitalbevis	1,046,599	0.91 %
SpareBank 1 BV	1,039,523	0.90 %
Fidelity PUR.TRUST:F Intrinsic Opportunit	1,000,000	0.87 %
Danske Invest Norske aksjer	993,400	0.86 %
SEB Nordenfond	866,680	0.75 %
SpareBank 1 Østfold Akershus	839,930	0.73 %
State Street Bank an A/C Client Omnibus	806,728	0.70 %
Landkreditt Utbytte	800,000	0.69 %
DnB NOR Bank ASA	755,803	0.66 %
State Street Bank an S/A SSB Client Omnibus	723,227	0.63 %
Arctic Funds PLC	657,066	0.57 %
JPMorgan Chase Bank	545,030	0.47 %
Skandinaviska Enskilda Banken	535,218	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.

Note 17 Events occurring after the balance date

SpareBank 1 Østlandet received 28 January 2019 a binding ruling from The Norwegian Tax Administration stating that the customer dividend paid by the bank is tax deductible. On 19 April 2018 202 MNOK was paid in customer dividends to the bank’s deposit and mortgage customers. The payment of the customer dividend results in a tax deduction of 51 MNOK for the fiscal year 2018. The tax deductions are posted according to IAS 12 as a reduction of the tax expense for 2018.

In January 2019, there was a subsequent offering, a repair issue to the Norwegian Confederation of Trade Unions (LO) and an employee offering, with a total of 510,268 equity certificates issued and with gross proceeds of NOK 37 million.

Profit/loss from the quarterly accounts

(NOK million, excluding percentages)	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Interest income	896	864	844	811	820	809	823	787	786
Interest expense	352	340	333	316	318	310	331	322	333
Net interest income	**544**	**524**	**511**	**495**	**501**	**498**	**491**	**464**	**452**
Commission income	297	299	310	304	312	311	297	277	275
Commission expenses	32	23	27	23	27	27	26	22	23
Other operating income	48	40	51	42	29	42	45	53	43
Net commission and other operating income	**313**	**316**	**334**	**323**	**315**	**325**	**316**	**308**	**295**
Dividends from other than Group companies	0	0	0	12	0	0	2	9	0
Net profit from ownership interests	57	58	54	30	77	82	30	6	49
Net profit from other financial assets and liabilities	-51	32	95	4	67	19	2	-14	17
Net income from financial assets and liabilities	**7**	**90**	**149**	**45**	**143**	**100**	**34**	**0**	**66**
Total income	**864**	**930**	**994**	**864**	959	**923**	**841**	**773**	**813**
Personnel expenses	286	259	247	258	308	233	237	232	253
Depreciation	23	24	32	23	22	21	21	21	22
Other operating expenses	197	173	190	169	220	179	221	184	201
Total operating expenses	**506**	**457**	**468**	**449**	**550**	**433**	**478**	**437**	**477**
Operating profit before losses on loans and guarantees	**358**	**473**	**525**	**414**	409	**491**	**363**	**335**	**337**
Impairment on loans and guarantees	11	12	7	5	-13	14	5	-26	43
Pre-tax operating profit	**347**	**461**	**518**	**409**	**422**	**476**	**358**	**361**	**294**
Tax expense	25	99	102	96	85	99	84	88	14
Profit after tax	**322**	**362**	**416**	**314**	**337**	**377**	**274**	**274**	**281**

	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Profitability									
Return on equity capital [1)]	9.1 %	10.8 %	12.9 %	9.9 %	10.4 %	12.0 %	9.0 %	9.3 %	9.6 %
Net interest income [2)]	1.76 %	1.73 %	1.75 %	1.81 %	1.85 %	1.85 %	1.88 %	1.85 %	1.79 %
Cost income ratio [3)]	58.6 %	49.2 %	47.6 %	52.0 %	57.4 %	46.9 %	56.8 %	56.6 %	58.6 %
Balance sheet and ratios									
Gross loans to customers	98,940	98,259	96,040	92,818	90,460	88,945	87,528	84,901	82,945
Gross loans to customers including loans transferred to covered bond companies [1)]	140,165	138,153	135,495	132,433	129,535	126,919	124,393	121,701	119,450
Growth in loans during the last 12 months [1)]	9.4 %	10.5 %	9.7 %	9.3 %	9.1 %	9.4 %	10.4 %	91.6 %	89.5 %
Growth in loans including loans transferred to covered bond companies in the last 12 months [1)]	8.2 %	8.9 %	8.9 %	8.8 %	8.4 %	7.9 %	8.0 %	95.8 %	95.4 %
Deposits from customers	71,497	70,251	70,645	66,110	65,985	65,268	66,653	62,782	63,070
Deposit to loan ratio [1)]	72.3 %	71.5 %	71.2 %	71.2 %	72.9 %	73.4 %	76.2 %	73.9 %	76.0 %
Deposit to loan ratio including loans transferred to covered bond companies [1)]	51.0 %	50.9 %	52.1 %	49.9 %	50.9 %	51.4 %	53.6 %	51.6 %	52.8 %
Growth in deposits in the last 12 months	8.4 %	7.6 %	6.0 %	5.3 %	4.6 %	5.1 %	6.4 %	86.4 %	88.5 %
Average total assets	122,395	120,455	116,840	111,205	107,316	106,982	104,757	101,749	100,679
Total assets	123,472	121,319	119,592	114,088	108,321	106,312	107,652	101,861	101,640
Total assets including loans transferred to covered bond companies [1)]	164,696	161,212	159,047	153,703	147,396	144,286	144,517	138,661	138,145
Losses and commitments in default									
Losses on loans as a percentage of gross loans [1)]	0.0 %	0.0 %	0.0 %	0.0 %	-0.1 %	0.1 %	0.0 %	-0.1 %	0.2 %
Commitments in default, percentage of gross loans [1)]	0.3 %	0.4 %	0.3 %	0.2 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %
Other doubtful commitments, percentage of gross loans [1)]	0.1 %	0.2 %	0.2 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %
Net commitments in default and other doutful commitments, percentage of gross loans [1)]	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %
Solidity and liquidity									
Common equity Tier 1 capital ratio	16.8 %	15.9 %	16.1 %	16.2 %	16.8 %	16.9 %	16.7 %	16.7 %	16.9 %
Tier 1 capital ratio	17.6 %	16.7 %	16.9 %	17.0 %	17.7 %	17.8 %	17.6 %	17.6 %	17.9 %
Capital ratio	19.6 %	18.7 %	19.3 %	19.4 %	20.5 %	19.9 %	19.9 %	19.3 %	20.3 %
Net subordinated capital	14,672	14,077	14,288	14,028	14,138	13,423	13,440	12,649	12,656

1) See attachment Alternative performance measures.
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).

Alternative performance measures

SpareBank 1 Østlandet's alternative performance measures (APMs) have been prepared in accordance with the ESMA guidelines on APMs and are indicators aimed at providing useful additional information to the financial statements. These performance measures are either adjusted indicators or measures that are not defined under IFRS or any other legislation and may not be directly comparable with the corresponding measures from other companies. The APMs are not intended to be a substitute for accounting figures drawn up according to IFRS and should not be given more emphasis than these accounting figures, but they have been included in financial reporting to give a fuller description of the Bank's performance. The APMs also represent important metrics for how the management is running the business.

Non-financial indicators and financial ratios defined by IFRS or other legislation are not defined as APMs. SpareBank 1 Østlandet's APMs are used both in the overview of main figures and in the directors' report, and in results presentations and prospectuses. All APMs are shown with corresponding comparative figures for previous periods.

Lending and deposit margins for the Parent Bank are calculated in relation to the daily average of loans to and deposits from customers. For all other main figures and APMs that are calculated using average balances, the average balance is calculated as the average of the opening balance for the current period and the closing balance for each of the quarters in the period.

Alternative performance measures	Definition and rationale
Profit after tax incl. interest hybrid capital	$Profit$ after tax - Interest expences on hybrid capital
	The key figure shows Result after tax adjusted for interest on hybrid capital. Hybrid capital is according to IFRS classified as equity and interest expences are booked as an equity transaction. Hybrid capital has many similarities with debt items and differs from other equity in that it is interest-bearing and is not entitled to dividend payments. The key figure shows what profit after tax would have been if the interest expenses related to the hybrid capital had been recognized in the income statement.
Return on equity capital	$\frac{(\text{Profit after tax} - \text{Interest expenses on hybrid capital}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Average equity} - \text{Average hybrid capital}}$
	The return on equity after tax is one of SpareBank 1 Østlandet's most important financial measures and provides relevant information about the company's profitability in that it measures the company's profitability in relation to the capital invested in the business. The result is corrected for interest on hybrid capital, which is classified as equity under IFRS, but which it is more natural in this context to treat as debt, as hybrid capital is interest-bearing and is not entitled to dividend payments.
Underlaying banking operations	$Operating\ profit\ before\ losses\ on\ loans\ and\ guarantees$ $- Net\ income\ from\ financial\ assets\ and\ liabilities - Notable\ items$
	The result from underlying banking operations provides relevant information about the profitability of the Bank's core business.
Cost-income-ratio	$\frac{\text{Total operating costs}}{\text{Total net income}}$
	This indicator provides information about the relationship between revenue and costs, and is a useful measure to assess the cost-effectiveness of the enterprise. It is calculated as total operating costs divided by total revenue.
Lending margin	$Weighted\ average\ interest\ rate\ on\ lending\ to\ customers$ and $loans\ transferred\ to\ covered\ bond\ companies\ - Average\ NIBOR\ 3\ MND$
	The loan margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' lending activities. Loans transferred to covered bond companies are included in the selection as they are included in the total lending activity.

Alternative performance measures	Definition and rationale
Deposit margin	$Average\ NIBOR\ 3\ MND - Weighted\ average\ interest\ rate\ on\ deposits\ from\ customers$
	The deposit margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' deposit activities.
Net interest margin	$Lending\ margin + Deposit\ margin$
	The net interest margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' overall lending and deposit activities. Loans transferred to covered bond companies are included in the selection as they are included in the total lending activity.
Net interest income inclusive of commissions from covered bond companies	$Net\ interest\ income + Commissions\ from\ loans\ and\ credit\ transferred\ to\ covered\ bond\ companies$
	Loans transferred to covered bond companies are part of total lending, but the income and expenses associated with these loans are recognised as commission income. The indicator is presented because it gives a good impression of net income from the overall lending and deposit activities.
Adjusted total assets	$Total\ assets + Loans\ transferred\ to\ covered\ bond\ companies$
	Total assets is an established industry-specific name for all assets plus loans transferred to covered bond companies included in the lending business.
Gross loans to customers including loans transferred to covered bond companies	$Loans\ to\ and\ receivables\ from\ customers + Loans\ transferred\ to\ covered\ bond\ companies$
	Loans transferred to covered bond companies are subtracted from the balance sheet, but are included in the total lending business.
Deposit to loan ratio	$\frac{Deposit\ from\ and\ liabilities\ to\ customers}{\text{Gross loans to customers}}$
	The deposit coverage ratio provides relevant information about SpareBank 1 Østlandet's financing mix. Deposits from customers are an important means of financing the Bank's lending business and the indicator provides important information about the Bank's dependence on market financing.
Deposit to loan ratio including loans transferred to covered bond companies	$\frac{Deposit\ from\ and\ liabilities\ to\ customers}{\text{Gross loans to customers } + Loans\ transferred\ to\ covered\ bond\ companies}$
	The deposit coverage ratio provides information about the financing mix in the overall lending business. Deposits from customers are an important means of financing the Bank's lending business and the indicator provides important information about the dependence of the overall lending business on market financing.
Growth in loans during the last 12 months	$\frac{\text{Gross loans to customers}}{\text{Gross loans to customers 12 months ago}} - 1$
	This indicator provides information about activity and growth in the Bank's lending activity.
Growth in loans including loans transferred to covered bond companies (CB) in the last 12 months	$\frac{Gross\ loans\ to\ customers + Loans\ transferred\ to\ CB}{Gross\ loans\ to\ customers\ 12\ months\ ago + Loans\ transferred\ to\ CB\ 12\ months\ ago} - 1$
	This indicator provides information about activity and growth in the Bank's total lending activity. The Bank uses the covered bond companies as a source of funding, and the indicator includes loans transferred to the covered bond companies to highlight the activity and growth in overall lending including these loans.

Alternative performance measures	Definition and rationale
Growth in deposits in the last 12 months	$\frac{\text{Deposits from and liabilities to customers}}{\textit{Deposits from and liabilities to customers } 12 \textit{ months ago}} - 1$ This indicator provides information about the activity and growth of the depositing business which is an important part of financing the Bank's lending activity.
Losses on loans as a percentage of gross loans	$\frac{(\text{Losses on loans and guarantees}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Gross loans to customers}}$ The indicator shows the impairment loss in relation to gross lending and provides relevant information about the company's impairment losses in relation to lending volume. This provides useful additional information to the recognised impairment losses as the cost is also viewed in the context of lending volume and is thus better suited for comparison with other banks.
Commitments in default as percentage of gross loans	$\frac{\text{Gross defaulted commitments for more than 90 days}}{\text{Gross loans to customers}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Other doubtful commitments as percentage of gross loans	$\frac{\text{Gross doubtful commitments not in default}}{\text{Gross loans to customers}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Net commitments in default and other doubtful commitments in percentage of gross loans	$\frac{\text{Net defaulted commitments} + \text{Net doubtful commitments}}{\text{Gross loans to customers}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Loan loss impairment ratio for defaulted commitments	$\frac{\textit{Individual write downs on defaulted commitments}}{\text{Gross defaulted commitments for more than 90 days}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Loan loss impairment ratio for doubtful commitments	$\frac{\textit{Individual write downs on doubtful commitments}}{\text{Gross doubtful commitments not in default}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Equity ratio	$\frac{\textit{Total equity capital}}{\text{Total assets}}$ The indicator provides information about the company's unweighted solvency ratio.
Book equity per EC	$\frac{(Tot.EC - Min.int. - Gifts - Hybrid\ cap. + Tot.interest\ expense\ on\ hybrid\ cap.) \times \text{EC certi. ratio}}{\text{Number of Equity certificates issued}}$ The indicator provides information about the value of the book equity per equity certificate. This allows the reader to assess the reasonableness of the quoted price for the equity certificate. It is calculated as the equity certificate holders' share of the equity at the end of the period divided by the number of equity certificates.
Price/Earnings per EC	$\frac{\textit{Listed price of EC}}{\text{Earnings per EC} \times (\frac{\text{Act}}{\text{Act}})}$ The indicator provides information on earnings per equity certificate against the exchange price on the relevant date, helping to assess the reasonableness of the price for the equity certificate. It is calculated as the price per equity certificate divided by annualised earnings per equity certificate.

Alternative performance measures	Definition and rationale
Price/book equity	$\frac{\textit{Listed price of EC}}{\text{Book equity per EC}}$
	The indicator provides information about the book value of the equity per equity certificate against the price at any given time. This allows the reader to assess the reasonableness of the quoted price for the equity certificate. It is calculated as the price per equity certificate divided by book equity per equity certificate (see definition of this measure above).
Average LTV (Loan to value)	$\frac{\text{Average amount on loans to customers}}{\text{Average market value of asset encumbrance}}$
	The indicator provides information about the loan-to-value ratio in the lending portfolio and is relevant for assessing risk of loss in the lending portfolio.
Loans transferred to covered bond (CB) companies	Loans transferred to SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS and thus derecognised from the balance sheet
	Loans transferred to covered bond companies are subtracted from the balance sheet, but are included in the total lending business. The indicator is used in calculating other APMs.
Act/Act	$\frac{\textit{Total number of days in the year}\ (365\ \textit{or}\ 366)}{\text{Number of days so far this year}}$
	Act/Act is used to annualise the results figures included in the indicators. Results figures are annualised in the indicators to make them comparable with figures for other periods.
Notable items	Identified costs considered to be non recurring
	The indicator is used to calculate the underlying banking activity, which is shown as a separate APM.

Financial calendar 2019

Preliminary annual accounts 2018	Friday 8 February
Annual report	Thursday 28 March
Ex. dividend	Friday 29 March
Dividend payment date	Tuesday 9 April
Q1 2019	Wednesday 8 May
Q2 2019	Tuesday 6 August
Q3 2019	Friday 25 October

This information is subject of the disclosure requirements acc. To § 5-1 vphl (Norwegian Securities Trading Act).

The Bank reserve the right to change any dates of publication.

The silent period occurs from the fifth banking day of the new quarter and until the interim report has been published. During this period, Investor Relations does not arrange any meetings with media, investors, analysts or other capital market players.

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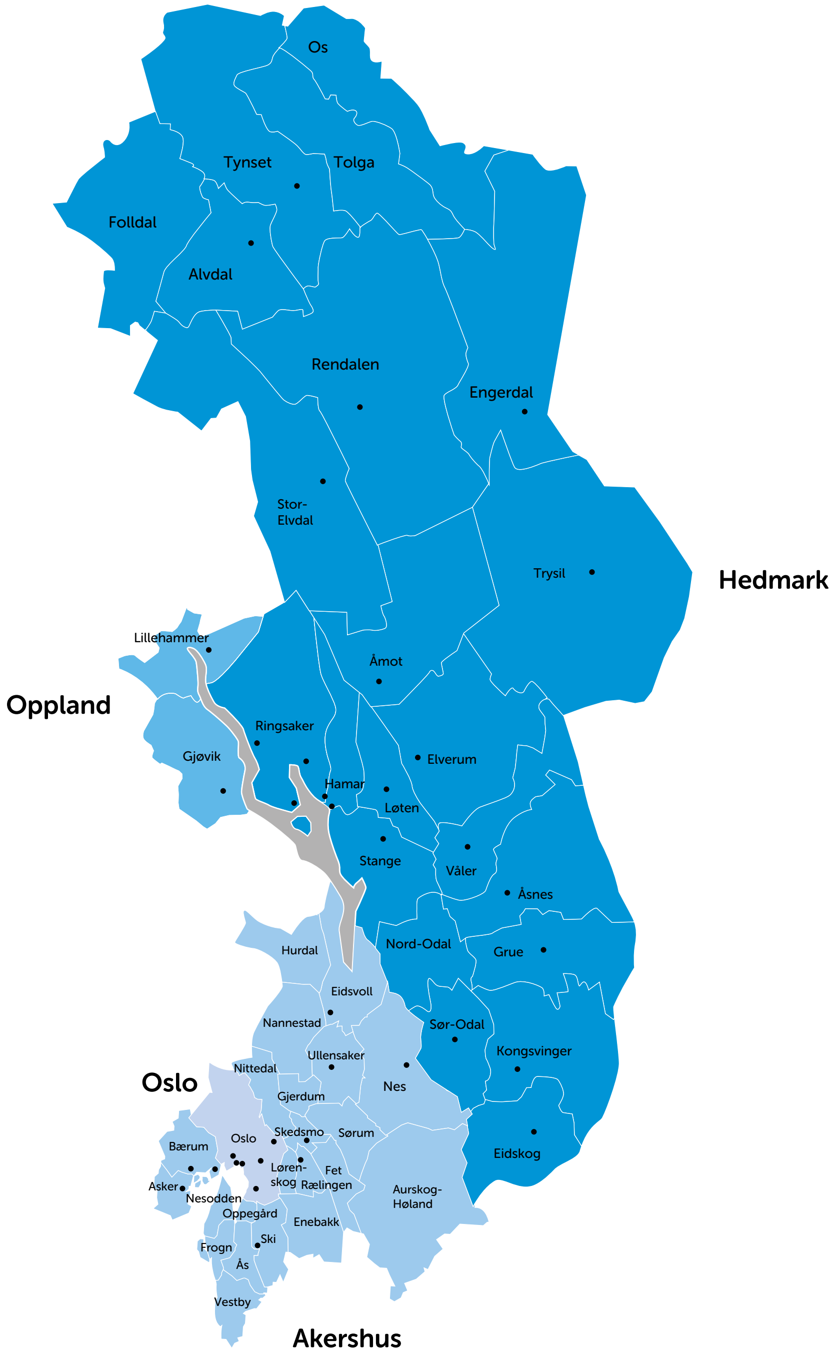

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