Third quarter report 2019

SPAREBANK 1 ØSTLANDET

Photo: Ricardofoto.no

Mjøstårnet, the worlds tallest wooden building, is located in Brumunddal by the banks of Mjøsa. The 18-storey building is 85.4 meters tall and was completed in March 2019. It houses apartments, hotel, swimming pool, office space and a restaurant.

SpareBank 1 ØSTLANDET

Content

Key figures

Group	01.01-30.09 2019		01.01-30.09 2018		Year 2018	
Summary (NOK million and per cent of average assets)	**Amount**	**Per cent 1)**	**Amount**	**Per cent 1)**	**Amount**	**Per cent 1)**
Net interest income	1,582	1.64 %	1,530	1.77 %	2,074	1.77 %
Net commission and other operating income	1,055	1.09 %	973	1.12 %	1,286	1.10 %
Net income from financial assets and liabilities	724	0.75 %	284	0.33 %	291	0.25 %
Total income	**3,360**	**3.47 %**	**2,787**	**3.22 %**	**3,651**	**3.11 %**
Total operating expenses	**1,441**	**1.49 %**	**1,375**	**1.59 %**	**1,881**	**1.60 %**
Operating profit before losses on loans and guarantees	**1,920**	**1.99 %**	**1,412**	**1.63 %**	**1,770**	**1.51 %**
Impairment on loans and guarantees	-0	0.00 %	24	0.03 %	35	0.03 %
Pre-tax operating profit	**1,920**	**1.99 %**	**1,388**	**1.60 %**	**1,735**	**1.48 %**
Tax expense	284	0.29 %	297	0.34 %	321	0.27 %
Profit after tax	**1,637**	**1.69 %**	**1,092**	**1.26 %**	**1,414**	**1.20 %**
Interest expenses on hybrid capital	7	0.01 %	10	0.01 %	-	0.01 %
Profit after tax incl. interest hybrid capital 2)	1,630	1.69 %	1,082	1.25 %	1,414	1.19 %
Profitability						
Return on equity capital 2)	14.8%		11.1%		10.5%	
Cost income ratio 2)	42.9%		49.3%		51.5%	
Balance sheet and ratios						
Gross loans to customers	104,037		98,259		98,940	
Gross loans to customers including loans transferred to covered bond companies 2)	147,310		138,153		140,165	
Growth in loans during the last 12 months 2)	5.9%		10.5%		9.4%	
Growth in loans including loans transferred to covered bond companies in the last 12 months 2)	6.6%		8.9%		8.2%	
Deposits from customers	76,866		70,251		71,497	
Growth in deposits in the last 12 months 2)	9.4%		7.6%		8.4%	
Deposit to loan ratio 2)	73.9%		71.5%		72.3%	
Deposit to loan ratio incl. loans transferred to covered bond companies 2)	52.2%		50.9%		51.0%	
Average total assets	129,296		115,830		117,358	
Total assets	136,568		121,319		123,472	
Total assets including loans transferred to covered bond companies 2)	179,841		161,212		164,696	
Losses and commitments in default						
Impairment on loans as a percentage of gross loans 2)	0.0%		0.0%		0.0%	
Loans to and receivables from customers in stage 2, percentage of gross loans	7.0%		6.4%		6.4%	
Loans to and receivables from customers in stage 3, percentage of gross loans	0.5%		0.5%		0.5%	
Solidity and liquidity						
CET 1 capital ratio	16.7%		15.9%		16.8%	
Tier 1 capital ratio	17.7%		16.7%		17.6%	
Capital adequacy ratio	19.7%		18.7%		19.6%	
Total eligible capital	15,685		14,077		14,672	
Equity ratio 2)	11.6%		11.4%		12.0%	
Leverage Ratio	7.4%		7.2%		7.5%	
LCR 3)	203.5%		157.6%		152.5%	
LCR in NOK 3)	196.8%		157.9%		164.2%	
LCR i EUR 3)	1463.2%		703.9%		123.2%	
Staff						
Number of fulltime equivalents	1,119		1,146		1,139	
Equity capital certificates						
Market price (NOK)	83.50		90.20		83.00	
Market capitalisation (NOK million)	9,672		9,668		9,572	
Book equity per EC 2)	91.20		83.84		85.83	
Earnings per EC, NOK 4)	9.72		6.85		8.46	
Price/Earnings per EC 2)	6.42		9.85		9.81	
Price/book equity 2)	0.92		1.08		0.97	

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 22.01.19 / number of EC's as at 22.01.2019.
(Number of EC's calculated after issue of EC's 22.01.2019)

Report of the Board of Directors

Third quarter of 2019 (Consolidated figures. Figures in brackets concern the corresponding period in 2018)

- Profit after tax: NOK 409 (362) million
- Return on equity: 10.7 (10.8) per cent
- Net interest income: NOK 554 (524) million
- Net commissions and other operating income: NOK 350 (316) million
- Net result from financial assets and liabilities: NOK 103 (90) million
- Total operating costs: NOK 457 (457) million
- Loan loss provisions: NOK 24 (12) million

Year to date as of 30 September 2019 (Consolidated figures. Figures in brackets concern the corresponding period in 2018)

- Profit after tax: NOK 1 637 (1 092) million
- Return on equity: 14.8 (11.1) per cent
- Earnings per equity certificate: NOK 9.72 (6.85)
- Net interest income: NOK 1 582 (1 530) million
- Net commissions and other operating income: NOK 1 055 (973) million
- Net result from financial assets and liabilities: NOK 724 (284) million
- Total operating costs: NOK 1 441 (1 375) million
- Loan loss provisions: NOK 0 (24) million
- Common equity tier 1 ratio: 16,7 (15.9) per cent.

Important events in the third quarter

New agreement with LO
During the third quarter, SpareBank 1 Østlandet signed an agreement with the Norwegian Confederation of Trade Unions (LO) for new and improved conditions for mortgages, mortgages for young members and first-time mortgages customers as part of the LOfavør loyalty program. LO members will thus gain access to one of the country's best mortgage rates.

Issuance of hybrid tier 1 capital and subordinated loans
SpareBank 1 Østlandet issued new AT1 capital of NOK 300 million and T2 of NOK 400 million on 30 August 2019. The settlement date for both loans was 10 September 2019 with a first call right for the issuer 5 years from the date of payment.

Euro Benchmark bond issue
SpareBank 1 Østlandet issued a new EUR 500 million bond on 23 September 2019. This is the second time SpareBank 1 Østlandet has issued a Euro benchmark bond and over 60 investors from across Europe participated.

Interest rate changes
Both the Norges Bank's deposit rate and the NIBOR rose in the third quarter of 2019. As a result of increased borrowing costs and other market changes, SpareBank 1 Østlandet raised deposit and lending rates on two occasions during the third quarter of 2019.

Initially, interest rates for savings accounts were generally raised by 0.15 percentage points, while lending rates were generally raised by 0.25 percentage points. The first interest rate change applied from 1 July for new loans, and for deposits and existing loans, it was effective from 15 July for the corporate market and from 12 August for the retail market.

In addition, SpareBank 1 Østlandet decided to further raise interest rates on 30 September 2019. Both lending and deposit rates were rasied by up to 0.25 percentage points. For the retail market, the interest rate change came into effect from 2 October 2019 for new loans, and for existing loans and deposits, interest rates will changed with effect from 13 November 2019. For the corporate market, the interest rate changes applied from 16 October 2019.

Fremtind Forsikring AS has been granted a licence to conduct life insurance business

Fremtind Forsikring AS was granted permission by the Financial Supervisory Authority of Norway to conduct life insurance business through its wholly owned subsidiary Fremtind Livsforsikring AS on 2 September 2019. This means that personal risk products from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as company-paid non-life insurance from SpareBank 1 Forsikring AS, are transferred to Fremtind livsforsikring AS. The demerger is expected to be completed by 1 January 2020.

The SpareBank 1 Østlandet Group

The Group comprises SpareBank 1 Østlandet and the wholly-owned subsidiaries EiendomsMegler 1 Innlandet AS (formerly EiendomsMegler 1 Hedmark Eiendom AS), EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second tier subsidiary), Youngstorget 1 AS and AS Vato, 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 consolidated financial statements.

SpareBank 1 Østlandet owns 12.40 per cent of SpareBank 1 Gruppen AS, 18.00 per cent of SpareBank 1 Utvikling DA (formerly SpareBank 1 Banksamarbeidet DA), 20.85 per cent of SpareBank 1 Kredittkort AS, 9.99 per cent of BN Bank ASA, 20.00 per cent of SMB Lab AS, 20.00 per cent of Betr AS, and 18.74 per cent of SpareBank 1 Betaling AS. The Bank also owns 21.61 per cent of SpareBank 1 Boligkreditt AS and 17.73 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements in proportion to the Bank's stake. The Group prepares its financial statements in accordance with international accounting standards as adopted by the EU (IAS 34).

Consolidated results for the third quarter of 2019

The SpareBank 1 Østlandet Group's profit after tax amounted to NOK 409 (362) million, compared with NOK 471 million in the second quarter of 2019. The return on equity was 10.7 (10.8) per cent, compared with 12.8 per cent in the second quarter of 2019.

Net interest income amounted to NOK 554 (524) million, compared with NOK 520 million in the second quarter of 2019. Net interest income as a percentage of average total assets was 1.64 (1.73) per cent, compared with 1.62 per cent in the second quarter of 2019.

Net commissions and other operating income amounted to NOK 350 (316) million, compared with NOK 364 million in the second quarter of 2019. Commissions from the covered bond companies amounted to NOK 84 (82) million, compared with NOK 82 million in the second quarter of 2019.

Income from real estate services amounted to NOK 82 (83) million, compared with NOK 81 million in the second quarter of 2019, and income from accounting services amounted to NOK 38 (39) million, compared with NOK 50 million in the second quarter of 2019.

The net result from financial assets and liabilities amounted to NOK 103 (90) million, compared with NOK 198 million in the second quarter of 2019.

Total operating costs amounted to NOK 457 (457) million, compared with NOK 489 million in the second quarter of 2019.

Impairment losses on loans and guarantees amounted to NOK 24 (12) million, compared with NOK 8 million in the second quarter of 2019.

Consolidated results as of 30 September 2019

Consolidated results

The SpareBank 1 Østlandet Group's profit after tax for the year to date as of 30 September amounted to NOK 1,637 (1 092) million. The return on equity was 14.8 (11.1) per cent.

The gain recognised in the Group as a result of DNB ASA increasing its ownership interest in Fremtind Forsikring AS from 20 to 35 per cent amounted to NOK 291 million. The gain has an annualised effect on the return on equity of 2.6 percentage points as at 30 September 2019.

Specification of the consolidated profit after tax in NOK millions:	30.09.19	30.09.18
Parent Bank's profit after tax	1,574	1,194
Dividends received from subsidiaries/associated companies	-582	-368
Share of profit from:		
SpareBank 1 Gruppen - Group figures	459	120
SpareBank 1 Boligkreditt AS	27	2
SpareBank 1 Næringskreditt AS	4	2
EiendomsMegler 1 Innlandet AS	11	13
EiendomsMegler 1 Oslo Akershus - Group figures	10	4
SpareBank 1 Finans Østlandet AS	92	107
SpareBank 1 Østlandet VIT - Group figures [1)]	-4	-3
SpareBank 1 Kredittkort AS	15	20
SpareBank 1 Betaling AS	7	-8
BN Bank ASA - Group figures	11	0
Other associated companies/joint ventures	12	9
Consolidated profit after tax	**1,637**	**1,092**

1) The profit at 30 September 2018 include SpareBank 1 Regnskapshuset Østlandet AS only for the period up to 16 May 2018.

Net interest income

Net interest income amounted to NOK 1,582 (1,530) million. Net interest income shows a lower increase than underlying operations indicate due to the subsidiary SpareBank 1 Finans Østlandet AS reclassifying some income items from 'net interest income' to 'net commissions and other operating income' from 1 January 2019. As of 30 September 2019, this reclassification amounted to NOK 75 million.

Net interest income must be viewed in conjunction with commissions from mortgages transferred to the partly-owned covered bond companies (recognised as income from commissions) totalling NOK 251 (276) million. Total net interest income and commissions from the covered bond companies totalled NOK 1,832 (1,806) million. Improved lending margins and growth in loans and deposits contributed to the increase in total net interest income, while the reclassification of income in SpareBank 1 Finans Østlandet AS reduced lending margins and lower commissions from the covered bond companies had the opposite effect.

Net interest income as a percentage of average total assets was 1.64 (1.77) per cent. The effect of the reclassification of individual income items in the subsidiary SpareBank 1 Finans Østlandet AS amounted to 0.08 percentage points.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 1,055 (973) million.

NOK million	30.09.19	30.09.18
Net money transfer fees	90	103
Commissions revenues from insurance and savings	152	146
Commissions revenues from covered bonds companies	251	276
Commission revenues from credit cards	46	50
Real estate broker commision	237	246
Accounting services	140	121
Other income	138	31
Net commissions and other (non interest) income	**1,055**	**973**

The increase in commissions was is mainly due to increased income from accounting services as a result of the consolidation of TheVIT AS. The increase in other operating income was mainly due to the subsidiary SpareBank 1 Finans Østlandet AS reclassifying some income items from 'net interest income' to 'net commissions and other operating income' from 1 January 2019. As of 30 September 2019, this effect amounted to NOK 75 million. This was offset by reduced commissions from the covered bond companies, reduced commissions from credit cards, reduced income from real estate brokerage services and reduced net income from payment services.

For more detailed information about the various business segments in the Group, see Note 3 'Segment information'.

Net result from financial assets and liabilities

The net result from financial assets and liabilities was NOK 724 (284) million.

NOK million	30.09.19	30.09.18
Dividends from other than Group companies	19	13
Net profit from ownership interests	520	141
Net profit from other financial assets and liabilities	185	131
Net commission and other operating income	**724**	**284**

Dividends of NOK 19 (13) million primarily consist of dividends from Totens Sparebank of NOK 12 (12) million and dividends from VN Norge AS of NOK 6 (0) million.

The net profit from ownership interests amounted to NOK 520 (141) million.

Contribution from Associated companies and joint ventures	30.09.19	30.09.18
SpareBank 1 Gruppen AS	459	120
SpareBank 1 Boligkreditt AS	27	2
SpareBank 1 Næringskreditt AS	4	2
SpareBank 1 Kredittkort AS	15	20
SpareBank 1 Betaling AS	7	-8
BN Bank ASA	11	0
Other associated companies/joint ventures	-3	6
Net profit from ownership interests	**520**	**141**

The increase of NOK 379 million was mainly due to effects from SpareBank 1 Gruppen AS relating to the insurance merger, the sale of shares in Fremtind Forsikring AS, and the write up of properties in the subsidiary SpareBank 1 Forsikring AS. The increase was also due to better results from SpareBank 1 Betaling AS and the covered bond companies, as well as profit contributions from BN Bank ASA with effect from 24 May 2019.

The net result from other financial assets and liabilities was NOK 185 (131) million. The profit contribution from other financial assets and liabilities as of 30 September 2019 was mainly due to a positive value change in equity instruments, issued securities and fixed-income securities in the liquidity portfolio, as well as a positive net result from currency trading and a positive value change on fixed-rate loans to customers.

Also see Note 7 'Net result from financial assets and liabilities'.

Operating costs

Total operating expenses were NOK 1,441 (1,375) million and amounted to 42.9 (49.3) per cent of net income.

The gain recognised in the Group as a result of DNB ASA increasing its ownership interest in Fremtind Forsikring AS from 20 to 35 per cent amounted to NOK 291 million. The gain gave an effect on the cost/income ratio of 4.1 percentage points as at 30 September 2019.

NOK million	30.09.19	30.09.18	Change
Personnel costs ex. restructuring costs	819	764	7.1 %
Depreciation/amortization	100	79	25.9 %
IT costs	217	197	9.8 %
Marketing	66	91	-26.5 %
Operating expences from real estate	34	63	-46.7 %
Other costs	200	180	11.0 %
Total operating expenses ex. restructuring costs	**1,436**	**1,375**	**4.4 %**
Restructuring costs	**5**	**0**	
Total operating costs	**1,441**	**1,375**	**4.8 %**

The NOK 66 million increase in total operating costs was mainly due to increased staff costs. On top of normal wage growth, personnel costs have increased in subsidiaries, including the consolidation of TheVIT AS, as well as costs of NOK 7 million related to employee discounts on purchases of equity certificates as part of the employee offering in the first quarter. Increased depreciation must be seen in the context of reduced operating costs for properties following the implementation of IFRS 16 from 1 January 2019. Restructuring costs amounted to NOK 5 (0) million as at 30 September 2019 and were due to severance payments arising from downsizing in the parent bank.

As at 30 September 2019, there were 1,119 (1,146) FTEs in the Group. Of the reduction in headcount of 27 FTEs, 13 FTEs were a result of downsizing in the parent bank.

Loan loss provisions

As of 30 September 2019, the Group had net losses of NOK 0 (24) million. SpareBank 1 Finans Østlandet AS had net losses of NOK 29 million as of 30 September 2019, which is mainly due to losses within the retail market. In the retail market, losses related to consumer loans accounted for 36 per cent. Total exposure in consumer loans in SpareBank 1 Finans Østlandet AS is NOK 83 million, and constitutes the majority of the Group's exposure to consumer loans. The parent bank had a net revenue recognition of losses of NOK 29 million, which is mainly due to the reduction in loan loss impairments as a result of the validation of the loss models showing that the LGD estimates were significantly higher than realised loss rates.

Loan loss provisions can be broken down as follows:

Specification of total losses on loans and guarantees in the period, NOK million	Total	PM	BM	SB1FØ
Change in impairments in the period	-44	-11	-37	4
Realised losses on commitments for which earlier impairment provisions have been made	9	2	7	0
Realised losses on commitments for which no earlier impairment provisions has been made	44	3	9	32
-Recoveries on loans and guarantees previously impaired	9	1	0	7
Total impairment losses on loans and guarantees in the period	**0**	**-8**	**-21**	**29**

74 per cent of the SpareBank 1 Østlandet Group's total lending, including mortgages transferred to the covered bond companies, is to retail customers, mainly in the form of residential mortgages. The corporate portfolio has low exposure to cyclical industries and is otherwise characterised by low risk.

Credit risk

The group's provisions for loans and commitments was NOK 340 (415) million as of 30 September 2019, a reduction of NOK 75 million.

The Group's lending and liabilities are grouped into three groups; stage 1, stage 2 and stage 3.

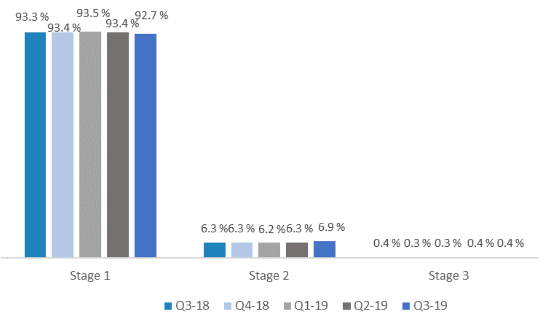
Stage 1 is used for lending that does not have a substantially higher credit risk than it did upon initial recognition. A provision is made for 12 months' expected losses

Stage 2 is used for lending that has a substantially higher credit risk than it did upon initial recognition, but where no credit loss has occurred on the balance sheet date. A provision is made for expected losses over the entire lifetime.

Stage 3 is used for lending that has a substantially higher credit risk than it did upon initial recognition, and where credit loss has occurred on the balance sheet date. A provision is made for expected losses over the entire lifetime. These are assets that under the rules prior to 1 January 2018 were defined as defaulted/doubtful or individually impaired.

Gross loans and liabilities defined as stage 3 amounted to NOK 494 (527) million as of 30 September 2019. This corresponded to 0.5 (0.5) per cent of gross lending. NOK 82 (133) million of gross loans and financial liabilities defined as Stage 3 was provisions for credit losses.

Net exposure in the different Stages is as follows:



For more detailed information about loan loss impairments, see Note 5 'Loans to and receivables from customers' and Note 6 'Impairment on loans and liabilities'. Otherwise, the credit risk in the Bank's credit portfolio has been stable during 2019 This applies to both the retail portfolio and the corporate portfolio. Low loan loss impairments reflect the good credit quality of the loan portfolio. The Board considers SpareBank 1 Østlandet's total credit risk to be well within the Bank's risk tolerance. The Group's credit risk profile is considered low.

Total assets

Total assets as at 30 September 2019 amounted to NOK 136.6 (121.3) billion. Adjusted total assets, defined as total assets including mortgages transferred to the covered bond companies, amounted to NOK 179.8 (161.2) billion.

Lending to customers

Gross lending to customers, including mortgages transferred to the covered bond companies, totalled NOK 147.3 (138.2) billion. As at 30 September 2019, mortgages totalling NOK 42.2 (38.4) billion had been transferred to SpareBank 1 Boligkreditt AS and mortgages totalling NOK 1.0 (1.5) 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 9.2 (11.2) billion, equivalent to 6.6 (8.9) per cent. The growth in retail lending was NOK 6.1 (8.2) billion, while the growth in corporate lending was NOK 3.1 (3.1) billion.

Deposits from customers

As at 30 September 2019, deposits from customers totalled NOK 76.9 (70.3) billion. The growth in deposits during the last 12 months was NOK 6.6 (5.0) billion, equivalent to 9.4 (7.6) per cent. The growth in retail deposits was NOK 2.5 (2.8) billion, while the growth in corporate deposits was NOK 4.1 (2.1) billion. The Group's deposit coverage ratio was 73.9 (71.5) per cent. The Group's deposit coverage ratio, inclusive of mortgages transferred to the covered bond companies, was 52.2 (50.9) per cent.

Liquidity

Borrowing from financial institutions and securities issued (senior and subordinated loan capital) totalled NOK 40.3 (35.7) billion, 43.4 (26.7) per cent of which is euro-denominated. The average term to maturity of the Group's long-term funding was 4.3 (4.2) years. The average term to maturity for all borrowing was 3.9 (4.0) years.

The liquidity coverage ratio (LCR) was 203.5 (157.6) per cent, where the last annual average has been 168.4 (138.8) per cent. The LCR level is considered to be satisfactory and is well above targeted levels and is influenced by a large bond issue at the end of the quarter. The Board of Directors considers the Group's liquidity risk to be low.

Equity certificates

At 30 September 2019, the equity share capital consisted of 115,829,789 (107,179,987) equity certificates. The consolidated book value per equity certificate as at 30 September 2019 was NOK 91.20 (83.84) and earnings per equity certificate were NOK 9.72 (6.85) as of 30 September 2019.

As at 30 September 2019, the price per equity certificate was NOK 83.50 (90.20). In April 2019, the dividend payout was NOK 4.12 (3.96) per equity certificate.

Financial strength and total capital adequacy ratio

The Group's equity as at 30 September 2019 totalled NOK 15.8 (13.8) billion and amounted to 11.6 (11.4) per cent of total capital. The leverage ratio was 7.4 (7.2) per cent. A simplified audit of the income statement and balance sheet was carried out in accordance with the regulations. The profit for the period after expected taxes and dividends is included in the capital adequacy calculations.

The Group's common equity tier 1 ratio as at 30 September 2019 was 16.7 (15.9) per cent. The tier 1 capital adequacy ratio and the total capital adequacy ratio were 17.7 (16.7) per cent and 19.7 (18.7) per cent, respectively. From the first quarter the Group increased its estimates for loss given default (LGD) for the corporate portfolio, in line with the decision of the Financial Supervisory Authority of Norway. The effect was a reduction in the common equity tier 1 ratio of about 0.8 percentage points. The Group has appealed the Financial Supervisory Authority of Norway's decision and the appeal is still being considered by the Ministry of Finance.

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 have been fully clarified.

Rating

SpareBank 1 Østlandet's deposits and senior unsecured debt are rated A1 by Moody's Investor Service. SpareBank 1 Østlandet is thus rated on a par with the best-rated savings banks in Norway.

Parent Bank results as of 30 September 2019

Parent Bank results

The Parent Bank's profit after tax as of 30 September 2019 was NOK 1,574 (1,194) million. The increase from the same period last year was mainly due to extraordinary dividends from SpareBank 211 Gruppen AS of NOK 20 million resulting from DNB ASA increasing its stake in Fremtind Forsikring AS from 35 to 35 per cent, and increased net interest income resulting from growth in lending and deposits. The Parent Bank has also improved net income from other financial assets and liabilities, as well as reduced impairment losses. Furthermore, the bank posted NOK 55 million in tax deductions for customer dividends with effect on the results in the first quarter. In 2018, the tax deduction for the customer dividends was first recognised in the fourth quarter 2018, pending clarification of the tax effects of the transaction. This is offset by reduced commissions from the covered bond companies and increased operating costs.

Operating costs

Total operating costs in the Parent Bank were NOK 1,008 (959) million as of 30 September 2019 and amounted to 36.0 (39.6) per cent of total net income.

The NOK 49 million increase in operating costs was mainly due to increased staff costs. On top of normal wage growth, personnel costs have increased as a result of costs of NOK 7 million related to employee discounts on purchases of equity certificates as part of the employee offering in the first quarter. The increase in other operating costs was largely due to temporary staff hired to assist with the work of identifying existing customers. Increased depreciation must be seen in the context of reduced operating costs for properties following the implementation of IFRS 16 from 1 January 2019. Restructuring costs amounted to NOK 5 (0) million as at 30 September 2019 and were due to severance payments arising from downsizing in the parent bank.

NOK million	30.09.19	30.09.18	Change
Personnel expenses ex. restructuring costs	525	498	5.4 %
Depreciation/amortization	78	51	52.1 %
IT costs	199	184	8.2 %
Marketing	41	57	-27.7 %
Operating costs from real estate	32	55	-42.4 %
Other costs	129	115	11.8 %
Total operating costs ex. restructuring costs	**1,003**	**960**	**4.5 %**
restructuring costs	5	0	
Total operating costs	**1,008**	**960**	**5.0 %**

At the beginning of the year, SpareBank 1 Østlandet stated a target for 2019 to keep the growth in the Parent Bank's operating costs, adjusted for restructuring costs, within 2 per cent. As at 30 September 2019, the Parent Bank's operating costs before restructuring costs were NOK 1,003 (959) million, an increase of 4.5 per cent. The growth in costs for the year to date fell from the first half of 2019 where growth in costs was 6.8 percent. Cost-saving measures have been implemented to provide further reduction in the costs growth, but it is the Board's assessment that the cost ambitions for the current year will not be reached.

As of 30 September 2019, there were 680 (693) FTEs in the Parent Bank, a reduction of 13 FTEs from 30 September 2018. The headcount was 693 FTEs as of 30 September 2019. Since the acquisition of Bank 1 Oslo Akershus AS was announced at the end of 2015, headcount in the Parent Bank has been reduced from 763 FTEs, equivalent to 11 per cent.

Financial strength and capital adequacy

The Parent Bank's equity amounted to NOK 14.9 (13.0) billion, which was equivalent to 11.0 (10.8) per cent of the total capital as of 30 September 2019. The profit for the period after expected tax costs and dividends is included in the total capital adequacy ratio.

The Parent Bank's common equity tier 1 ratio as at 30 September 2019 was 21.6 (21.7) per cent. The tier 1 capital ratio was 22.4 (22.5) per cent and the total capital adequacy ratio was 24.8 (24.5) per cent. During the period, the Bank increased its estimates for loss given default (LGD) for the corporate portfolio, in line with the decision of the Financial Supervisory Authority of Norway. The effect was a reduction in the common equity tier 1 ratio of about 1.2 percentage points. The Bank has appealed the Financial Supervisory Authority of Norway's decision and the appeal is still being considered by the Ministry of Finance.

Underlying banking operations

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

Underlying banking operations, MNOK	30.09.19	30.09.18	Change
Net interest income	1,399	1,279	9.4 %
Net commission and other income	624	636	-1.8 %
Total operating expenses	-1,008	-959	5.1 %
Adjustments: Restructuring costs	5	0	
Operating profit underlying banking operations	**1,021**	**955**	**6.8 %**

The operating profit from underlying banking operations amounted to NOK 1,021 (955) million as of 30 September 2019. Profit from the underlying banking operations increased by NOK 66 million compared with the same period last year, which is equivalent to an improvement of 6.8 per cent. The improvement was mainly due to increased net interest income from the growth in lending and deposits, offset by reduced commission income from the covered bond companies.

Subsidiaries

SpareBank 1 Finans Østlandet AS

The leasing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 93 (107) million as of 30 September 2019. The decrease in profits was mainly due to a NOK 16 million increase in losses. The bulk of the losses are related to the retail market segment. In the retail market, losses related to consumer loans accounted for 36 per cent.

As of 30 September 2019, gross lending to customers amounted to NOK 8.8 (7.8) billion and the growth in lending in the last 12 months was 10.5 (11.6) per cent. SpareBank 1 Finans Østlandet AS has seen good lending growth and strong income development with the same headcount over the last year, but increased funding costs and losses are pulling in the opposite direction.

EiendomsMegler 1 Innlandet AS

Eiendomsmegler 1 Hedmark Eiendom AS changed name to Eiendomsmegler 1 Innlandet AS on 4 September 2019. The name change is a natural consequence of the company's growth and focus in recent years and is now better aligned with the company's market area.

EiendomsMegler 1 Innlandet AS posted earnings of NOK 96 (91) million as of 30 September 2019 and achieved a profit after tax of NOK 11 (13) million. The growth in turnover comes mainly from increased new build sales and the brokerage services associated with this. Other sales were on a par with last year.

EiendomsMegler 1 Oslo Akershus Group - consolidated figures

The real estate broker EiendomsMegler 1 Oslo Akershus Group posted earnings of NOK 166 (160) million and achieved a profit after tax of NOK 10 (4) million as at 30 September 2019. The improved result was also colored by a reversal of tax costs, which amounted to NOK 3 million.

SpareBank 1 Østlandet VIT AS - consolidated figures

The SpareBank 1 Østlandet VIT Group posted earnings of NOK 140 (121) million and saw a loss after tax of NOK -4 (-3) million as of 30 September 2019. Last year's figures were only for SpareBank 1 Regnskapshuset Østlandet AS for the period up to 16 May 2018 and are thus not directly comparable.

TheVIT AS has had sales growth in all service areas in 2019 and has had high activity in the recruitment of resources and expertise in the areas of financial consulting, HR and Business Intelligence services. In accounting and payroll services, the company is working on comprehensive restructuring measures that include new technology, standardisation of processes and a greater degree of coordination of the company's overall resource base.

Associated companies and joint ventures

SpareBank 1 Gruppen AS - consolidated figures
The SpareBank 1 Gruppen Group (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 1,515 (970) million and a return on equity of 21.6 (16.1) per cent as of 30 September 2019. The controlling interests' share of the group contribution as at 30 September 2019 amounted to NOK 1,353 million and SpareBank 1 Østlandet's share of this amounted to NOK 168 million.

The improvement in the result was mainly due to a NOK 596 million write-up of properties in the subsidiary SpareBank 1 Forsikring AS. The write-up of the properties was due to external appraisals of the properties obtained in connection with transactions in the property portfolio. Furthermore, DNB ASA's increase of its stake in Fremtind Forsikring AS, from 20 per cent to 35 per cent, in January 2019 resulted in the equity in SpareBank 1 Gruppen, at a group level, increasing by NOK 4.7 billion. The majority interests' (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase amounted to NOK 2.3 billion. SpareBank 1 Østlandet's share of this increase amounted to NOK 291 million and was recognised in the consolidated income statement in the first quarter of 2019. The total profit contribution from SpareBank 1 Gruppen AS in SpareBank 1 Østlandet's consolidated financial statements thus amounted to NOK 459 (120) million as of 30 September 2019.

The merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS was implemented with accounting effect from 1 January 2019 with SpareBank 1 Skadeforsikring as as the overtaking company. SpareBank 1 Gruppen AS has a 65 per cent ownership interest and DNB ASA 35 per cent in Fremtind Forsikring AS. Refer to SpareBank 1 Gruppen AS' accounts for the first quarter of 2019 for the accounting and liquidity implications of this transaction.

Fremtind Forsikring AS was granted permission by the Financial Supervisory Authority of Norway to conduct life insurance business through its wholly owned subsidiary Fremtind Livsforsikring AS on 2 September 2019. This means that personal risk products from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as company-paid non-life insurance from SpareBank 1 Forsikring AS, are transferred to Fremtind livsforsikring AS.

The demerger will be conducted with accounting effect as of 1 January 2020. It has been assumed that the total value of the non-life area is approximately NOK 6.25 billion. The demerger will result in increased equity for SpareBank 1 Gruppen at the corporate level. The majority (SpareBank 1 Banks and LO)'s share of this increase is estimated at approx. NOK 1.7 billion. SpareBank 1 Østlandet's share of this increase (12.4 per cent) amounts to approximately NOK 210 million and will be recognised in the first quarter of 2020.

SpareBank 1 Gruppen AS (parent company) will receive a tax-free profit of approximately NOK 950 million as a result of this transaction. SpareBank 1 Gruppen AS will strengthen its dividend capacity as a consequence, and SpareBank 1 Østlandet's share of a potential dividend of NOK 950 million (12.4 per cent) amounts to approximately NOK 118 million.

DNB has an option to increase its ownership stake in Fremtind Forsikring AS from 35% to 40% by 31 March 2020. If DNB exercises the option SpareBank 1 Gruppen AS (parent company) will receive a profit of approximately NOK 850 million. SpareBank 1 Gruppen AS will strengthen its dividend capacity in line with this profit.

Any extraordinary or ordinary dividend from SpareBank 1 Gruppen AS will be contingent on the capital situation, decisions of the company's governing bodies and the regulations for extraordinary dividends from financial institutions at the relevant time.

The exercise of the option will result in increased equity for SpareBank 1 Gruppen at the corporate level. The majority (SpareBank 1 Banks and LO)'s share of this increase will be approximately NOK 570 million. SpareBank 1 Østlandet's share of this increase (12.4 per cent) amounts to approximately NOK 71 million and if applicable will be recognised in the first quarter of 2020. Note that the calculations are based on estimated figures at the present time.

SpareBank 1 Boligkreditt AS
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.

The company posted a profit after tax of NOK 157 (39) million as of 30 September 2019. This improvement is mainly due to lower funding costs for liquid assets associated with a reduced size of the liquidity portfolio in the company, as well as improved returns on funds received as collateral from counterparties. The profit share from SpareBank 1 Boligkreditt AS, which is included the consolidated accounts for SpareBank 1 Østlandet according to the equity method, is adjusted for interest paid on the hybrid capital that is recognised directly in equity. The profit share amounted to NOK 27 (2) million as of 30 September 2019.

SpareBank 1 Næringskreditt AS
SpareBank 1 Næringskreditt AS (17.7 per cent stake) was established according to the same model, and with the same management, as SpareBank 1 Boligkreditt AS. SpareBank 1 Næringskreditt AS has two classes of shares with differing rights to dividends. SpareBank 1 Østlandet includes 9.15 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 of NOK 45 (36) million as of 30 September 2019. The profit share included in SpareBank 1 Østlandet's consolidated accounts amounted to NOK 4 (2) million as of 30 September 2019.

SpareBank 1 Kredittkort AS
SpareBank 1 Kredittkort AS (20.8 per cent stake) is the SpareBank 1 Alliance's jointly-owned credit card company. The company posted a profit after tax of NOK 73 (96) million as of 30 September 2019. The main reason for the reduction is that last year's figures include a gain of NOK 15 million from the sale of a portfolio of defaulted credits. The profit share included in SpareBank 1 Østlandet's consolidated accounts amounted to NOK 15 (20) million as of 30 September 2019.

SpareBank 1 Betaling AS
SpareBank 1 Betaling AS (18.7 per cent stake) is the SpareBank 1 Alliance's joint venture for payment solutions, including the SpareBank 1 Alliance's stake in Vipps AS.

The company posted a loss after tax of NOK -35 (-39) million as of 30 September 2019. The profit contribution included in the SpareBank 1 Østlandet's consolidated financial statements as of 30 September 2019 was nonetheless positive at NOK 6 (-8) million because of a correction SpareBank 6 Betaling AS made to the 2018 accounts. The correction relates mainly to the amended valuation relating to the merger of SpareBank 1 Axept AS and SpareBank ID AS which was registered on 16 January 2019, but which was recognised in the accounts from 1 October 2018.

BN Bank ASA - consolidated figures
BN Bank ASA (9.99 per cent stake from 24 May 2019) is a nationwide bank for corporate and retail customers owned by seven of the banks in the SpareBank 1 Alliance.

BN Bank ASA posted a consolidated profit after tax of NOK 240 (223) million. The profit share from BN Bank ASA , which is included in SpareBank 1 Østlandet's consolidated financial statements with effect from 24 May 2019, is adjusted for interest paid on the hybrid capital that is recognised directly in equity. The profit share amounted to NOK 11 (30) million as of 2019 September 2019.

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

Sustainability

SpareBank 1 Østlandet seeks to be a driving force for sustainable development and aims to contribute to sustainable restructuring in our market area. Furthermore, sustainability will be an integral part of the business and is taken into account in both small and large decisions.

SpareBank 1 Østlandet was the first Norwegian bank to sign the UN's new responsible banking principles, which were launched in September. The principles emphasize that banks must focus on where they have the greatest positive and negative impact.

The Bank's sustainability reporting for 2018 has gained recognition from several quarters, including in an analysis of sustainability reporting by the 100 largest companies on the Oslo Stock Exchange, conducted by the consulting firm The Governance Group AS. SpareBank 1 Østlandet's report is ranked here as an "example to follow".

Outlook

Although increased international protectionism and a still unresolved Brexit situation could impact the Norwegian economy, the macroeconomic situation in Norway is stable. The Norwegian economy is robust, with great adaptability, innovation and strong government finances.

At the regional level, most economic indicators are showing a good, stable trend. The region is experiencing stable housing prices, good credit growth and low unemployment, along with good profitability and great willingness to invest among the 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 the country's most solid regional savings bank, and this solidity will also be a hallmark of the bank going forward. A high level of solidity contributes to the bank's high level of credibility as a long-term partner for the retail market, SMEs and the public sector through shifting business cycles, as well as providing a strong foundation for exploiting the growth opportunities provided by the bank's home market.

SpareBank 1 Østlandet continues to see a solid increase in the number of customers and high demand for credit and other financial services. The Bank's distribution model with leading digital solutions combined with a well-developed branch network in central hubs and towns has proven to be a good driver for attracting new customers and so providing for profitable growth.

The Board of Directors believes the Bank still has profitable growth opportunities due to its position in Norway's most interesting market area. The Board focuses on balancing financial strength, profitability and growth. This will happen through sound capital management, 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, 24 October 2019

Income statement

Parent Bank							Group				
Year	01.07-30.09		01.01-30.09				01.01-30.09		01.07-30.09		Year
2018	**2018**	**2019**	**2018**	**2019**	*(NOK million)*	Notes	**2019**	**2018**	**2019**	**2018**	**2018**
1,942	464	552	1,452	1,563	Interest income, fair value		1,561	1,452	550	464	1,942
1,132	312	366	814	1,016	Interest income, amortized cost		1,205	1,067	431	400	1,473
1,337	340	425	987	1,180	Interest expense		1,184	989	427	340	1,340
1,737	**437**	**493**	**1,279**	**1,399**	**Net interest income**		**1,582**	**1,530**	**554**	**524**	**2,074**
891	216	236	669	668	Commission income		963	913	336	299	1,210
74	22	27	58	68	Commission expenses		107	73	40	23	104
32	9	7	25	24	Other operating income		199	132	54	40	181
849	**202**	**216**	**636**	**624**	**Net commission and other operating income**		**1,055**	**973**	**350**	**316**	**1,286**
13	0	0	13	19	Dividends from other than Group companies	7	19	13	0	0	13
369	1	-6	364	576	Net profit from ownership interests	7	520	141	44	58	198
80	32	59	131	185	Net profit from other financial assets and liabilities	7	185	131	59	32	80
461	**33**	**53**	**507**	**779**	**Net income from financial assets and liabilities**		**724**	**284**	**103**	**90**	**291**
3,048	**672**	**762**	**2,422**	**2,803**	**Total net income**		**3,360**	**2,787**	**1,007**	**930**	**3,651**
674	168	171	498	530	Personnel expenses		824	764	267	259	1,050
69	17	26	51	78	Depreciation		99	79	30	24	102
566	133	122	410	400	Other operating expenses		518	531	161	173	728
1,309	**318**	**320**	**959**	**1,008**	**Total operating expenses**		**1,441**	**1,375**	**457**	**457**	**1,881**
1,738	**354**	**442**	**1,463**	**1,795**	**Operating profit before losses on loans and guarantees**		**1,920**	**1,412**	**550**	**473**	**1,770**
16	4	13	12	-29	Impairment on loans and guarantees		0	24	24	12	35
1,722	**350**	**429**	**1,451**	**1,824**	**Pre-tax operating profit**		**1,920**	**1,388**	**526**	**461**	**1,735**
275	86	105	257	250	Tax expense		284	297	116	99	321
1,447	**264**	**324**	**1,194**	**1,574**	**Profit after tax**		**1,637**	**1,092**	**409**	**362**	**1,414**
					Majority interest		1,633	1,086	409	360	1,408
					Minority interest		3	5	1	1.42	5
					Earnings per equity certificate (in NOK)		9.72	6.85	4.50		8.46
					Diluted earnings per equity certificate (in NOK)		9.72	1.97	4.50		8.42
					Earnings per average equity certificate (in NOK)		9.72	1.97	4.50		9.04
					Diluted earnings per average equity certificate (in NOK)		9.72	1.97	4.50		9.00

Statement of other comprehensive income

Parent Bank							Group				
Year	01.07-30.09		01.01-30.09				01.01-30.09		01.07-30.09		Year
2018	2018	2019	2018	2019	*(NOK million)*	Notes	2019	2018	2019	2018	2018
1,447	**264**	**324**	**1,194**	**1,574**	**Profit after tax**		**1,637**	**1,092**	**409**	**362**	**1,414**
-3	0	0	0	0	Actuarial gains/losses on pensions		0	0	0	0	-3
1	0	0	0	0	Tax effects of actuarial gains/losses on pensions		0	0	0	0	1
23	12	-2	3	-18	Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk		-18	3	-2	0	0
-6	-3	1	0	4	Tax effects related to the above		4	-1	1	0	0
0	0	0	0	0	Share of other comprehensive income from associated companies and joint ventures		-10	1	-11	0	1
15	**9**	**-2**	**2**	**-13**	**Total items that will not be reclassified through profit or loss**		**-23**	**3**	**-13**	**9**	**16**
0	0	0	0	0	Change in value of financial assets avaiable for sale		0	0	0	0	0
0	0	0	0	0	Financial assets avaiable for sale transferred to profit and loss on write-down due to permanent impairment of value		0	0	0	0	0
0	0	0	0	0	Financial assets avaiable for sale transferred to profit and loss on realisation		0	0	0	0	0
2	-2	1	1	-3	Net fair value adjustments on loans at fair value through other comprehensive income		-3	1	1	-2	2
-1	0	0	0	1	Tax effects related to the above		1	0	0	0	-1
-51	-9	-1	-42	9	Fair value changes on hedge derivatives due to changes in the currency basis spread		9	-42	-1	-9	-51
13	2	0	10	-2	Tax effects related to the above		-2	10	0	2	13
0	0	0	0	0	Share of other comprehensive income from associates and joint ventures		-3	-15	6	-3	-40
-36	**-8**	**0**	**-30**	**5**	**Total items that will be reclassified through profit or loss**		**2**	**-45**	**6**	**-11**	**-77**
-21	**1**	**-2**	**-28**	**-9**	**Total profit and loss items recognised in equity**		**-21**	**-42**	**-7**	**-2**	**-61**
1,426	**265**	**322**	**1,166**	**1,565**	**Total profit/loss for the period**		**1,615**	**1,050**	**403**	**360**	**1,353**
					Majority interest		1,612	1,045	402	358	1,348
					Minority interest		3	5	1	2	5

Balance sheet

Parent Bank					Group		
2018	30.09.2018	30.09.2019	*NOK million*	Notes	30.09.2019	30.09.2018	2018
			ASSETS				
1,878	288	1,279	Cash and deposits with central banks		1,279	288	1,878
7,487	8,615	12,071	Loans to and receivables from credit institutions		4,729	2,057	1,023
90,878	90,156	95,067	Loans to and receivables from customers	5,6	103,744	97,896	98,606
14,446	14,242	18,050	Certificates, bonds and fixed-income funds	10	18,050	14,242	14,446
819	377	1,201	Financial derivatives	8,10,11	1,201	377	819
594	601	643	Shares, units and other equity interests	10	643	606	594
3,635	3,539	4,296	Investments in associates and joint ventures		4,833	3,998	4,124
1,521	1,369	1,521	Investments in subsidiaries		0	0	0
337	340	513	Property, plant and equipment	12	677	544	543
96	98	88	Goodwill and other intangible assets		405	402	400
699	574	711	Other assets	13	1,007	907	1,041
122,390	**120,198**	**135,441**	**Total assets**		**136,568**	**121,319**	**123,472**
			LIABILITIES				
2,704	2,192	3,884	Deposits from and liabilities to credit institutions		3,897	2,191	2,636
71,540	70,277	76,893	Deposits from and liabilities to customers	14	76,866	70,251	71,497
31,984	32,358	35,460	Liabilities arising from issuance of securities	10,15	35,460	32,358	31,984
354	442	353	Financial derivatives	8,10,11	353	442	354
205	331	219	Current tax liabilities		274	396	248
69	2	87	Deferred tax liabilities		210	136	202
532	535	2,230	Other debt and liabilities recognised in the balance sheet	16	2,297	670	687
1,102	1,102	1,428	Subordinated loan capital	10,15	1,428	1,102	1,102
108,490	**107,238**	**120,555**	**Total liabilites**		**120,786**	**107,546**	**108,710**
			EQUITY CAPITAL				
5,766	5,359	5,791	Equity capital certificates	17	5,791	5,359	5,766
830	547	848	Premium fund		848	547	830
2,112	2,406	3,219	Dividend equalisation fund		3,219	2,406	2,112
477	0	0	Dividend		0	0	477
3,690	3,826	4,090	Primary capital		4,090	3,826	3,690
166	166	166	Other paid-up equity		166	166	166
15	17	13	Provision for gifts		13	17	15
252	261	303	Fund for unrealised gains		303	263	253
222	0	0	Dividend customers return		0	0	222
400	400	493	Hybrid capital		493	400	400
-30	-22	-39	Interest expense for hybrid capital		-57	-40	-48
0	0	0	Other equity		812	734	776
			Minority interests		101	94	102
13,900	**12,960**	**14,886**	**Total equity capital**		**15,782**	**13,773**	**14,762**
122,390	**120,198**	**135,441**	**Total equity capital and liabilities**		**136,568**	**121,319**	**123,472**

The board of SpareBank 1 Østlandet

Hamar, October 24th 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	Hybrid-capital	Total equity capital
Equity capital as of 01.01.2018	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**279**	**-8**	**400**	**12,406**
OB Corr. related to transitional rules IFRS 9				11	23					**35**
Reposting of intereset on hybrid capital			1		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**	**2,032**	**20**	**279**	**-12**	**400**	**12,440**
ECs issued and transferred to owners										**0**
Hybrid capital										**0**
Interest after tax on hybrid capital								-10		**-10**
Profit after tax				394	819		-18			**1,194**
Value changes on creditspread and basisswap				-9	-20					**-29**
Value change on loans measured at fair value				0	1					**1**
Dividend paid				-204	-424					**-629**
Donations distributed from profit 2017				-6						**-6**
Grants from provision for gifts in 2018						-3				**-3**
Equity capital as of 30.09.2018	**5,359**	**547**	**166**	**3,826**	**2,407**	**17**	**261**	**-22**	**400**	**12,960**
Equity capital as of 01.01.2018	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**279**	**-8**	**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 tax on pensions				4	-4					**0**
Adjusted equity capital at 01.01.2018	**5,359**	**547**	**166**	**3,652**	**2,031**	**20**	**279**	**-12**	**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**
Effects on creditspread at financial liabilities FVOCI				5	12					**17**
Effects on basisswap in hedge accounting				-12	-26					**-38**
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**	**400**	**13,900**
Equity capital as of 01.01.2019	**5,766**	**830**	**166**	**3,912**	**2,589**	**15**	**252**	**-30**	**400**	**13,900**
Reclassification				-57	57					0.00
ECs issued and transferred to owners	26	18								**43**
Hybrid capital									93	**93**
Interest after tax on hybrid capital								-9		**-9**
Profit after tax				467	1,056		51			**1,574**
Effects on creditspread at financial liabilities FVOCI				-4	-9					
Effects on basisswap in hedge accounting				2	5					**-13**
Value change on loans measured at fair value				-1	-2					**7**
Actuarial gains after tax on pensions										**-2**
Dividend paid				-222	-477					**-699**
Donations distributed from profit 2017				-6						**-6**
Grants from provision for gifts in 2018						-2				**-2**
Equity capital as of 30.09.2019	**5,791**	**848**	**166**	**4,090**	**3,219**	**13**	**303**	**-39**	**493**	**14,886**

Group

(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	Hybrid-capital	Minority intersets	Total equity capital
Equity capital as of 01.01.2018	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**281**	**853**	**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**	**400**	**62**	**13,343**
ECs issued and transferred to owners											**0**
Profit after tax				394	819		-18	-108		5	**1,092**
Value changes on creditspread and basisswap				-9	-20						**-29**
Value change on loans measured at fair value				0	1						**1**
Share of other comprehensive income from associated companies and joint ventures								-14			**-14**
										33	**33**
Change revaluation reserve											**0**
Interest expense after tax for hybrid capital								-10			**-10**
Dividend paid				-204	-424					-6	**-634**
Donations distributed from profit 2017				-6							**-6**
Grants from provision for gifts in 2018						-3					**-3**
Equity capital as of 30.09.2018	**5,359**	**547**	**166**	**3,826**	**2,406**	**17**	**263**	**695**	**400**	**94**	**13,773**
Equity capital as of 01.01.2018	**5,359**	**547**	**165**	**3,636**	**2,008**	**20**	**281**	**853**	**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**	**400**	**62**	**13,343**
ECs issued and transferred to owners	407	283									**690**
Profit after tax				477	998		-27	-39		5	**1,414**
Effects on creditspread at financial liabilities FVOCI				5	12						**17**
Effects on basisswap in hedge accounting				-12	-26						**-38**
Value change on loans measured at fair value				1	1						**2**
Actuarial gains after tax on pensions				-1	-1						**-2**
Other items in comprehensive income								-39			**-39**
associated companies and joint ventures								-3			**-3**
Transferred from new minority interest										42	**42**
Change revaluation reserve											**0**
Interest expense after tax for hybrid capital								-17			**-17**
Dividend paid				-204	-424					-6	**-634**
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**	**253**	**728**	**400**	**102**	**14,762**
Equity capital as of 01.01.2019	**5,766**	**830**	**166**	**3,912**	**2,589**	**15**	**252**	**728**	**400**	**102**	**14,762**
OB Corr Parent Bank											**0**
OB Corr. Subsidiary								0			**0**
OB Corr. In Group companies								-8			**-8**
Adjusted equity capital at 01.01.2019	**5,766**	**830**	**166**	**3,912**	**2,589**	**15**	**252**	**719**	**400**	**102**	**14,753**
Reclassification				-57	57						**0**
ECs issued and transferred to owners	26	18									**43**
Hybrid capital									93		**93**
Profit after tax				467	1,056		51	59		3	**1,637**
Effects on creditspread at financial liabilities FVOCI				-4	-9						**-13**
Effects on basisswap in hedge accounting				2	5						**7**
Value change on loans measured at fair value				-1	-2						**-2**
Other items in comprehensive income								-13			**-13**
Share of other comprehensive income from associated companies and joint ventures								-1			**-1**
Interest expense after tax for hybrid capital								-9			**-9**
Dividend paid				-222	-477					-6	**-705**
Donations distributed from profit 2017				-6							**-6**
Grants from provision for gifts in 2018						-2					**-2**
Equity capital as of 30.09.2019	**5,791**	**848**	**166**	**4,091**	**3,219**	**14**	**303**	**756**	**493**	**100**	**15,782**

1) Amounts transferred to primary capital as of 31.12.2018 include dividend payments.

2) Amounts transferred to dividend equalization funds as of 31.12.2018 includes dividends to customers return.

Cash flow statement

Parent Bank				Group		
2018	**30.09.2018**	**30.09.2019**	*(NOK million)*	**30.09.2019**	**30.09.2018**	**2018**
-7,806	-7,100	-4,144	Change in gross lending to customers	-5,097	-7,798	-8,479
2,716	1,992	2,296	Interest receipts from lending to customers	2,598	2,324	3,134
5,527	4,264	5,354	Change in deposits from customers	5,370	4,266	5,511
-619	-449	-634	Interest payments on deposits from customers	-638	-450	-622
527	-1,137	-3,309	Change in receivables and debt from credit institutions	-2,260	-351	1,151
115	83	111	Interest on receivables and debt to financial institutions	-5	4	5
-5,532	-5,329	-3,522	Change in certificates and bonds	-3,522	-5,329	-5,532
208	166	130	Interest receipts from commercial papers and bonds	130	166	208
849	636	624	Net commission receipts	1,030	973	1,286
-9	42	50	Capital gains from sale on trading	50	42	-9
-1,240	-908	-923	Payments for operations	-1,335	-1,295	-1,778
-314	-195	-214	Taxes paid	-247	-199	-355
-192	663	1,527	Other accruals	1,402	593	-236
-5,771	**-7,273**	**-2,655**	**Net change in liquidity from operations (A)**	**-2,524**	**-7,056**	**-5,716**
-41	-26	-25	Investments in tangible fixed assets	-55	-45	-67
0	0	0	Receipts from sale of tangible fixed assets	25	24	33
-335	-246	-658	Change in long-term investments in equities	-658	-251	-334
385	381	601	Dividends from long-term investments in equities	474	257	257
9	**108**	**-83**	**Net cash flow from investments (B)**	**-214**	**-15**	**-111**
12,699	12,422	5,444	Debt raised by issuance of secutities	5,444	12,422	12,699
400	400	400	Debt raised by subordinated loan capital	400	400	400
0	0	300	Equity raised by hybrid capital	300	0	0
-4,400	-3,750	-2,350	Repayments of issued securities	-2,350	-3,750	-4,400
-1,000	-1,000	-75	Repayments of issued subordinated loan capital	-75	-1,000	-1,000
0	0	-207	Repayments of hybrid capital	-207	0	0
687	0	37	Payments arising from issuance of equity capital certificates	37	0	687
-664	-496	-488	Interest payments on securities issued	-488	-497	-664
-37	-30	-24	Interest payments on subordinated loans	-24	-30	-37
0	0	-31	Lease payments	-24	0	0
-152	0	0	Payments arising from placements in subsidiaries	0	0	8
-424	-427	-477	Payment of dividend	-483	-432	-430
-202	-202	-220	Payment og customer dividend	-220	-202	-202
-11	-3	-3	Donations	-3	-3	-11
6,895	**6,915**	**2,306**	**Net cash flow from financing (C)**	**2,306**	**6,909**	**7,049**
1,134	**-250**	**-432**	**CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)**	**-432**	**-162**	**1,222**
824	824	1,958	Cash and cash equivalents at 1 January	1,958	736	736
1,958	**574**	**1,526**	**Cash and cash equivalents at the end of the period**	**1,526**	**574**	**1,958**
			Cash and cash equivalents at comprise:			
1,878	288	1,279	Cash and deposits with central banks	1,279	288	1,878
80	286	247	Deposits etc. at call with banks	247	285	80
1,958	**574**	**1,526**	**Cash and cash equivalents at the end of the period**	**1,526**	**574**	**1,958**

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 - 30 September 2019. 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 2018. 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:

New standards and interpretations applied from 2019:

IFRS 16 Leases was implemented from 1 January 2019.

IFRS 16 Leases

IFRS 16 Leases was implemented from 1 January 2019 and replaces IAS 17 Leases. The standard sets out principles for accounting, measurement, presentation and information on leasing agreements. IFRS 16 removes the distinction that was made between operational and financial leases in IAS 17, and introduces a common accounting model for lessees. Most leases must be recognised in the balance sheet for the lessee with a lease obligation and associated right of use at the date of entry into force. The lease obligation is measured as the present value of future lease payments during the contract period, discounted by the implicit interest rate in the lease contract or the lessee's marginal loan interest rate. Options in the lease agreement must be taken into account in calculating the present value of the obligation, if they are likely to be used. Lease payments are split between the liability and interest expenses on the obligation. The calculation of the present value of the lease obligation may include items such as:

- Fixed lease
- Benefits that may look variable but are fixed
- Guaranteed residual value
- Use of the purchase option
- Payment to withdraw from the agreement

The right of use is recognised in the balance-sheet at the same value as the obligation on the implementation date, adjusted for any prepayments and assessed for impairment. The right of use is written down on a linear basis over the term of the contract. Depreciation is recognised separately from interest on lease liabilities in the income statement.

The following accounting policies and transitional provisions have been chosen for the implementation:

- The Group has taken the option of applying the modified retrospective method in the transition to IFRS 16 in accordance with IFRS 16.Ca(b). This means that the comparative figures for 2018 are not revised. The right of use is measured at the same value as the lease liability and included in the opening balance at 1 January 2019. This choice has been made for all agreements.
- The right of use will be recognised in the balance sheet as part of 'Property, plant and equipment"', while the lease obligation will be recognised as 'Other debt and liabilities on the balance sheet'.
- Low-value leases and leases with a lease period of 12 months or less are not capitalised. Leases that are covered by these exemptions are recognised on a continuous basis as other operating costs.
- Fixed non-lease components that are embedded in the lease are separated out and expensed continuously as other operating costs.

For the SpareBank 1 Østlandet Group, it is primarily residential leases that are subject to the standard. At the time of implementation, the obligation and the right of use were calculated at NOK 224 million for the parent bank and NOK 170 million for the Group. These are not material when compared to the total balance-sheet for the parent bank and the Group. The profit effects arising from the new standard are not expected to have any substantial effect on the Group's operating profit either. Refer to Note 43 in the Annual Report for 2018, and Note 12 of the quarterly report.

1.2 Important accounting estimates and discretionary assessments

In preparing the consolidated financial statements, management makes estimates, discretionary assessments and assumptions which influence the effect of applying the accounting principles. This will therefore affect the recognised amounts for assets, liabilities, revenues and costs. Note 3 to the financial statements for 2018 provides more details of critical estimates and assessments affecting the use of accounting principles, except for estimates relating to the determination of the lease period with the implementation of IFRS 16 Leases.

IFRS 16 Leases

In determining the lease period, management considers the likelihood of any extension or termination options being exercised. If an contract is reasonably certain to be extended or terminated in this way, this must be taken into account in assessing the lease period. Potential future cash flows of NOK 20 million are not included in the lease obligation because it is not reasonably certain that the leases will be extended.

In the case of substantial changes in the assumptions underlying the assessments, an evaluation of the lease period will be made.

Customer dividends

The Bank's supervisory board decides each year how much should be distributed in customer dividends. Decision was made at the meeting of the supervisory board on 28 March 2019, and the Bank paid NOK 222 million in dividends to its loan and deposit customers on 26 April 2019.

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 55 million for the 2019 income year. The tax deduction is recognised as a reduction in tax costs for 2019 at date of decision.

Note 2 Change in the composition of the Group

2019
EiendomsMegler 1 Hedmark Eiendom AS changed its name to EiendomsMegler 1 Innlandet AS as of 4 September 2019.

An SMB Lab business transfer was made to SpareBank 1 Utvikling in the third quarter 2019.

SpareBank 1 Banksamarbeidet changed its name in the second quarter to SpareBank 1 Utvikling DA.

The sister companies with the same name TheVIT AS merged in the second quarter to TheVIT AS.

On 28 February 2019, the SpareBank 1 banks entered into an agreement on an amended ownership model in BN Bank ASA, including a distribution of 'B' shares in SpareBank 1 Næringskreditt AS, whereby some of the present owners are changing their stakes as SpareBank 1 Østlandet comes in as a new owner. On completion of the transactions, SpareBank 1 Østlandet will have a stake in BN Bank ASA and hold 9.99 per cent of the 'B' shares in SpareBank 1 Næringskreditt AS. In all, this equates to SpareBank 1 Østlandet buying shares for a total of NOK 504 million.

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 20.5 per cent to 20.8 per cent with effect from 1 January 2019.

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.

Note 3 Segment information

This segment information is linked to the way the Group is governed through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas retail market (RM), corporate market (CM) incl. organization market, real estate brokerage, leasing, accounting and consulting services and other operations.

Reviews:

- Real estate brokerage, leasing, financing and accounting are organised as independent companies.
- As of September 30, 2019, the tax expense for RM, CM and Other operations is distributed according to the segment's share of Pre-tax operating profit. For earlier periods, tax is calculated at 25 per cent for RM and CM.
- Operating expenses in RM and CM includes its share of shared costs.
- Net commission and other income in RM and CM includes its share for shared income.
- Group eliminations arise together with other operations in a seperate column.

30.09.2019	Retail market	Corporate market	SB1 FØ	EM1I	EM1OA	TheVIT	Other operations/ eliminations	Total
Income statement								
Net interest income	766	697	184	-1	2	-1	-64	1,582
Net commissions and other income	519	173	39	96	166	140	-78	1,055
Net income from financial assets and liabilities	0	0	0	0	0	0	724	724
Total operating expenses	668	317	71	80	159	144	2	1,441
Profit before losses by segment	**617**	**553**	**152**	**15**	**9**	**-5**	**579**	**1,920**
Impairment on loans and guarantees	-8	-22	29	0	0	0	0	0
Pre-tax operating profit	**624**	**575**	**124**	**15**	**9**	**-5**	**579**	**1,920**
Tax expense	88	81	31	3	-1	-1	84	284
Profit/loss per segment after tax	**537**	**494**	**93**	**11**	**10**	**-4**	**495**	**1,637**
Balance sheet								
Gross lending to customers	62,761	32,515	8,798	0	0	0	-36	104,037
Impairments	-59	-174	-60	0	0	0	0	-293
Other assets	2,804	597	169	85	130	121	28,917	32,824
Total assets per segment	**65,507**	**32,937**	**8,907**	**85**	**130**	**121**	**28,881**	**136,568**
Deposits from and liablilities to customers	44,005	32,802	0	0	0	14	46	76,866
Other liabilities and equity	21,502	135	8,907	85	130	108	28,834	59,702
Total equity capital and liabilities per segment	**65,507**	**32,937**	**8,907**	**85**	**130**	**121**	**28,881**	**136,568**

30.09.2018	Retail market	Corporate market	SB1 FØ	EM1HE	EM1OA	TheVIT	Other operations/ eliminations	Total
Income statement								
Net interest income	731	615	252	0	2	-1	-71	1,530
Net commissions and other income	573	144	-23	91	160	121	-94	973
Net income from financial assets and liabilities	0	0	0	0	0	0	284	284
Total operating expenses	655	289	74	74	157	124	1	1,375
Profit before losses by segment	**650**	**471**	**155**	**17**	**5**	**-4**	**118**	**1,412**
Losses on loans and guarantees	8	3	13	0	0	0	0	24
Pre-tax operating profit	**642**	**468**	**142**	**17**	**5**	**-4**	**119**	**1,388**
Tax expense	160	117	36	4	1	-1	-20	297
Profit/loss per segment after tax	**481**	**351**	**107**	**13**	**4**	**-3**	**139**	**1,092**
Balance sheet								
Gross lending to customers	61,018	29,407	7,842	0	0	0	-8	98,259
Impairments	-69	-226	-68	0	0	0	0	-363
Other assets	2,683	461	182	82	82	132	19,800	23,423
Total assets per segment	**63,633**	**29,642**	**7,956**	**82**	**82**	**132**	**19,792**	**121,319**
Deposits from and liablilities to customers	41,330	28,863	0	0	0	0	58	70,251
Other liabilities and equity	22,303	778	7,956	82	82	132	19,734	51,068
Total equity capital and liabilities per segment	**63,633**	**29,642**	**7,956**	**82**	**82**	**132**	**19,792**	**121,319**

31.12.2018	Retail market	Corporate market	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Eiendoms-Megler 1 Oslo Akershus Group	TheVIT	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 losses 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
Impairments	-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**

Note 4 Capital adequacy

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

- Pillar 1: Minimum regulatory capital requirements
- Pillar 2: Evaluation of the overall capital requirements and supervisory follow-up
- Pillar 3: Requirement to publish information

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

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

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

The current requirement for common equity tier 1 (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 30 September 2019. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.8 per cent as at 30 September 2019. The total capital requirement for common equity tier 1 capital was thus 13.8 per cent at 30 September 2019. 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	Basel III	Basel III
31.12.18	30.09.18	30.09.19		30.09.19	30.09.18	31.12.18
6,762	6,072	6,805	Paid-up equity	6,713	5,980	6,670
6,738	6,488	7,587	Earned equity capital	8,470	7,332	7,588
400	400	493	Hybridcapital	493	400	400
0	0	0	Minority interests	104	60	104
13,900	**12,960**	**14,886**	**Total equity carried**	**15,782**	**13,773**	**14,762**
			Common equity tier 1 capital			
-705	-546	-817	Results for the accounting year not included	-817	-546	-705
-400	-400	-493	Hybridcapital	-493	-400	-400
0	0	0	Minority interests that is not eligible as CET1 capital	-59	-8	-58
20	40	38	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	38	40	20
0	0	0	Cash flow hedge reserve	6	2	6
-72	-98	-66	Goodwill and other intangible assets	-401	-416	-395
-238	-227	-336	Positive value of expected losses under the IRB approach	-408	-191	-311
0	0	-156	CET 1 instruments of financial sector entities where the institution does have a significant investement	-292	-299	-326
-27	-26	-19	Value adjustments due to the requirements for prudent valuation (AVA)	-25	-33	-27
12,479	**11,703**	**13,037**	**Common equity tier 1 capital**	**13,330**	**11,922**	**12,566**
			Additional Tier 1 capital			
400	400	493	Hybrid capital	493	659	400
0	0	0	Instruments issued by consolidated entities that are given recognition in AT1 Capital	283	0	245
400	**400**	**493**	**Tier 1 capital**	**777**	**659**	**645**
			Supplementary capital in excess of Tier 1 capital			
1,100	1,100	1,425	Subordinated loan capital	1,425	1,100	1,100
0	0	0	Instruments issued by consolidated entities that are given recognition in T2 Capital	154	395	361
0	0	0	T2 instruments of financial sector where the institution does not have a significant investement	0	0	0
0	0	0	T2 instruments of financial sector where the institution does have a significant investement	0	0	0
1,100	**1,100**	**1,425**	**Total supplementary capital**	**1,579**	**1,495**	**1,461**
13,979	**13,203**	**14,955**	**Total eligible capital**	**15,685**	**14,077**	**14,672**
4,781	5,538	4,780	Corporates - SME	4,782	5,538	4,781
11,034	10,529	14,546	Corporates - Specialised Lending	14,546	10,529	11,034
1,411	945	2,021	Corporates - Other	2,021	945	1,411
1,223	1,122	1,226	SME exposure	1,420	1,309	1,424
16,886	16,622	17,867	Retail mortgage exposure	24,912	23,641	24,235
1,234	1,319	1,130	Other retail exposure	1,166	1,353	1,259
36,569	**36,075**	**41,571**	**Credit exposures calculated using IRB-approach**	**48,848**	**43,315**	**44,145**
12,106	12,002	14,071	Credit exposures calculated using the standardised approach	19,918	16,717	16,405
383	343	436	Counterparty credit risk	2,024	1,125	1,732
0	0	0	Market risk	0	0	0
3,433	3,433	4,316	Operational risk	5,869	5,222	5,222
1,849	1,996	0	Basel I floor adjustment	2,946	8,825	7,495
54,340	**53,850**	**60,394**	**Risk-weighted assets**	**79,605**	**75,204**	**74,999**
4,347	**4,308**	**4,831**	**Capital requirements (8%)**	**6,368**	**6,016**	**6,000**
978	**969**	**1,087**	**Pillar 2 (1.8 %)**	**1,433**	**1,354**	**1,350**
0	0	0		0	0	0
			Buffer requirements			
1,359	1,346	1,510	Capital conservation buffer (2.5%)	1,990	1,880	1,875
1,087	1,077	1,208	Countercyclical capital buffer (2 %)	1,592	1,504	1,500
1,630	1,616	1,812	Systemic risk buffer (3%)	2,388	2,256	2,250
4,076	**4,039**	**4,530**	**Total buffer requirements for Common Equity (7.5 %)**	**5,970**	**5,640**	**5,625**
4,980	**4,272**	**4,703**	**Available Common Equity (13.8 %)**	**2,344**	**1,544**	**2,217**
			Capital ratios			
23.0 %	**21.7 %**	**21.6 %**	CET 1 capital ratio	**16.7 %**	**15.9 %**	**16.8 %**
23.8 %	**22.6 %**	**21.6 %**	CET 1 capital ratio (excluding Basel 1-floor)	**17.4 %**	**18.0 %**	**18.6 %**
23.7 %	**22.5 %**	**22.4 %**	Tier 1 Capital ratio	**17.7 %**	**16.7 %**	**17.6 %**
25.7 %	**24.5 %**	**24.8 %**	Capital adequacy ratio	**19.7 %**	**18.7 %**	**19.6 %**
10.2 %	**9.8 %**	**9.9 %**	Leverage Ratio	**7.4 %**	**7.2 %**	**7.5 %**

Note 5 Loans to and receivables from customers

Parent Bank

	30.09.19				30.09.18				31.12.18			
Gross loans	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 01 January	**85,386**	**5,403**	**371**	**91,160**	**78,682**	**4,203**	**470**	**83,355**	**78,682**	**4,203**	**470**	**83,355**
Transfers in (out) to Stage 1	1,395	-1,390	-5	0	985	-929	-56	0	1,144	-1,109	-35	0
Transfers in (out) to Stage 2	-2,873	2,885	-13	0	-2,420	2,436	-16	0	-2,374	2,408	-34	0
Transfers in (out) to Stage 3	-30	-92	122	0	-62	-97	158	0	-70	-104	174	0
Net increase/decrease excisting loans	-2,014	-288	-35	-2,337	-1,983	-190	-13	-2,186	-1,845	-10	-33	-1,888
Purchases and originations	33,833	1,018	48	34,899	35,983	1,218	39	37,241	43,787	1,549	71	45,407
Derecognitions and maturities	-27,124	-1,171	-113	-28,409	-26,485	-1,327	-129	-27,941	-33,939	-1,534	-214	-35,688
Write-offs	0	0	-9	-9	0	0	-14	-14	0	0	-26	-26
Ending Balance	**88,573**	**6,365**	**366**	**95,304**	**84,701**	**5,314**	**440**	**90,455**	**85,386**	**5,403**	**371**	**91,160**
Loan and advances to customers at amortised cost				30,238				27,343				27,786
Loan and advances to customers at fair value				65,066				63,112				63,374

Group

	30.09.19				30.09.18				31.12.18			
Gross loans	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 01 January	**92,167**	**6,317**	**456**	**98,940**	**84,913**	**4,958**	**527**	**90,398**	**84,975**	**4,958**	**527**	**90,460**
Transfers in (out) to Stage 1	1,644	-1,631	-14	0	1,015	-959	-56	0	1,347	-1,310	-38	0
Transfers in (out) to Stage 2	-3,326	3,351	-25	0	-2,617	2,635	-18	0	-2,846	2,885	-39	0
Transfers in (out) to Stage 3	-66	-151	218	0	-61	-102	163	0	-99	-139	238	0
Net increase/decrease excisting loans	-2,901	-440	-47	-3,388	-896	-68	-7	-971	-2,940	-200	-47	-3,187
Purchases and originations	36,829	1,206	65	38,100	35,551	1,176	60	36,787	46,998	1,838	89	48,925
Derecognitions and maturities	-28,134	-1,322	-150	-29,606	-26,485	-1,327	-129	-27,941	-35,268	-1,715	-249	-37,232
Write-offs	0	0	-9	-9	0	0	-14	-14	0	0	-26	-26
Ending Balance	**96,213**	**7,330**	**494**	**104,037**	**91,419**	**6,313**	**527**	**98,259**	**92,167**	**6,317**	**456**	**98,940**
Loan and advances to customers at amortised cost				38,971				35,147				35,566
Loan and advances to customers at fair value				65,066				63,112				63,374

Parent Bank				Group		
2018	**30.09.2018**	**30.09.2019**		**30.09.2019**	**30.09.2018**	**2018**
251	247	6	Public sector	289	529	482
4,271	4,056	4,557	Primary industries	4,954	4,425	4,636
1,026	1,006	1,074	Paper and pulp industries	1,093	1,022	1,051
1,225	1,113	1,314	Other industry	1,553	1,354	1,472
3,135	3,577	3,767	Building and constructions	5,035	4,733	4,466
230	191	218	Power and water supply	388	363	397
1,003	992	1,119	Wholesale and retail trade	1,423	1,290	1,302
467	597	468	Hotel and restaurants	483	614	483
14,140	13,758	15,815	Real estate	15,985	13,874	14,277
4,588	3,978	4,388	Commercial services	4,975	4,497	5,172
496	520	520	Transport and communication	1,702	1,641	1,657
0	0	0	Other	0	0	0
30,834	**30,034**	**33,246**	**Gross corporate loans by sector and industry**	**37,881**	**34,342**	**35,397**
60,326	60,421	62,058	Private customers	66,157	63,917	63,544
91,160	**90,455**	**95,304**	**Total gross loans by sector and industry**	**104,037**	**98,259**	**98,940**
-238	-237	-198	Loan loss allowance for loans at amortised cost	-254	-301	-291
-43	-62	-39	Fair value adjustments for loans at fair value through OCI	-39	-62	-43
90,878	**90,156**	**95,067**	**Total loans to customers**	**103,744**	**97,896**	**98,606**
39,792	38,415	42,244	Loans transferred to SpareBank 1 Boligkreditt AS	42,244	38,415	39,792
1,433	1,479	1,029	Loans transferred to SpareBank 1 Næringskreditt AS	1,029	1,479	1,433
132,103	**130,049**	**138,340**	**Total loans including loans transferred to covered bond companies**	**147,017**	**137,790**	**139,831**

Note 6 Impairment on loans and liabilities

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

30.09.2019

	31.12.2018	Provision for credit losses	Net write-offs	30.09.2019
Provisions for loans at amortised cost, guarantee and unused credit facilities	265	-30	-11	224
Provisions for loan losses at fair value over OCI	65	-7	-1	57
Total provisions for credit losses	**329**	**-37**	**-11**	**281**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	282	-34	-11	237
Liabilities: Provisions for loan losses - increase of liabilities	25	0	0	25
Eqity: Fair value adjustment of losses	22	-3	0	19

30.09.2018

	01.01.2018	Provision for credit losses	Net write-offs	30.09.2018
Provisions for loans at amortised cost, guarantee and unused credit facilities	273	3	-4	272
Provisions for loan losses at fair value over OCI	78	6	-5	79
Total provisions for credit losses	**351**	**9**	**-9**	**351**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	308	0	-9	299
Liabilities: Provisions for loan losses - increase of liabilities	23	7	0	31
Eqity: Fair value adjustment of losses	20	1	0	21

31.12.2018

	01.01.2018	Provision for credit losses	Net write-offs	31.12.2018
Provisions for loans at amortised cost, guarantee and unused credit facilities	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

Group

30.09.2019

	01.01.2019	Provision for credit losses	Net write-offs	30.09.2019
Provisions for loans at amortised cost, guarantee and unused credit facilities	320	-26	-11	283
Provisions for loan losses at fair value over OCI	65	-8	-1	57
Total provisions for credit losses	**385**	**-34**	**-11**	**340**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	337	-33	-11	293
Liabilities: Provisions for loan losses - increase of liabilities	25	0	0	25
Eqity: Fair value adjustment of losses	22	0	0	22

30.09.2018

	01.01.2018	Provision for credit losses	Net write-offs	30.sep.18
Provisions for loans at amortised cost, guarantee and unused credit facilities	331	9	-4	336
Provisions for loan losses at fair value over OCI	78	6	-5	79
Total provisions for credit losses	**409**	**15**	**-9**	**415**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	366	3	-9	360
Liabilities: Provisions for loan losses - increase of liabilities	23	7	0	31
Eqity: Fair value adjustment of losses	20	4	0	24

31.12.2018

	01.01.2018	Provision for credit losses	Net write-offs	31.12.2018
Provisions for loans at amortised cost, guarantee and unused credit facilities	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

Parent Bank

Provisions for credit losses *	30.09.19 Stage 1	Stage 2	Stage 3	Total	30.09.18 Stage 1	Stage 2	Stage 3	Total	31.12.18 Stage 1	Stage 2	Stage 3	Total
Balance at 01 January	**111**	**136**	**83**	**329**	**101**	**117**	**133**	**351**	**101**	**117**	**133**	**351**
Provision for credit losses												
Transfers in (out) to Stage 1	4	-4	0	0	5	-2	-3	0	31	-21	-10	0
Transfers in (out) to Stage 2	-45	46	-1	0	-46	46	0	0	-6	18	-12	0
Transfers in (out) to Stage 3	-1	-4	5	0	-3	-13	16	0	0	-8	8	0
Net remeasurement of loss provisions	17	-53	8	-28	41	-10	-9	22	-46	35	31	20
Purchases and originations	39	17	1	56	38	18	6	62	63	33	10	107
Derecognitions and maturities	-22	-27	-17	-65	-23	-31	-22	-76	-32	-39	-51	-122
Write-offs	0	0	-11	-11	0	0	-9	-9	0	0	-26	-26
Ending Balance	**102**	**113**	**67**	**281**	**114**	**126**	**111**	**351**	**111**	**136**	**83**	**329**

Group

Provisions for credit losses *	30.09.19 Stage 1	Stage 2	Stage 3	Total	30.09.18 Stage 1	Stage 2	Stage 3	Total	31.12.18 Stage 1	Stage 2	Stage 3	Total
Balance at 01 January	**127**	**162**	**96**	**385**	**117**	**144**	**149**	**409**	**116**	**144**	**149**	**409**
Provision for credit losses												
Transfers in (out) to Stage 1	9	-9	0	0	4	-1	-3	0	37	-27	-11	-1
Transfers in (out) to Stage 2	-47	48	-1	0	-46	46	0	0	-8	21	-12	0
Transfers in (out) to Stage 3	-1	-7	8	0	-3	-13	16	0	-1	-9	10	0
Net remeasurement of loss provisions	10	-47	1	-35	41	-5	-9	27	-54	36	36	18
Purchases and originations	46	22	1	69	35	14	5	55	72	41	11	125
Derecognitions and maturities	-23	-32	-12	-67	-22	-29	-16	-67	-36	-43	-61	-140
Write-offs	0	0	-11	-11	0	0	-9	-9	0	0	-26	-26
Ending Balance	**120**	**139**	**82**	**340**	**126**	**156**	**133**	**415**	**127**	**162**	**96**	**385**

**** Impairment on loans and liabilities***

Note 7 Net income from financial assets and liabilities

Parent Bank Year 2018	01.01-30.09 2018	2019		Group 01.01-30.09 2019	2018	Year 2018
13	13	19	Dividends from equity instruments at fair value through profit and loss	19	13	13
13	**13**	**19**	**Dividends from other than Group companies**	**19**	**13**	**13**
372	368	582	Dividends (Parent Bank) or net profit from Group companies (Group)	520	141	198
-4	-4	0	Gains or losses on realisation of Group companies (Parent Bank)			
0	0	-6	Impairment on Group companies (Parent Bank)			
369	**364**	**576**	**Net profit from ownership interests**	**520**	**141**	**198**
-20	-18	48	Net change in value on certificates, bonds and fixed-income funds	48	-18	-20
-1	12	-21	Net change in value on derivatives that hedge securities above	-21	12	-1
-21	*-6*	*27*	*Net change in value on certificates, bonds and fixed-income funds including hedge derivatives*	*27*	*-6*	*-21*
35	180	-411	Net change in value of securities issued	-411	180	35
-17	-172	443	Net change in value in derivatives that hedge securities issued	443	-172	-17
17	*9*	*31*	*Net change in value on securities issued including hedge derivatives*	*31*	*9*	*17*
15	23	52	Net change in value on equity instruments at fair value through profit and loss	52	23	15
-64	-36	23	Net change in value on fixed-rate loans to customers at fair value through profit and loss	23	-36	-64
11	39	2	Net change in value on other derivatives	2	39	11
73	68	8	Gains or losses on realisation of assets at fair value through profit and loss	8	68	73
47	33	42	Net income from FX trading	42	33	47
80	**131**	**185**	**Net profit from other financial assets and liabilities**	**185**	**131**	**80**
461	**507**	**779**	**Net income from financial assets and liabilities**	**724**	**284**	**291**

Note 8 Financial derivatives

Parent Bank and Group

	30.09.2019		
	Contract amount	Fair value	
At fair value through profit and loss		Assets	Liabilities
Currency instruments			
Currency forward contracts	2,396	12	24
Currency swaps	1,346	2	29
Total currency instruments	**3,742**	**13**	**53**
Interest rate instruments			
Interest rate swaps (including cross-currency)	46,855	1,182	300
Other interest rate contracts	2,979	5	0
Total interest rate instruments	**49,834**	**1,188**	**300**
Total currency instruments	**3,742**	**13**	**53**
Total interest rate instruments	**49,834**	**1,188**	**300**
Total financial derivates	**53,576**	**1,201**	**353**

	30.09.2018		
	Contract amount	Fair value	
At fair value through profit and loss		Assets	Liabilities
Currency instruments			
Currency forward contracts	1,171	6	12
Currency swaps	1,257	13	20
Total currency instruments	**2,428**	**18**	**33**
Interest rate instruments			
Interest rate swaps (including cross-currency)	34,452	358	410
Other interest rate contracts	2,845	1	0
Total interest rate instruments	**37,297**	**358**	**410**
Total currency instruments	**2,428**	**18**	**33**
Total interest rate instruments	**34,452**	**358**	**410**
Total financial derivates	**36,880**	**377**	**442**

	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**

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 3.9 years at the end of the third quarter of 2019. At the same date, total LCR was 203.5 %.

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

30.09.2019	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
- Derivatives	0	1,201	0	**1,201**
- Certificates, bonds and fixes-income funds	0	18,050	0	**18,050**
- Fixed-rate loans to customers	0	0	6,826	**6,826**
- Equity instruments	305	45	293	**643**
- Other financial assets	0	0	0	**0**
- Mortgages	0	0	58,201	**58,201**
Total assets	**305**	**19,296**	**65,320**	**84,922**
Liabilities				
Financial liabilities at fair value				
- Derivatives	0	353	0	**353**
- Securities issued	0	4,086	0	**4,086**
Total liabilities	**0**	**4,439**	**0**	**4,439**

30.09.2018	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	377	0	**377**
- Bonds and certificates	0	14,242	0	**14,242**
- Fixed-rate loans to customers	0	0	5,963	**5,963**
- Equity instruments	272	54	281	**606**
- Equity instruments	0	0	4	**4**
- Other financial assets	0	0	57,149	**57,149**
Total assets	**272**	**14,673**	**63,397**	**78,342**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	442	0	**442**
- Securities issued	0	5,120	0	**5,120**
Total liabilities	**0**	**5,563**	**0**	**5,563**

2018	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	819	0	**819**
- Bonds and certificates	0	14,446	0	**14,446**
- Fixed-rate loans to customers	0	0	6,471	**6,471**
- Equity instruments	268	47	279	**594**
- Equity instruments	0	0	4	**4**
- Other financial assets	0	0	56,859	**56,859**
Total assets	**268**	**15,311**	**63,614**	**79,193**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	354	0	**354**
- Securities issued	0	4,831	0	**4,831**
Total liabilities	**0**	**5,185**	**0**	**5,185**

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, Refinitiv pricing service, Bloomberg or reputable brokers.
- 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:

31.12.2018-30.09.2019	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Opening balance	6,471	279	56,859	4	**63,614**
Investments in the period	1,219	0	15,114	0	**16,333**
Sales/redemption in the period	-887	0	-13,776	-4	**-14,668**
Gains/losses recognised through profit and loss	23	14	7	0	**44**
Gains/losses recognised through other comprehensive income	0	0	-3	0	**-3**
Closing balance	**6,826**	**293**	**58,201**	**0**	**65,320**
Gains/losses for the period included in the profit for assets owned on the balance sheet day	23	14	7	0	**44**

31.12.2017-30.09.2018	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	0	9	51,244	0	**51,253**
Investments in the period	2,078	42	0	26,651	-36	**28,735**
Sales / redemption in the period	-1,333	-8	0	-20,742	0	**-22,083**
Gains / losses recognised through profit and loss	-36	9	0	-5	0	**-32**
Gains/losses recognised through other comprehensive income	0	0	0	1	0	**1**
Closing balance	**5,963**	**281**	**0**	**57,149**	**4**	**63,397**
Gains / losses for the period included in the profit for assets owned on the balance sheet day	-36	10	0	-5	0	**-32**

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**

Specification of fair value, instruments classified in level 3:

30.09.2019	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,802	209	58,240	0	**65,251**
Fair value adjustment	24	84	-39	0	**70**
Closing balance	**6,826**	**293**	**58,201**	**0**	**65,320**

30.09.2018	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	5,934	165	57,211	4	**63,314**
Fair value adjustment	29	116	-62	0	**83**
Closing balance	**5,963**	**281**	**57,149**	**4**	**63,397**

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	209	56,902	4	**63,585**
Fair value adjustment	1	71	-43	0	**29**
Closing balance	**6,471**	**279**	**56,859**	**4**	**63,614**

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 17.

Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 55), Eksportfinans ASA (MNOK 73), SpareBank 1 Markets AS (NOK 39 million) and VN Norge AS (NOK 42 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 3.9). 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 -39. 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 18 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

				Amounts not presented on the balance sheet on a net basis		
30.09.2019	**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	1,201	0	1,201	-311	-787	**102**
Derivatives as liabilities	-353	0	-353	311	23	**-19**

30.09.2018	**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	377	0	377	-220	-47	**110**
Derivatives as liabilities	-442	0	-442	220	136	**-86**

2018	**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	819	0	819	-264	-417	**138**
Derivatives as liabilities	-354	0	-354	264	16	**-74**

Note 12 Leases

In connection with the implementation of IFRS 16 Leases from 1 January 2019, the bank and its subsidiaries have reviewed new and existing leases. For the SpareBank 1 Østlandet Group, primarily residential leases have been identified as being subject to the standard. Referance is made to note 1 for a description of the standard and choice of transitional provisions. The Group had no lease commitments from applying IAS 17 as at 31 Desember 2018.

Parent Bank		Group
	Right of use	
224	Right-of use asset at 01.01.2019	170
4	Additions	9
29	Depreciation	23
199	**Right-of use asset at 30.09.2019**	**156**

Parent Bank		Group
	Lease liability	
224	Lease liability at 01.01.2019	170
4	Additions	9
-31	Lease payments in the period	-24
3	Interest	3
200	**Lease liability at 30.09.2019***	**157**

* In the parent bank, NOK 38 millon of the lease obligation falls due within 12 months. Corresponding figures in the Group are NOK 29 million.

30.09.2019	**Effects on earnings**	**30.09.2019**
3	Interest expense	3
29	Depreciation	23
32	**Total cost from lease liablilities**	**25**

30.09.2019	**Effect of IFRS 16**	**30.09.2019**
-31	Reduced operating expenses under IAS 17	-24
32	Increase lease expense under IFRS 16	25
1	**Change in profit before tax in the period**	**1**

The increase in assets and liabilities at the implementation date is not significant compared to the Group's total balance sheet and total capital adequacy ratio. The effects on profit and loss as a consequence of the new standard are also assumed not to have a significant effect on the Group's operating profit. The costs of leases under IFRS 16 are classified as depreciation and interest cost.

Note 13 Other assets

Parent Bank				Group		
2018	**30.09.2018**	**30.09.2019**		**30.09.2019**	**30.09.2018**	**2018**
273	273	273	Capital payments into pension fund	273	273	273
37	36	34	Accrued income, not yet received	35	39	39
94	92	57	Prepaid costs, not yet incurred	137	169	149
0	10	0	Unsettled trades	0	10	0
295	162	347	Other assets	562	415	581
699	**574**	**711**	**Total other assets**	**1,007**	**907**	**1,041**

Note 14 Deposits from and liabilities to customers

Parent Bank				Group		
2018	**30.09.2018**	**30.09.2019**		**30.09.2019**	**30.09.2018**	**2018**
40,886	40,814	43,352	Private customers	43,352	40,814	40,886
5,880	4,583	7,065	Public sector	7,065	4,583	5,880
868	905	977	Primary industries	977	905	868
275	264	303	Paper and pulp industries	303	264	275
754	706	694	Other industry	694	706	754
1,779	1,567	1,724	Building and construction	1,724	1,567	1,779
87	102	209	Power and water supply	209	102	87
1,496	1,502	1,771	Wholesale and retail trade	1,771	1,502	1,496
290	272	322	Hotel and restaurants	322	272	290
3,826	4,337	4,498	Real estate	4,498	4,337	3,826
14,338	14,379	14,985	Commercial services	14,958	14,353	14,295
1,060	846	993	Transport and communications	993	846	1,060
71,540	**70,277**	**76,893**	**Total deposits by sector and industry**	**76,866**	**70,251**	**71,497**

Note 15 Debt securities issued

Parent Bank and Group

Change in debt securities issued	**30.09.2019**	**Issued**	**Due / redeemed**	**Other changes**	**31.12.2018**
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	34,260	6,677	-2,350	-1,233	31,165
Subordinated loan capital, nominal value	1,425	400	0	-75	1,100
Accrued interest	220	0	0	-11	231
Value adjustments	984	0	0	393	591
Total debt raised through issuance of securities and subordinated loan capital, book value	**36,888**	**7,077**	**-2,350**	**-926**	**33,087**

Change in debt securities issued	**30.09.2018**	**Issued**	**Due / redeemed**	**Other changes**	**31.12.2017**
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	32,190	12,241	-3,750	590	23,109
Subordinated loan capital, nominal value	1,100	400	-1,000	0	1,700
Accrued interest	241	0	0	34	207
Value adjustments	-71	0	0	-446	375
Total debt raised through issuance of securities and subordinated loan capital, book value	**33,460**	**12,641**	**-4,750**	**178**	**25,391**

Change in debt securities issued	**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
Value 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**

Note 16 Other debt and liabilities recognized in the balance sheet

Parent Bank				Group		
2018	30.09.2018	30.09.2019		30.09.2019	30.09.2018	2018
94	112	95	Accrued expenses and prepaid revenue	139	152	141
25	31	25	Provisions	25	31	25
86	83	84	Pension liabilities	86	86	87
83	54	58	Accounts payable	64	66	91
0	0	1,263	Unsettled trades	1,263	0	0
0	0	200	Lease obligation (for specifications see note 12)	157	0	0
244	255	505	Other liabilities*	562	336	343
532	**535**	**2,230**	**Total other debt and liabilities recognised in the balance sheet**	**2,297**	**670**	**687**

*As at 31.12.2018 dividend to equity certificate holders and customer dividend was included with NOK 477 million and NOK 222 million respectively.

Note 17 Equity capital certificates and owner structure

Parent Bank	30.09.2019 [1)]	30.09.2018	2018
Equity capital certificates	5,791	5,359	5,766
Dividend equalisation fund	3,219	2,406	2,112
Dividends	0	0	477
Premium fund	848	547	830
A. Equity capital certificate owners' capital	**9,859**	**8,312**	**9,185**
Primary capital	4,090	3,826	3,690
Dividends to customers	0	0	222
Other paid-up equity	166	166	166
B. Total primary capital	**4,257**	**3,992**	**4,078**
Fund for unrealised gains	303	261	252
Provision for gifts	13	17	15
Total other equity	**316**	**278**	**267**
Other equity	0	0	0
Hybrid capital	493	400	400
Total interest expence on hybrid capital	-39	-22	-30
Total equity	**14,886**	**12,960**	**13,900**
Total equity for distribution:			
Equity capital certificate ratio (A/(A+B)) after distribution	**69.8 %**	**67.6 %**	**69.3 %**
Equity certificates issued	**115,829,789**	**107,179,987**	**115,319,521**
Equity Certificates with the ringt to dividend [2)]	**115,829,789**	**107,179,987**	**115,829,789**
Average Equity certificates	**115,710,726**	**107,179,987**	**107,893,590**

[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	52.15 %
Landsorganisasjonen I Norge LO Sentralt	11,121,637	9.60 %
Tredje AP-Fonden	2,418,126	2.09 %
Fellesforbundet	2,101,322	1.81 %
Danske Invest Norske Instit. Ii.	1,797,425	1.55 %
Odin Norge	1,621,218	1.40 %
VPF Eika Egenkapitalbevis	1,369,144	1.18 %
Norsk nærings- og nytelsesmiddelarbeiderforbund	1,313,555	1.13 %
SpareBank 1 BV	1,039,523	0.90 %
Fidelity Pur.Trust:Fidelity Series	1,000,000	0.86 %
Landkreditt Utbytte	925,000	0.80 %
SpareBank 1 Østfold Akershus	839,930	0.73 %
Danske Invest Norske Aksjer Inst	832,526	0.72 %
State Street Bank And Trust Comp	779,576	0.67 %
State Street Bank And Trust Comp	761,795	0.66 %
Arctic Funds Plc	744,197	0.64 %
DnB Nor Bank Asa Egenhandelskonto	713,000	0.62 %
Eika Spar Vpf	668,314	0.58 %
SEB Nordenfond	652,426	0.56 %
JP Morgan Chase Bank, N.A., London	545,030	0.47 %

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 18 Events occurring after the balance date

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

Profit/loss from the quarterly accounts

Group *(NOK million, excluding percentages)*	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
Interest income	981	910	875	896	864	844	811	820	809
Interest expense	427	390	367	352	340	333	316	318	310
Net interest income	**554**	**520**	**508**	**544**	**524**	**511**	**495**	**501**	**498**
Commission income	336	323	304	297	299	310	304	312	311
Commission expenses	40	36	30	32	23	27	23	27	27
Other operating income	54	78	67	48	40	51	42	29	42
Net commission and other operating income	**350**	**364**	**341**	**313**	**316**	**334**	**323**	**315**	**325**
Dividends from other than Group companies	0	6	12	0	0	0	12	0	0
Net profit from ownership interests	44	131	346	57	58	54	30	77	82
Net profit from other financial assets and liabilities	59	61	65	-51	32	95	4	67	19
Net income from financial assets and liabilities	**103**	**198**	**423**	**7**	**90**	**149**	**45**	**143**	**100**
Total income	**1,007**	**1,082**	**1,271**	**864**	**930**	**994**	**864**	959	**923**
Personnel expenses	267	267	290	286	259	247	258	308	233
Depreciation	30	33	36	23	24	32	23	22	21
Other operating expenses	161	189	169	197	173	190	169	220	179
Total operating expenses	**457**	**489**	**494**	**506**	**457**	**468**	**449**	**550**	**433**
Operating profit before losses on loans and guarantees	**550**	**593**	**777**	**358**	**473**	**525**	**414**	409	**491**
Impairment on loans and guarantees	24	8	-33	11	12	7	5	-13	14
Pre-tax operating profit	**526**	**585**	**810**	**347**	**461**	**518**	**409**	**422**	**476**
Tax expense	116	114	54	25	99	102	96	85	99
Profit after tax	**409**	**471**	**757**	**322**	**362**	**416**	**314**	**337**	**377**

	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
Profitability									
Return on equity capital [1)]	10.7 %	12.8 %	21.2 %	9.1 %	10.8 %	12.9 %	9.9 %	10.4 %	12.0 %
Cost income ratio [3)]	45.4 %	45.2 %	38.8 %	58.6 %	49.2 %	47.6 %	52.0 %	57.4 %	46.9 %
Balance sheet and ratios									
Gross loans to customers	104,037	101,668	98,744	98,940	98,259	96,040	92,818	90,460	88,945
Gross loans to customers including loans transferred to covered bond companies [1)]	147,310	144,337	141,079	140,165	138,153	135,495	132,433	129,535	126,919
Growth in loans during the last 12 months [1)]	5.9 %	5.9 %	6.4 %	9.4 %	10.5 %	9.7 %	9.3 %	9.1 %	9.4 %
Growth in loans including loans transferred to covered bond companies in the last 12 months [1)]	6.6 %	6.5 %	6.5 %	8.2 %	8.9 %	8.9 %	8.8 %	8.4 %	7.9 %
Deposits from customers	76,866	77,352	72,377	71,497	70,251	70,645	66,110	65,985	65,268
Deposit to loan ratio [1)]	73.9 %	76.1 %	73.3 %	72.3 %	71.5 %	71.2 %	71.2 %	72.9 %	73.4 %
Deposit to loan ratio including loans transferred to covered bond companies [1)]	52.2 %	53.6 %	51.3 %	51.0 %	50.9 %	52.1 %	49.9 %	50.9 %	51.4 %
Growth in deposits in the last 12 months	9.4 %	9.5 %	9.5 %	8.4 %	7.6 %	6.0 %	5.3 %	4.6 %	5.1 %
Average total assets	133,711	128,573	124,882	122,395	120,455	116,840	111,205	107,316	106,982
Total assets	136,568	130,854	126,292	123,472	121,319	119,592	114,088	108,321	106,312
Total assets including loans transferred to covered bond companies [1)]	179,841	173,522	168,626	164,696	161,212	159,047	153,703	147,396	144,286
Losses and commitments in default									
Losses on loans as a percentage of gross loans [1)]	0.1 %	0.0 %	-0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	-0.1 %	0.1 %
Solidity and liquidity									
Common equity Tier 1 capital ratio	16.7 %	16.7 %	16.9 %	16.8 %	15.9 %	16.1 %	16.2 %	16.8 %	16.9 %
Tier 1 capital ratio	17.7 %	17.3 %	17.5 %	17.6 %	16.7 %	16.9 %	17.0 %	17.7 %	17.8 %
Capital ratio	19.7 %	19.1 %	19.4 %	19.6 %	18.7 %	19.3 %	19.4 %	20.5 %	19.9 %
Net subordinated capital	15,685	14,982	14,676	14,672	14,077	14,288	14,028	14,138	13,423

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	$\frac{\text{Deposits from and liabilities to customers}}{\textit{Deposits from and liabilities to customers 12 months ago}} - 1$ 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.
Loans to and receivables from customers in stage 2, percentage of gross loans	$\frac{(\text{Loans to and receivables from customers in stage 2}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Gross loans to customers}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Loans to and receivables from customers in stage 3, percentage of gross loans	$\frac{(\text{Loans to and receivables from customers in stage 3}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Gross loans to customers}}$ The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
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.

Alternative performance measures	Definition and rationale
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	$\frac{Listed\ price\ of\ EC}{\text{Earnings per EC} \times (\frac{\text{Act}}{\text{Act}})}$
	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.
Price/book equity	$\frac{Listed\ price\ of\ EC}{\text{Book equity per EC}}$
	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	$\frac{Total\ number\ of\ days\ in\ the\ year\ (365\ or\ 366)}{\text{Number of days so far this year}}$
	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.
Earnings per average equity certificate	$\frac{\text{Majority interest of the Group's profit after tax} \times \text{ECC ratio}}{\text{Average number of ECC i the accounting period}}$
	The indicator shows the equity capital certificate holders' share of profit after tax distributed by average number of equity capital certificates during the accounting period.
Diluted earnings per average equity certificate	$\frac{\text{Majority interest of the Group's profit after tax} \times \text{ECC ratio}}{\text{Average number of ECC in the accounting period} + \text{Number of ECC issued after the accounting period}}$
	The indicator shows the equity capital certificate holders' share of profit after tax distributed by the sum of average number of equity capital certificates during the accounting period and the number of equity capital certificates issued after the accounting period.

Financial calendar 2020

Friday 7 February 2020	7.30 AM	Preliminary annual accounts 2019
Thursday 26 March 2020		Supervisory Board Meeting
Friday 8 May 2020	7.30 AM	1st Quarter 2020
Wednesday 5 August	10.00 AM	2nd Quarter 2020
Friday 30 October 2020	7.30 AM	3rd Quarter 2020

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.

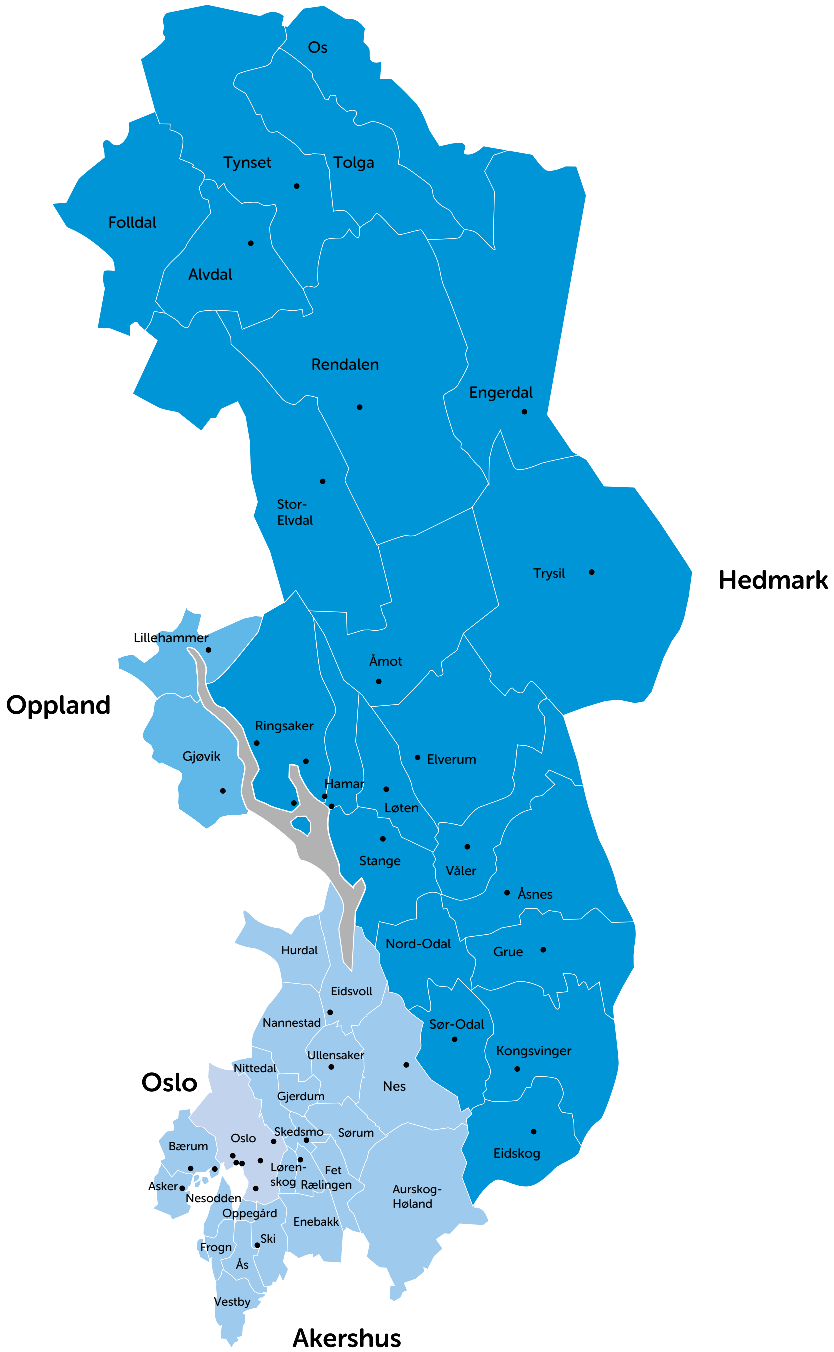
The silent period occurs from the fifth banking day of the new quarter and until the interim report has been published. During this period, Investor Relations does not arrange any meetings with media, investors, analysts or other capital market players.

Contact details

Richard Heiberg
Chief Executive Officer
Tel.: +47 902 06 018
richard.heiberg@sb1ostlandet.no

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

Runar Hauge
IR contact
Tel.: +47 482 95 659
runar.hauge@sb1ostlandet.no



Corporate Management

Strandgata 15, Box 203, N-2302 Hamar

Organisation: NO 920 426 530

Phone

915 02999

Internet banking

sb1ostlandet.no

SpareBank 1 ØSTLANDET