

Second quarter report 2020

SPAREBANK 1 ØSTLANDET



Skibladner is the world's oldest preserved paddle steamer in timetable service and sails on Norway's largest lake, Mjøsa.

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Key figures

Group	01.01-30.06 2020		01.01-30.06 2019		Year 2019	
Summary (NOK million and per cent of average assets)	Amount	Per cent ¹⁾	Amount	Per cent ¹⁾	Amount	Per cent ¹⁾
Net interest income	1,093	1.55 %	1,027	1.63 %	2,166	1.66 %
Net commission and other operating income	643	0.91 %	705	1.12 %	1,388	1.06 %
Net income from financial assets and liabilities	265	0.38 %	621	0.99 %	735	0.56 %
Total income	2,001	2.84 %	2,353	3.74 %	4,289	3.29 %
Total operating expenses	933	1.32 %	983	1.56 %	1,930	1.48 %
Operating profit before losses on loans and guarantees	1,067	1.51 %	1,370	2.18 %	2,359	1.81 %
Impairment on loans and guarantees	282	0.40 %	-25	-0.04 %	32	0.02 %
Pre-tax operating profit	786	1.11 %	1,395	2.22 %	2,326	1.78 %
Tax expense	81	0.12 %	167	0.27 %	398	0.31 %
Profit after tax	704	1.00 %	1,227	1.95 %	1,928	1.48 %
Interest expenses on hybrid capital	8	0.01 %	7	0.01 %	15	0.01 %
Profit after tax incl. interest hybrid capital ²⁾	697	0.99 %	1,221	1.94 %	1,913	1.47 %
Profitability						
Return on equity capital ²⁾	9.1%		16.9%		12.8%	
Cost income ratio ²⁾	46.6%		41.8%		45.0%	
Balance sheet and ratios						
Gross loans to customers	112,381		101,668		107,035	
Gross loans to customers including loans transferred to covered bond companies ²⁾	157,956		144,337		150,688	
Growth in loans during the last 12 months ²⁾	10.5%		5.9%		8.2%	
Growth in loans including loans transferred to covered bond companies in the last 12 months ²⁾	9.4%		6.5%		7.5%	
Deposits from customers	85,481		77,352		78,494	
Growth in deposits in the last 12 months ²⁾	10.5%		9.5%		9.8%	
Deposit to loan ratio ²⁾	76.1%		76.1%		73.3%	
Deposit to loan ratio incl. loans transferred to covered bond companies ²⁾	54.1%		53.6%		52.1%	
Average total assets	141,855		126,872		130,394	
Total assets	147,197		130,854		134,783	
Total assets including loans transferred to covered bond companies ²⁾	192,772		173,522		178,436	
Losses and commitments in default						
Impairment on loans as a percentage of gross loans ²⁾	0.5%		0.0%		0.0%	
Loans to and receivables from customers in stage 2, percentage of gross loans	5.6%		6.4%		7.4%	
Loans to and receivables from customers in stage 3, percentage of gross loans	0.7%		0.5%		0.4%	
Solidity and liquidity						
CET 1 capital ratio	17.1%		16.7%		17.2%	
Tier 1 capital ratio	18.2%		17.3%		17.9%	
Capital adequacy ratio	20.1%		19.1%		19.8%	
Total eligible capital	16,418		14,982		15,444	
Equity ratio ²⁾	11.0%		11.5%		11.8%	
Leverage Ratio	7.1%		7.3%		7.2%	
LCR ³⁾	143.3%		170.7%		162.2%	
LCR in NOK ³⁾	140.9%		177.0%		147.1%	
LCR in EUR ³⁾	639.9%		218.9%		1248.3%	
Staff						
Number of fulltime equivalents	1,139		1,130		1,127	
Equity capital certificates						
Market price (NOK)	87.60		85.00		92.50	
Market capitalisation (NOK million)	10,147		9,846		10,714	
Book equity per EC ²⁾	93.51		88.79		93.67	
Earnings per EC, NOK ⁴⁾	4.20		7.29		11.55	
Price/Earnings per EC ²⁾	10.38		5.78		8.01	
Price/book equity ²⁾	0.94		0.96		0.99	

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 / number of EC's.

Report of the Board of Directors

Second quarter of 2020 (Consolidated figures. Figures in brackets concern the corresponding period in 2019)

- Profit after tax: NOK 438 (471) million
- Return on equity: 11.3 (12.8) per cent
- Net interest income: NOK 498 (520) million
- Net commissions and other operating income: NOK 300 (364) million
- Net result from financial assets and liabilities: NOK 314 (198) million
- Total operating costs: NOK 447 (489) million
- Loan loss provisions: NOK 130 (8) million

First half-year 2020 (Consolidated figures. Figures in brackets concern the corresponding period in 2019)

- Profit after tax: NOK 704 (1,227) million
- Return on equity: 9.1 (16.9) per cent
- Earnings per equity certificate: NOK 4.20 (7.29)
- Net interest income: NOK 1,093 (1,027) million
- Net commissions and other operating income: NOK 643 (705) million
- Net result from financial assets and liabilities: NOK 265 (621) million
- Total operating costs: NOK 933 (983) million
- Loan loss provisions: NOK 282 million (net reversals on losses of NOK 25 million)
- Common Equity Tier 1 ratio: 17.1 (16.7) per cent
- Growth in loans including mortgages transferred to covered bond companies in the last 12 months: 9.4 (6.5) per cent
- Growth in deposits in last 12 months: 10.5 (9.5) per cent

Important events in the second quarter of 2020

Interest rate changes

SpareBank 1 Østlandet reduced its lending rates twice during the second quarter of 2020. The first time by up to 0.85 percentage points with effect from 6 April 2020 and the second time by up to 0.40 percentage points with effect from 25 May 2020. In total, lending rates were reduced by up to 1.25 percentage points during the second quarter of 2020.

Similarly, deposit rates were also reduced twice during the second quarter of 2020. The first time deposit rates in the savings and investment accounts were generally reduced by 0.80 percentage points whereas deposit rates for current and operating accounts were generally reduced by 0.05 percentage points and 0.10 percentage points, respectively. The rates were reduced with effect from 10 April 2020 for corporate customers and with

effect from 27 May 2020 for retail customers. Deposit rates were further reduced by up to 0.50 percentage points with effect from 3 June 2020 for corporate customers and with effect from 20 July 2020 for retail customers.

Payment of dividend for 2019

On 7 April 2020, SpareBank 1 Østlandet paid out NOK 531 million in ordinary dividends to equity certificate holders for 2019. The dividend was NOK 4.58 per equity certificate. A further NOK 208 million in customer dividends were distributed to the Bank's savings and loan customers on 23 April 2020.

Issuance of senior non-preferred debt

On 25 June, SpareBank 1 Østlandet issued its first senior non-preferred bond as part of the Bank's plan to satisfy the requirements of the new regulations for MREL.

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 5 AS and AS Vato, as well as the 95 per cent-owned subsidiary SpareBank 1 Finans Østlandet AS. The Group also includes the 70.68 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, 20.87 per cent of SpareBank 1 Kreditt 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 22.29 per cent of SpareBank 1 Boligkreditt AS and 15.15 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 second quarter of 2020

Consolidated results

The SpareBank 1 Østlandet Group's profit after tax amounted to NOK 438 (471) million, compared with NOK 266 million in the first quarter of 2020. The return on equity was 11.3 (12.8) per cent, compared with 6.9 per cent in the first quarter of 2020.

Specification of the consolidated profit after tax in NOK millions:	2Q20	1Q20	2Q19
Parent Bank's profit after tax	386	280	531
Dividends received from subsidiaries/associated companies	-124	-156	-241
Share of profit from:			
SpareBank 1 Gruppen - consolidated figures	69	144	118
SpareBank 1 Boligkreditt AS	44	-33	8
SpareBank 1 Næringskreditt AS	3	1	1
EiendomsMegler 1 Innlandet AS	11	0	9
EiendomsMegler 1 Oslo Akershus - consolidated figures	5	-1	5
SpareBank 1 Finans Østlandet AS	28	29	34
SpareBank 1 Østlandet VIT - consolidated figures	2	0	1
SpareBank 1 Kreditt AS	2	1	6
SpareBank 1 Betaling AS	0	-2	-2
BN Bank ASA - consolidated figures	8	7	3
Youngstorget 5 AS	1	1	1
Other associated companies/joint ventures	3	-3	-4
Consolidated profit after tax	438	266	471

Net interest income

Net interest income amounted to NOK 498 (520) million, compared with NOK 594 million in the first quarter of 2020. Net interest income as a percentage of average total assets was 1.38 (1.62) per cent, compared with 1.72 per cent in the first quarter of 2020. The reduction in net interest income was mainly due to lower lending rates. The impact the rate reductions in the second quarter of 2020 had on net interest income was amplified due to the fact that lending rates were reduced earlier than the deposit rates and that the rates on the Group's securities debt was re-fixed with a delay of up to three months after a fall in market rates.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 300 (364) million, compared with NOK 343 million in the first quarter of 2020.

Commissions from the covered bond companies amounted to NOK 42 (82) million, compared with NOK 79 million in the first quarter of 2020. Commissions from the covered bond companies were lower because lending rates were reduced earlier than the funding rates for the covered bond companies were reduced.

Income from real estate brokerage amounted to NOK 83 (81) million, compared with NOK 74 million in the first quarter of 2020, and income from accounting services amounted to NOK 49 (50) million, compared with NOK 52 million in the first quarter of 2020.

Net result from financial assets and liabilities

The net result from financial assets and liabilities amounted to NOK 314 (198) million, compared with NOK -48 million in the first quarter of 2020. The increase since the previous quarter generally mirrors the positive developments in the financial markets since the previous quarter.

Operating costs

Total operating costs amounted to NOK 447 (489) million, compared with NOK 487 million in the first quarter of 2020. The reduction from the previous quarter is mainly attributable to lower personnel costs and lower other operating costs as a result of furloughs in subsidiaries due to the coronavirus crisis.

Loan loss provisions

Loan loss provisions amounted to NOK 130 (8) million, compared with NOK 151 million in the first quarter of 2020. The losses in the second quarter were due to a NOK 82 million increase in individual loan loss impairments (Stage 3). Model-generated loan loss impairments increased by NOK 10 million as a result of the growth and migration in the period

and adjusted assumptions (PD/LGD). A post model adjustment (PMA) of NOK 15 million was also made for estimated, not observed migration from Stage 1 to Stage 2. For more detailed information about loan loss impairments, see Note 1 'Accounting policies', Note 5 'Loans to and receivables from customers' and Note 6 'Loan loss provisions'.

Consolidated results for the first half-year 2020

Consolidated results

The consolidated profit after tax for the first half-year was NOK 704 (1,227) million and the return on equity 9.1 (16.9) per cent.

Specification of the consolidated profit after tax in NOK millions:	30.06.20	30.06.19
Parent Bank's profit after tax	666	1,250
Dividends received from subsidiaries/associated companies	-280	-582
Share of profit from:		
SpareBank 1 Gruppen - consolidated figures	213	433
SpareBank 1 Boligkreditt AS	11	24
SpareBank 1 Næringskreditt AS	4	3
EiendomsMegler 1 Innlandet AS	11	7
EiendomsMegler 1 Oslo Akershus - consolidated figures	5	8
SpareBank 1 Finans Østlandet AS	58	63
SpareBank 1 Østlandet VIT - consolidated figures	1	-1
SpareBank 1 Kreditt AS	2	9
SpareBank 1 Betaling AS	-2	9
BN Bank ASA - consolidated figures	14	3
Youngstorget 5 AS	2	6
Other associated companies/joint ventures	0	-4
Consolidated profit after tax	704	1,227

Net interest income

Net interest income amounted to NOK 1,093 (1,027) million. Net interest income must be viewed in conjunction with commissions from mortgages transferred to the part-owned covered bond companies totalling NOK 120 (166) million. The total net interest income and commissions from the covered bond companies amounted to NOK 1,213 (1,194) million. Improved lending margins and growth in loans contributed to the increase in total net interest income, while lower deposit margins and commissions from the covered bond companies had the opposite effect. Total net interest income was also affected by lending rates being reduced in the second quarter earlier than both deposit rates and the reduction in funding rates.

Net interest income as a percentage of average total assets was 1.55 (1.63) per cent.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 643(705) million.

NOK millions	30.06.20	30.06.19
Net money transfer fees	52	52
Commissions from insurance and savings	111	101
Commissions from covered bonds companies	120	166
Commission from credit cards	30	31
Real estate brokerage commissions	157	171
Accounting services	101	103
Other operating income	72	81
Net commissions and other (non interest) operating income	643	705

The reduction in net commissions and other operating income was mainly due to reduced commissions from the covered bond companies, reduced income from real estate brokerage and a reduction in other operating income, while increased income from fund and insurance commissions had the opposite effect. Commissions from the covered bond companies were lower due to lending rates being reduced earlier than the funding rates for the covered bond companies.

For more detailed information about the various profit centres 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 265 (621) million.

NOK millions	30.06.20	30.06.19
Dividends from other than Group companies	12	18
Net profit from ownership interests	243	477
Net profit from other financial assets and liabilities	10	125
Net commission and other operating income	265	621

Dividends of NOK 12 (18) million consisted mainly of dividends from Totens Sparebank of NOK 11 (12) million.

The net profit from ownership interests amounted to NOK 243 (477) million.

Contribution from associated companies and joint ventures in NOK millions	30.06.20	30.06.19
SpareBank 1 Gruppen AS	213	433
SpareBank 1 Boligkreditt AS	11	24
SpareBank 1 Næringskreditt AS	4	3
SpareBank 1 Kreditt AS	2	9
SpareBank 1 Betaling AS	-2	9
BN Bank ASA	14	3
Other associated companies/joint ventures	1	-4
Net profit from ownership interests	243	477

The NOK 234 million reduction from the same period last year was primarily attributable to lower contribution from SpareBank 1 Gruppen, although SpareBank 1 Boligkreditt AS, SpareBank 1 Kreditt AS and Sparebank 1 Betaling AS also posted weaker results than at the same time last year. Profit contributions from BN Bank ASA were included in the Group accounts for the first time with effect from 24 May 2019.

The profit contribution from SpareBank 1 Gruppen was NOK 213 million for the first half-year. Of this, SpareBank 1 Østlandet's share of the gain in SpareBank 1 Gruppen from the transfer of the personal risk area from SpareBank 1 Forsikring AS to Fremtind Forsikring AS amounted to NOK 217 million. Correspondingly, SpareBank 1 Østlandet's share of the gain in SpareBank 1 Gruppen in the first half-year 2019 in connection with the insurance merger and sell-down in Fremtind Forsikring AS amounted to NOK 291 million.

The net result from other financial assets and liabilities was NOK 10 (125) million. For more detailed information, see note 7 'Net result from financial assets and liabilities'.

Operating costs

Operating costs were NOK 933 (983) million and amounted to 46.6 (41.8) per cent of net income.

Specifications of the costs in the period in NOK millions	30.06.20	30.06.19	Change
Personnel costs excl. restructuring costs	528	554	-4.5 %
Depreciation/amortisation	66	67	-1.7 %
IT costs	151	145	4.0 %
Marketing costs	36	50	-28.4 %
Operating costs from real estate	27	23	15.8 %
Other costs	125	141	-11.2 %
Total operating costs excl. restructuring costs	933	979	-4.8 %
Restructuring costs	1	4	
Total operating costs	933	983	-5.1 %

The NOK 50 million reduction in operating costs is mainly attributable to lower personnel costs, marketing costs and other operating costs, including the consequences of a period of furloughs in subsidiaries during the first part of the coronavirus pandemic. The Group also incurred costs of NOK 7 million in the first half-year 2019 related to employee discounts on purchases of equity certificates as part of an employee offering. The reduction was offset to some extent by higher IT costs and higher operating costs for properties. Restructuring costs amounted to NOK 1 (4) million in the first half-year and were due to severance payments in the Parent Bank.

As at 30 June 2020, the Group had 1,139 (1,130) FTEs. The overall increase of 9 FTEs was the result of a combination of a reduction of 2 FTEs in the Parent Bank and an increase of 11 FTEs in subsidiaries.

Loan loss provisions

In the first half-year, the Group recognised losses amounting to NOK 282 million (net reversals on losses of NOK 25 million).

Loan loss provisions can be broken down as follows:

Specification of total losses on loans and guarantees in the period, NOK millions	Total	RM	CM	SB1FØ
Change in impairments in the period	255	22	194	40
Realised losses on commitments for which earlier impairment provisions had been made	10	3	7	0
Realised losses on commitments for which no earlier impairment provisions had been made	32	2	2	28
Recoveries on loans and guarantees previously impaired	16	1	1	14
Total impairment losses on loans and guarantees in the period	282	26	202	54

Model-generated loan loss impairments was NOK 104 million, due to adjusted assumptions (PD/LGD) and changes in scenario weightings. Post model adjustments (PMA) of NOK 55 million were also made for estimated, not observed migration from Stage 1 to Stage 2. Furthermore, individual loan loss impairments (stage 3) were increased by NOK 95 million. By comparison, last year's figures were heavily affected by a reduction in loan loss impairments as a result of the validation of the loss models showing that the previous LGD estimates were significantly higher than realised loss rates. Reference is also made to Note 6 'Loan loss provisions'.

74 (74) per cent of the SpareBank 1 Østlandet Group's total lending, inclusive of loans transferred to the covered bond companies, was to retail customers, mainly in the form of residential mortgages. The corporate portfolio's exposure to cyclical industries is low.

Credit risk

The Group's capitalised loan loss provisions as at 30 June 2020 amounted to NOK 614 (335) million. The marked increase from the same period last year is mainly due to increased model-generated loan loss impairments, increased individual loan loss impairments and the fact that a PMA was made for estimated, not observed migration from Stage 1 to Stage 2. Realized losses were moderate.

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

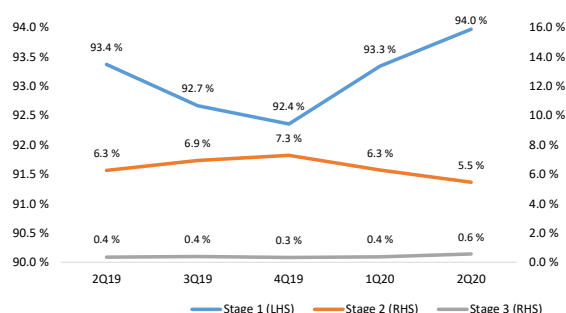
Stage 1 is used for lending that does not have a substantially higher credit risk than it did upon initial recognition. A provision is made for 12 months' expected losses.

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.

Gross loans and financial liabilities defined as Stage 3 amounted to NOK 826 (469) million as at 30 June 2020. This corresponded to 0.73 (0.46) per cent of gross lending. NOK 183 (91) million of gross loans and financial liabilities defined as Stage 3 was provisions for credit losses.

Net exposure in the different stages was as follows:



For more detailed information about loan loss impairments, see Note 1 'Accounting policies', Note 5 'Loans to and receivables from customers' and Note 6 'Loan loss provisions'.

The coronavirus crisis resulted in the Bank implementing a series of extraordinary measures in the first half-year. Lending rates were generally reduced by 1.25 percentage points for both retail and corporate customers. The Group's loan customers, both retail and corporate, were upon application generally granted a 3 to 6-month interest only period. In addition to this, the Bank provided government guaranteed liquidity loans and other liquidity facilities to corporate customers.

As at 30 June, the corporate division in SpareBank 1 Østlandet had granted interest only arrangements to approximately 750 loans with a lending volume of approximately NOK 188 million, provided 79 liquidity loans with a government guarantee with a lending volume of approximately NOK 243 million, and granted 24 contingency loans with a lending volume

of approximately NOK 111 million. The retail division had granted payment holidays to approximately 4,370 customers with a lending volume of approximately NOK 10 billion. The number of enquiries concerning new payment holidays and liquidity loans fell heavily through the second quarter.

As at 30 June, the cooperate division in SpareBank 1 Finans Østlandet had granted interest only arrangements for approximately 550 loans with a lending volume of approximately NOK 1.6 billion. The retail division had granted payment holidays to approximately 1,300 customers with a lending volume of approximately NOK 338 million.

The credit risk in the Bank's credit portfolios improved slightly until the end of the second quarter of 2020. As at the balance sheet date, there were few signs of a general deterioration in the portfolio's credit quality. However, the Bank expects the coronavirus crisis to be reflected in the Bank's risk models over time through companies' reduced earnings in 2020 and higher unemployment among retail customers. At the end of the first half-year 2020, the Bank's measured credit risk was within the risk tolerances set by the Board of Directors. The Board of Directors is of the opinion that the Group's credit risk is moderate to low, but has increased due to the coronavirus crisis.

Total assets

Total assets as at 30 June 2020 amounted to NOK 147.2 (130.9) billion. Adjusted total assets, defined as total assets inclusive of mortgages transferred to the covered bond companies, amounted to NOK 192.8 (173.5) billion.

Lending to customers

Gross lending to customers, inclusive of mortgages transferred to the covered bond companies, totalled NOK 158.0 (144.3) billion. As at 30 June 2020, mortgages totalling NOK 44.6 (41.4) billion had been transferred to SpareBank 1 Boligkreditt AS and mortgages totalling NOK 1.0 (1.2) billion had been transferred to SpareBank 1 Næringskreditt AS.

The growth in lending in the past 12 months, inclusive of mortgages transferred to the covered bond companies, was NOK 13.6 (8.8) billion, equivalent to 9.4 (6.5) per cent. The growth in the retail lending was NOK 9.5 (6.0) billion, while the growth in the corporate lending was NOK 4.1 (2.8) billion.

Deposits from customers

As at 30 June 2020, deposits from customers totalled NOK 85.5 (77.4) billion. The growth in deposits in the last 12 months was NOK 8.1 (6.7) billion, equivalent to 10.5 (9.5) per cent. The growth in the retail deposits was NOK 5.3 (2.2) billion, while the growth in the corporate deposits was NOK 2.8 (4.5) billion.

The Group's deposit coverage ratio was 76.1 (76.1) per cent. The Group's deposit coverage ratio, inclusive of mortgages transferred to the covered bond companies, was 54.1 (53.6) per cent.

Liquidity

Borrowing from financial institutions and securities issued (senior debt, senior non-preferred debt, subordinated loan capital and additional Tier 1 capital) totalled NOK 41.2 (35.8) billion, 47.7 (33.7) per cent of which is euro-denominated. The average term to maturity of the Group's long-term funding was 4.0 (4.2) years. The average term to maturity for all borrowing was 3.7 (3.8) years.

The liquidity coverage ratio (LCR) was 143.3 (170.7) per cent, whereas the average last 12 months was 159.8 (161.8) per cent. The Group enjoyed strong liquidity prior to the coronavirus outbreak in Norway and this has been maintained during the first half-year. The Board of Directors considers the Group's liquidity situation to be satisfactory.

Equity certificates

As at 30 June 2020, the equity share capital comprised 115,829,789 (115,829,789) equity certificates and book equity per equity certificate group was NOK 93.51 (88.79). Earnings per equity certificate amounted to NOK 4.20 (7.29) for the first half-year.

As at 30 June 2020, the market price for the Bank's equity certificate (ticker 'SPOL') was NOK 87.60 (85.00). On 7 April 2020, a dividend of NOK 4.58 (4.12) per equity certificate was paid out for 2019.

Financial strength and total capital adequacy ratio

The Group's equity totalled NOK 16.2 (15.1) billion as at 30 June 2020 and amounted to 11.0 (11.5) per cent of total capital. The leverage ratio was 7.1 (7.3) per cent.

The Group's Common Equity Tier 1 ratio as at 30 June 2020 was 17.1 (16.7) per cent. The Tier 1 capital ratio and the total capital adequacy ratio were 18.2 (17.3) per cent and 20.1 (19.1) per cent, respectively.

SpareBank 1 Østlandet has consolidated BN Bank ASA, where the Bank has a 9.99 per cent stake, for

capital adequacy purposes since the fourth quarter of 2019. The change in its capital adequacy treatment was done according to the decision of the Financial Supervisory Authority of Norway which employs a different interpretation of the term 'cooperative group' than the Bank and thereby expects this stake to be consolidated. The Bank disagrees with the Financial Supervisory Authority of Norway's interpretation of the matter, but has nevertheless decided to consolidate BN Bank into its capital adequacy reporting. The effect of this change was -0.4 percentage points in the Common Equity Tier 1 ratio.

In line with the decision of the Financial Supervisory Authority of Norway, the Group increased its estimates for loss given default (LGD) for the corporate portfolio from the first quarter of 2020. The effect was a reduction in the Common Equity Tier 1 ratio of about 0.8 percentage points. The Group appealed the Financial Supervisory Authority of Norway's decision in January 2019 and the appeal, as at the balance sheet date, is still being considered by the Ministry of Finance.

The Group's long-term target for its Common Equity Tier 1 ratio is the regulatory requirement announced plus a management buffer of 100 basis points. On 13 March 2020, the Ministry of Finance reduced the countercyclical capital buffer by 1.5 percentage points from 2.5 per cent to 1 per cent. Therefore, as at 30 June 2020, the Bank's Common Equity Tier 1 ratio requirement, inclusive of a Pillar 2 requirement of 1.8 percentage points, is 12.8 per cent. The Ministry of Finance has announced that the systemic risk buffer will be increased by 1.5 percentage points with effect from 31 December 2020, which will increase the Common Equity Tier 1 ratio requirement to 14.3 per cent. The Bank's Common Equity Tier 1 ratio is therefore significantly higher than the current and announced future capital requirements, and the Board of Directors thus considers the capital situation to be satisfactory.

Ratings

On 5 March 2020, Moody's Investors Service (Moody's) upgraded SpareBank 1 Østlandet's baseline credit assessment (BCA) and deposit/debt rating. This meant that the rating of the Bank's deposits and senior debt were upgraded from A1 to Aa3, with a stable outlook. The Bank's BCA and adjusted BCA were upgraded from baa1 to a3. On 3 July, Moody's assigned the Bank's senior non-preferred debt an A3 rating. This means that SpareBank 1 Østlandet has the highest credit ratings from Moody's among savings banks in Norway.

Parent Bank

Parent Bank's results

The Parent Bank's profit after tax for the first half-year was NOK 666 (1,250) million. The reduction from the first half-year 2019 was in large part due to the Parent Bank's receipt of an extraordinary dividend from SpareBank 1 Gruppen AS of NOK 211 million in the first quarter of 2019 due to DNB ASA increasing its stake in Fremtind Forsikring AS from 20 per cent to 35 per cent. The Parent Bank also saw NOK 270 million in increased credit losses, a NOK 116 million reduction in net profit from other financial assets and liabilities, and a NOK 46 million reduction in net commissions and other operating income compared with the same period last year.

This was offset to some extent by NOK 42 million in increased net interest income and NOK 25 million in reduced operating costs.

Operating costs

Total operating costs in the Parent Bank for the first half-year amounted to NOK 663 (688) million and represented 41.1 (33.7) per cent of net income.

The NOK 25 million reduction in operating costs was mainly due to lower personnel costs. Personnel costs were reduced as a result of a reduction in the average number of FTEs and the Bank incurring costs of NOK 7 million in the same period last year linked to discounts for purchases of equity certificates in connection with an employee offering.

Restructuring costs amounted to NOK 1 (4) million and were due to severance payments arising from downsizing in the Parent Bank.

Specifications of the costs in the period in NOK millions	30.06.20	30.06.19	Change
Personnel costs excl. restructuring costs	338	355	-4.8 %
Depreciation/amortisation	54	52	4.0 %
IT costs	137	133	2.9 %
Marketing costs	29	32	-11.3 %
Operating costs from real estate	22	23	-5.0 %
Other costs	84	90	-6.8 %
Total operating costs excl. restructuring costs	662	684	-3.2 %
Restructuring costs	1	4	-75.0 %
Total operating costs	663	688	-3.6 %

At the beginning of the year, SpareBank 1 Østlandet stated that its target for 2020 was to limit growth in the Parent Bank's operating costs, adjusted for restructuring costs, to within 3.0 per cent. Given the cost development so far this year and anticipated development in the second half-year, the Board of Directors has revised the target for 2020 to "zero growth in costs in the Parent Bank".

As at 30 June 2020, the Parent Bank's operating costs before restructuring costs were NOK 662 (684) million, which represents a reduction of 3.2 per cent compared with the corresponding period last year, and thus NOK 42 million below the target level.

As at 30 June 2020, the Parent Bank had 682 (684) FTEs.

Loan loss provisions

Loan loss provisions in the Parent Bank amounted to NOK 228 million for the first half-year (net receipts on losses of NOK 42 million).

Model-generated loan loss impairments showed NOK 86 million, mainly due to adjusted assumptions (PD/LGD) and changes in scenario weightings. Post model adjustments (PMA) of NOK 50 million were also made for estimated, not observed migration from Stage 1 to Stage 2. Furthermore, individual loan loss impairments (Stage 3) were increased by NOK 79 million. By comparison, last year's figures were heavily affected by a reduction in loan loss impairments as a result of the validation of the loss models showing that the previous LGD estimates were significantly higher than realised loss rates. For more detailed information about loan loss impairments, see Note 1 'Accounting policies', Note 5 'Loans to and receivables from customers' and Note 6 'Loan loss provisions'.

Financial strength and total capital adequacy ratio

The Parent Bank's equity amounted to NOK 15.3 (14.3) billion, which was equivalent to 10.4 (11.0) per cent of the total capital as at 30 June 2020.

The Parent Bank's Common Equity Tier 1 ratio was 21.2 (21.5) per cent. The Tier 1 capital ratio was 22.2 (21.8) per cent and the total capital adequacy ratio was 24.2 (23.6) per cent.

In line with the decision of the Financial Supervisory Authority of Norway, the Bank increased its estimates for loss given default (LGD) for the corporate portfolio from the first quarter of 2019. 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, as at the balance sheet date, the appeal is still being considered by the Ministry of Finance.

Underlying banking operations

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

Underlying banking operations, NOK millions	30.06.20	30.06.19	Change
Net interest income	949	907	4.6 %
Net commission and other operating income	362	408	-11.3 %
Total operating costs	-663	-688	-3.6 %
Adjustments: Restructuring costs	1	4	-80.3 %
Operating profit underlying banking operations	649	631	2.8 %

The operating profit from underlying banking operations was NOK 649 (631) million for the first half-year. The operating profit from underlying banking operations increased by NOK 18 million, equivalent to an improvement of 2.8 per cent. The improvement in the profit was mainly due to reduced personnel costs. Net interest income increases as a result of growth in lending and deposits, but increased net interest income is offset by reduced net commissions and other operating income due to reduced commissions from mortgages transferred to the covered bond companies.

Subsidiaries

SpareBank 1 Finans Østlandet AS

The financing company SpareBank 1 Finans Østlandet AS (95 per cent stake) posted a profit after tax of NOK 55 (63) million for the first half-year. Net interest income amounted to NOK 146 (122) million, while losses on loans were NOK 54 (17) million. Of the loan losses NOK 18 million was increased model-generated loan loss impairments. An LTO portfolio was sold at a profit to NOK 9.0 million in the first quarter of 2020.

As at 30 June 2020, gross lending to customers amounted to NOK 9.1 (8.6) billion and the growth in lending in the last 12 months was 6.0 (12.4) per cent.

EiendomsMegler 1 Innlandet AS

EiendomsMegler 1 Innlandet AS posted first half-year earnings of NOK 64 (61) million and a profit after tax of NOK 11 (7) million.

Despite the reduction in earnings at the start of the second quarter due to the coronavirus crisis, total earnings increased compared with the first half-year last year. In its market area, the company had a

market share of 30.1 (28.7) per cent of sales of used homes and holiday properties. The company has seen activity in the market remain good despite the coronavirus crisis.

EiendomsMegler 1 Oslo Akershus Group – consolidated figures

The estate agency EiendomsMegler 1 Oslo Akershus Group posted first half-year earnings of NOK 96 (112) million and achieved a profit after tax of NOK 5 (8) million.

The reduction in the profit was mainly due to the correction of an error in the income tax cost from previous years, which affected the profit by NOK 3 million in the first half-year 2019. The drop in earnings was primarily due to the shut-down in connection with the coronavirus pandemic, which resulted in a temporary fall in housing sales in Oslo and Akershus.

Operating costs for the first half-year showed a reduction due to the fall in the level of activity, including the temporary furloughing of staff in April. In its market area, the company had a market share of 7.8 (8.0) per cent in the first half-year.

SpareBank 1 Østlandet VIT AS – consolidated figures

The SpareBank 1 Østlandet VIT Group posted first half-year earnings of NOK 102 (103) million and a profit after tax of NOK 2 (-1) million.

While TheVIT AS has seen steady earnings growth in all service areas over time, at the end of the first quarter it experienced less activity in some of its service areas due to measures related to the coronavirus crisis. This decrease persisted throughout the second quarter. Profitability showed a slight improvement compared with last year due to good cost control.

Associated companies and joint ventures

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen (12.40 per cent stake) comprises the SpareBank 1 Alliance's joint product companies within insurance, fund management, claims management and collection.

For SpareBank 1 Gruppen, the coronavirus pandemic has resulted in significant insurance provisions, payouts on travel insurance claims, and a weaker financial return in the first half-year 2020. The company posted a consolidated profit after tax of NOK 21 (1,287) million for the first half-year. The controlling interest's share of the consolidated result for the first half-year amounted to NOK -35 (1,147) million and SpareBank 1 Østlandet's share of this amounted to NOK -4 (142) million.

The merger of the personal risk products of SpareBank 1 Forsikring AS and DNB Livsforsikring AS and transfer to Fremtind Livsforsikring AS, with settlement from Fremtind Forsikring AS, was implemented with accounting effect from 1 January 2020. The total value of the personal risk area was assumed to be NOK 6.25 billion. The merger resulted in increased equity for SpareBank 1 Gruppen at a group level. The controlling interest's (the SpareBank 1 banks and LO) share of this increase was NOK 1.75 billion. This gain was recognised directly against equity in Sparebank 1 Gruppen, but was recognised through profit or loss in the consolidated financial statements of the owner banks. SpareBank 1 Østlandet's share of the gain from the transfer of personal risk products to Fremtind Forsikring AS amounted to NOK 217 million.

For 2019, SpareBank 1 Østlandet's share of the gain in connection with the insurance merger and selldown in Fremtind Forsikring AS to DNB ASA amounted to NOK 291 million.

The profit contributions included in SpareBank 1 Østlandet's consolidated financial statements therefore amounted to NOK 213 (433) million for the first half-year.

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS (22.29 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 first half-year profit after tax of NOK 81 (130) million. The lower result was mainly due to a negative contribution from financial assets and liabilities.

The profit contribution from SpareBank 1 Boligkreditt AS, which is included the consolidated accounts for SpareBank 1 Østlandet using the equity method, is adjusted for interest paid on the hybrid capital that is recognised directly in equity. The profit contribution amounted to NOK 11 (24) million for the first half-year.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS (15.15 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 12.67 per cent of the company's profits in its consolidated financial statements, equivalent to the Bank's share of the company's dividend payments.

The company posted a first half-year profit after tax of NOK 29 (29) million. The profit contribution included in SpareBank 1 Østlandet's consolidated financial statements for the first half-year amounted to NOK 4 (3) million.

SpareBank 1 Kreditt AS

SpareBank 1 Kreditt AS (20.87 per cent stake) is the SpareBank 1 Alliance's jointly-owned credit card company. The company posted a first half-year profit after tax of NOK 11 (44) million. The reduction was mainly due to lower net transaction income and reduced commissions and income from banking services. The profit contribution included in SpareBank 1 Østlandet's consolidated financial statements amounted to NOK 2 (9) million for the first half-year.

SpareBank 1 Betaling AS

SpareBank 1 Betaling AS (18.74 per cent stake) is the SpareBank 1 Alliance's joint undertaking for payment solutions. The company manages the SpareBank 1 Alliance's stake in Vipps AS.

The company posted a first half-year result after tax of NOK -9 (-24) million. The profit contribution included in SpareBank 1 Østlandet's consolidated financial statements amounted to NOK -2 (9) million for the first half-year.

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 first half-year consolidated profit after tax of NOK 150 (152) million and the return on equity was 7.1 (7.6) per cent. Net interest income increased by NOK 44 million compared with the same period last year, while other operating income fell by NOK 7 million, operating costs increased by NOK 3 million, and losses increased by NOK 42 million. Increased losses were heavily

affected by model-generated provisions under IFRS 9 related to the coronavirus crisis.

The profit contribution from BN Bank ASA, which is included in the consolidated accounts for SpareBank 1 Østlandet using the equity method, is adjusted for interest paid on the hybrid capital that is recognised directly in equity. The profit contribution amounted to NOK 14 (3) million for the first half-year.

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

Corporate social responsibility and sustainability

SpareBank 1 Østlandet uses the GRI standard as its sustainability reporting framework. The annual report for 2019 was prepared as an integrated report in which sustainability was described where relevant throughout the annual report.

Sustainability is an integral part of operations and a management responsibility at all levels. The Board of Directors monitors the work closely and all of the targets and measures for implementing sustainability in the Bank have been incorporated into an overall business management tool.

Outlook

At the beginning of 2020, the international economy was showing signs of stabilisation, with a decision having been made on Brexit and the trade war between China and the US appearing to gradually de-escalate. The Norwegian economy was stable, with high commodity prices, low unemployment, a stable exchange rate and a rising policy rate. In its summary of the outlook at the end of the fourth quarter of 2019, the Board of Directors highlighted that the spread of the coronavirus could present a risk of reduced growth.

It became steadily clearer during the first quarter that the coronavirus pandemic would have global consequences, and on 13 March the Norwegian government announced the strictest restrictions for individuals and companies in peacetime. The Board pointed out last quarter that it was difficult to forecast the duration and depth of the crisis for health, commercial finances and private finances that Norway, the region and the world found themselves in.

The perception that the Norwegian and regional economies are normalising has increased ever more strongly throughout the second quarter. The financial markets, both internationally and in

Norway, have seen a historically rapid return towards previous levels. The government's measures for restricting the spread of the infection have been eased in line with the falling number of sick and new cases of infection. At the same time, most of the affected companies have been able to normalise operations with a rapid reduction in the level of unemployment and furloughs as the result. This means that there is an expectation and a hope that the crisis will be less pervasive than was feared at the end of the previous quarter.

The level of activity in the Bank has been high during the entire period and the Bank's staff have impressed by being there for their customers. Even in this crisis situation the Bank has experienced good growth in customers and solid lending growth. This shows that the Bank's market position and customer offerings are particularly attractive in a crisis situation.

Nevertheless, the Board of Directors believes that significant uncertainties will persist in the Norwegian, regional and international economies going forward. Therefore, the Bank is strongly focused on help mitigating the temporary effects of the crisis on our customers.

Viable companies are being assisted through suitable measures until normalisation and retail customers are being offered personal follow-up and adjustment of their agreements if their financial situation changes. At the time of writing, there are still few signs of increased defaults or bankruptcies among our customers, although the Board of Directors expects more Norwegian companies to struggle in the autumn if the lower level of activity persists. The Bank is, therefore, spending significant resources on monitoring the credit portfolio and early intervention, and has chosen to make further loan loss provisions in the second quarter.

As long as the crisis does not worsen further during the second half-year, the Board of Directors believes that the need to strengthen model-generated loan loss provisions will be moderate in the second half of the year.

Thanks to sound credit management, a sharpened cost ambition, and a solid capital and liquidity situation, the Board of Directors believes that the Bank is strongly positioned to assist its customers going forward.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 5 August 2020

Income statement

Parent Bank						Group					
Year	01.04-30.06		01.01-30.06				01.01-30.06		01.04-30.06		Year
2019	2019	2020	2019	2020	(NOK million)	Notes	2020	2019	2020	2019	2019
3,204	543	697	1,485	1,609	Interest income, fair value	18	1,755	1,608	771	820	3,453
335	306	68	177	133	Interest income, amortized cost	18	133	177	68	90	335
1,617	390	341	755	793	Interest expense	18	795	757	341	390	1,622
1,923	459	425	907	949	Net interest income	18	1,093	1,027	498	520	2,166
892	223	173	433	394	Commission income		590	627	277	323	1,295
94	23	20	41	44	Commission expenses		67	67	32	36	143
37	10	6	16	12	Other operating income		120	145	56	78	236
835	211	159	408	362	Net commission and other operating income		643	705	300	364	1,388
19	6	0	18	12	Dividends from other than Group companies	7	12	18	0	6	19
576	241	124	582	280	Net profit from ownership interests	7	243	477	128	131	519
197	61	185	125	10	Net profit from other financial assets and liabilities	7	10	125	185	61	197
792	307	310	726	303	Net income from financial assets and liabilities		265	621	314	198	735
3,549	977	893	2,041	1,613	Total net income		2,001	2,353	1,112	1,082	4,289
699	174	166	358	338	Personnel expenses		529	557	255	267	1,098
104	27	26	52	54	Depreciation		66	69	32	33	131
543	144	135	278	271	Other operating expenses	6	338	357	160	189	702
1,346	345	327	688	663	Total operating expenses		933	983	447	489	1,930
2,203	632	566	1,353	950	Operating profit before losses on loans and guarantees		1,067	1,370	665	593	2,359
-11	3	98	-42	228	Impairment on loans and guarantees		282	-25	130	8	32
2,214	629	468	1,395	722	Pre-tax operating profit		786	1,395	535	585	2,326
358	98	82	145	56	Tax expense		81	167	97	114	398
1,856	531	386	1,250	666	Profit after tax		704	1,227	438	471	1,928
Attributable to additional Tier 1 Capital holders							8	7	4	2	15
Profit after tax for controlling interest							694	1,218	432	467	1,909
Profit after tax for non-controlling interest							3	3	2	2	4
Profit after tax							704	1,227	438	471	1,928
Earnings per equity certificate (in NOK)							4.20	7.29	2.62	2.80	11.55
Diluted earnings per equity certificate (in NOK)							4.20	7.29	2.62	2.80	11.55
Earnings per average equity certificate (in NOK)							4.20	7.29	2.62	2.80	11.56
Diluted earnings per average equity certificate (in NOK)							4.20	7.29	2.62	2.80	11.56

Statement of other comprehensive income

Parent Bank						Group					
Year	01.04-30.06		01.01-30.06			01.01-30.06		01.04-30.06		Year	
2019	2019	2020	2019	2020	(NOK million)	Notes	2020	2019	2020	2019	2019
1,856	531	386	1,250	666	Profit after tax		704	1,227	438	471	1,928
3	0	-5	0	-5	Actuarial gains/losses on pensions		-5	0	-5	0	3
-1	0	1	0	1	Tax effects of actuarial gains/losses on pensions		1	0	1	0	-1
-13	-12	-58	-16	14	Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk		14	-16	-58	-12	-13
3	3	15	0	-3	Tax effects related to the above		-3	4	15	3	3
					Share of other comprehensive income from associated companies and joint ventures		5	1	3	1	13
-7	-9	-47	-12	7	Total items that will not be reclassified through profit or loss		12	-11	-45	-8	6
-1	0	4	-3	11	Net fair value adjustments on loans at fair value through other comprehensive income		11	-3	4	0	-1
0	0	-1	1	-3	Tax effects related to the above		-3	1	-1	0	0
5	24	-8	10	9	Fair value changes on hedge derivatives due to changes in the currency basis spread		9	10	-8	24	5
-1	-6	2	-2	-2	Tax effects related to the above		-2	-2	2	-6	-1
					Share of other comprehensive income from associates and joint ventures		13	-9	7	16	-9
3	18	-3	5	15	Total items that will be reclassified through profit or loss		28	-4	4	34	-6
-4	9	-50	-7	21	Total profit and loss items recognised in equity		39	-15	-40	26	0
1,852	540	336	1,243	687	Total profit/loss for the period		744	1,213	398	497	1,928
					Attributable to additional Tier 1 Capital holders		8	7	4	2	15
					Total profit/loss for the period for controlling interest		733	1,204	392	493	1,909
					Total profit/loss for the period for non-controlling interest		3	3	2	2	4
					Total profit/loss for the period		744	1,213	398	497	1,928

Balance sheet

Parent Bank				Group			
31.12.2019	30.06.2019	30.06.2020	NOK million	Notes	30.06.2020	30.06.2019	31.12.2019
ASSETS							
1,325	778	375	Cash and deposits with central banks		375	779	1,325
8,273	10,036	9,446	Loans to and receivables from credit institutions		2,061	2,887	1,199
98,041	92,934	102,918	Loans to and receivables from customers	5,6	111,828	101,378	106,718
17,252	17,590	21,171	Certificates, bonds and fixed-income funds	10	21,171	17,590	17,252
878	782	3,075	Financial derivatives	8,10,11	3,075	782	878
675	625	690	Shares, units and other equity interests	10	690	625	675
4,323	4,302	4,436	Investments in associates and joint ventures		5,087	4,794	4,870
1,758	1,521	1,758	Investments in subsidiaries		0	0	0
89	91	93	Goodwill and other intangible assets		410	409	406
300	320	283	Property, plant and equipment		481	525	503
214	205	203	Right-of use assets (buildings)	12	159	161	169
520	603	1,571	Other assets	13	1,860	924	787
133,648	129,786	146,019	Total assets		147,197	130,854	134,783
LIABILITIES							
3,647	3,639	5,735	Deposits from and liabilities to credit institutions		5,746	3,656	3,650
78,534	77,385	85,525	Deposits from and liabilities to customers	14	85,481	77,352	78,494
33,732	31,638	36,373	Liabilities arising from issuance of securities	10,15	36,373	31,638	33,732
373	278	800	Financial derivatives	8,10,11	800	278	373
335	120	65	Current tax liabilities		74	163	376
88	82	78	Deferred tax liabilities		207	206	212
663	1,267	884	Other debt and liabilities recognised in the balance sheet	16	971	1,369	739
1,303	1,103	1,302	Subordinated loan capital	10,15	1,302	1,103	1,303
118,676	115,512	130,762	Total liabilities		130,953	115,765	118,880
EQUITY CAPITAL							
5,791	5,791	5,791	Equity capital certificates	17	5,791	5,791	5,791
848	848	848	Premium fund		848	848	848
2,772	3,009	3,374	Dividend equalisation fund		3,374	3,009	2,772
663	0	0	Dividend		0	0	663
3,838	3,997	4,097	Primary capital		4,097	3,997	3,838
166	166	166	Other paid-up equity		166	166	166
12	14	32	Provision for gifts		32	14	12
334	285	351	Fund for unrealised gains		351	285	334
292	0	0	Dividend customers return		0	0	292
300	200	650	Hybrid capital		650	200	300
-45	-37	-53	Interest expense for hybrid capital		-71	-54	-63
0	0	0	Other equity		895	732	835
			Non-controlling interests		111	100	114
14,972	14,274	15,257	Total equity capital		16,244	15,089	15,903
133,648	129,786	146,019	Total equity capital and liabilities		147,197	130,854	134,783

The board of SpareBank 1 Østlandet
Hamar, August 5th 2020

Changes in equity capital

Parent Bank

(NOK million)

	Paid-up equity			Earned equity capital					Hybrid capital	Total equity capital
	Equity certificates	Premium fund	Other paid-up equity	Primary capital ¹⁾	Dividend equalisation funds ²⁾	Provision for gifts	Fund for unrealised gains	Other equity		
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
ECs issued and transferred to owners	26	18								43
Hybrid capital									-200	-200
Interest on hybrid capital								-7		-7
Profit after tax				373	844		33			1,250
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk after tax				-4	-8					-12
Fair value changes on hedge derivatives due to changes in the currency basis spread after tax				2	5					7
Net fair value adjustments on loans at fair value through other comprehensive income after tax				-1	-2					-3
Dividend paid				-222	-477					-699
Donations distributed from profit 2018				-6						-6
Grants from provision for gifts in 2019						0				0
Equity capital as of 30.06.2019	5,791	848	166	3,997	3,009	14	285	-37	200	14,274
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
ECs issued and transferred to owners	26	18								43
Hybrid capital									-100	-100
Interest on hybrid capital								-15		-15
Profit after tax				505	1,268		83			1,856
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk after tax				-3	-7					-10
Fair value changes on hedge derivatives due to changes in the currency basis spread after tax				1	3					4
Net fair value adjustments on loans at fair value through other comprehensive income after tax				0	0					-1
Actuarial gains after tax on pensions				1	2					3
Dividend paid				-222	-477					-699
Donations distributed from profit 2018				-6						-6
Grants from provision for gifts in 2019						-2				-2
Equity capital as of 31.12.2019	5,791	848	166	4,131	3,434	12	334	-45	300	14,972
Equity capital as of 01.01.2020	5,791	848	166	4,131	3,434	12	334	-45	300	14,972
ECs issued and transferred to owners										0
Hybrid capital									350	350
Interest on hybrid capital								-8		-8
Profit after tax				194	455		17			666
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk after tax				3	7					10
Fair value changes on hedge derivatives due to changes in the currency basis spread after tax				2	5					7
Net fair value adjustments on loans at fair value through other comprehensive income after tax				2	6					8
Actuarial gains/losses on pensions				-1	-3					-4
Dividend paid				-208	-531					-738
Donations distributed from profit 2019				-6						-6
Grants from provision for gifts in 2020				-20		20				0
Equity capital as of 30.06.2020	5,791	848	166	4,097	3,374	32	351	-53	650	15,257

Group

Group (NOK million)	Paid-up equity			Earned equity capital							Hybrid-capital	Non-controlling interests	Total equity capital
	Equity certificates	Premium fund	Other paid-up equity	Primary capital ¹⁾	Dividend equalisation funds ²⁾	Provision for gifts	Fund for unrealised gains	Other equity					
Equity capital as of 01.01.2019	5,766	830	166		3,912	2,589	15	252	728	400	102	14,762	
OB Corr. Subsidiary									0			0	
OB Corr. In Group companies									-8			-8	
Adjusted equity capital at 01.01.2019	5,766	830	166	0	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										-200		-200	
Interest on hybrid capital									-7			-7	
Profit after tax					373	844		33	-26		3	1,227	
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk after tax					-4	-8						-12	
Fair value changes on hedge derivatives due to changes in the currency basis spread after tax					2	5						7	
Net fair value adjustments on loans at fair value through other comprehensive income after tax					-1	-2						-3	
Share of other comprehensive income from associated companies and joint ventures									-8			-8	
Effects directly in equity from associated companies and joint ventures									-2			-2	
Dividend paid					-222	-477					-6	-705	
Donations distributed from profit 2018					-6							-6	
Grants from provision for gifts in 2019							0					0	
Equity capital as of 30.06.2019	5,791	848	166	0	3,998	3,009	14	285	677	200	100	15,089	
Equity capital as of 01.01.2019	5,766	830	166		3,912	2,589	15	252	728	400	102	14,762	
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									13	57	
Hybrid capital										-100		-100	
Interest on hybrid capital									-15			-15	
Profit after tax					505	1,268		83	69		4	1,928	
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk after tax					-3	-7						-10	
changes in the currency basis spread after tax					1	3						4	
Net fair value adjustments on loans at fair value through other comprehensive income after tax					0	0						-1	
Actuarial gains/losses on pensions					1	2						3	
Share of other comprehensive income from associated companies and joint ventures									4			4	
Effects directly in equity from associated companies and joint ventures									-6			-6	
Dividend paid					-222	-477					-6	-705	
Donations distributed from profit 2018					-6							-6	
Grants from provision for gifts in 2019							-2					-2	
Equity capital as of 31.12.2019	5,791	848	166		4,131	3,434	12	334	771	300	114	15,903	
Equity capital as of 01.01.2020	5,791	848	166	0	4,131	3,434	12	334	771	300	114	15,903	
OB Corr. Subsidiary									1			1	
OB Corr. In Group companies									0			0	
Adjusted equity capital at 01.01.2020	5,791	848	166	0	4,131	3,434	12	334	772	300	114	15,903	
ECs issued and transferred to owners												0	
Hybrid capital										350		350	
Interest on hybrid capital									-8			-8	
Profit after tax					194	455		17	36		3	704	
designated at fair value due to the Bank's own credit risk after tax					3	7						10	
changes in the currency basis spread					2	5						7	
Net fair value adjustments on loans at fair value through other comprehensive income					2	6						8	
Actuarial gains/losses on pensions					-1	-3						-4	
Share of other comprehensive income from associated companies and joint ventures									18			18	
and joint ventures									5			5	
Dividend paid					-208	-531					-6	-744	
Donations distributed from profit 2019					-6							-6	
Grants from provision for gifts in 2020					-20		20					0	
Equity capital as of 30.06.2020	5,791	848	166	0	4,097	3,374	32	351	823	650	111	16,244	

1) Amounts transferred to primary capital as of 31.12.2019 include dividend payments and proposed donations.

2) Amounts transferred to dividend equalization funds as of 31.12.2019 includes dividends to customers return.

Cash flow statement

Parent Bank				Group		
31.12.2019	30.06.2019	30.06.2020	(NOK million)	30.06.2020	30.06.2019	31.12.2019
-7,136	-2,008	-5,073	Change in gross lending to customers	-5,346	-2,766	-8,095
3,171	1,480	1,612	Interest receipts from lending to customers	1,824	1,675	3,586
6,994	5,845	6,991	Change in deposits from customers	6,987	5,856	6,997
-889	-398	-429	Interest payments on deposits from customers	-431	-399	-896
259	-1,665	1,189	Change in receivables and debt from credit institutions	1,507	-806	941
158	71	56	Interest on receivables and debt to financial institutions	-10	-2	-7
-2,762	-3,083	-3,959	Change in certificates and bonds	-3,959	-3,083	-2,762
148	86	38	Interest receipts from commercial papers and bonds	38	86	148
835	408	362	Net commission receipts	625	688	1,354
70	31	34	Capital gains from sale on trading	34	31	70
-1,236	-636	-609	Payments for operations	-867	-914	-1,792
-216	-214	-343	Taxes paid	-394	-247	-248
-20	637	-156	Other accruals	-182	570	-46
-623	553	-287	Net change in liquidity from operations (A)	-174	688	-751
-28	-16	-17	Investments in tangible fixed assets	-27	-36	-58
12	0	0	Receipts from sale of tangible fixed assets	18	17	46
-687	-665	-112	Change in long-term investments in equities	-112	-665	-687
601	600	293	Dividends from long-term investments in equities	175	473	474
-101	-80	164	Net cash flow from investments (B)	53	-210	-225
5,948	2,018	2,638	Debt raised by issuance of securities	2,638	2,018	5,948
400	0	0	Debt raised by subordinated loan capital	0	0	400
300	0	350	Equity raised by hybrid capital	350	0	300
-4,150	-2,550	-2,442	Repayments of issued securities	-2,442	-2,550	-4,150
-200	0	0	Repayments of issued subordinated loan capital	0	0	-200
-400	0	0	Repayments of hybrid capital	0	0	-400
37	37	0	Payments arising from issuance of equity capital certificates	0	37	37
-645	-324	-317	Interest payments on securities issued	-317	-324	-645
-36	-15	-19	Interest payments on subordinated loans	-19	-15	-36
-42	-20	-20	Lease payments	-17	-16	-35
-238	0	0	Payments arising from placements in subsidiaries	0	0	13
-477	-477	-531	Payment of dividend	-536	-483	-483
-220	-220	-206	Payment of customer dividend	-206	-220	-220
-4	-1	-6	Donations	-6	-1	-4
274	-1,553	-553	Net cash flow from financing (C)	-556	-1,555	525
-451	-1,079	-676	CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	-676	-1,078	-451
1,958	1,958	1,507	Cash and cash equivalents at 1 January	1,507	1,958	1,958
1,507	879	832	Cash and cash equivalents at the end of the period	832	879	1,507
			Cash and cash equivalents at comprise:			
1,325	778	375	Cash and deposits with central banks	375	778	1,325
183	101	457	Deposits etc. at call with banks	457	101	183
1,507	879	832	Cash and cash equivalents at the end of the period	832	879	1,507

Notes to the accounts

Note 1 Accounting principles

1.1 Basis for preparation

The interim financial statements for SpareBank 1 Østlandet cover the period 1 January - 30 June 2020. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, current IFRS standards and IFRIC interpretations. The presentation currency is NOK (Norwegian kroner), which is also the functional currency of all the units in the Group. All amounts are in NOK million unless otherwise stated. The interim financial statements do not include all the information required in full annual financial statements and should be read in conjunction with the financial statements for 2019. The Group has applied the same accounting policies and methods of calculation in this interim report as in the last annual financial statements, with the following exceptions:

New standards and interpretations that have been applied:

In September 2019, IASB issued changes to IFRS 9 and IFRS 7. These changes are mandatory from 1 January 2020, but could be implemented in the 2019 accounts. The Group chose to implement the changes early. The Group's decision regarding early implementation meant that hedging situations could be continued unaffected by the IBOR reform. The IBOR reform is an ongoing process in which existing benchmark rates used in receivables, loans and derivative agreements are replaced with alternative benchmark rates.

Interest income

Interest income was previously split into interest income measured at fair value and interest income measured using the effective interest rate method. From the first quarter of 2020, interest income is now split into interest income (effective interest rate method) and other interest income. Changes have also been made to what the effective interest rate method involves. Please also refer to Note 18 'Net interest income'.

1.2 Important accounting estimates and discretionary assessments

In preparing consolidated financial statements, management makes estimates, discretionary assessments and assumptions which influence the effect of applying the accounting policies. This will in turn affect the recognised amounts for assets, liabilities, income and costs. Note 3 of the annual financial statements for 2019 explain in more detail critical estimates and assessments in relation to the application of accounting policies.

Losses on loans

The coronavirus crisis has challenged the Group's estimation of expected credit losses. As at the balance sheet date, there were few signs of a general deterioration in the loan portfolio's credit quality. However, the Bank expects the coronavirus crisis to be reflected in the Bank's risk models over time through companies' reduced earnings in 2020 and higher unemployment in the retail customer segment. The challenge lies in defining unbiased assumptions about the coronavirus crisis and where its severity and duration are highly uncertain.

Please see Note 2 'Accounting Policies' in the annual financial statements for 2019 for a detailed description of the applied loss model pursuant to IFRS 9. The model contains several critical estimates. The most important is related to the definition of substantially increased credit risk and important assumptions in the general loss model.

Substantially increased credit risk

The measurement of impairments for expected credit losses in the general loss model depends on whether or not the credit risk has increased significantly since initial capitalisation. Credit deterioration is measured by the development of financial PD. Financial PD is the Bank's best assessment of the customer's risk of default. In the definition applied by the Bank, a significant degree of credit deterioration occurs when the customer's PD has increased by over 150 per cent to a PD level above 0.60 per cent. In addition, credit risk is deemed to have increased significantly when an account is overdrawn or has arrears that are 30 days past due or more, and when the customer is flagged for special follow-up. Results from the validation of credit models in the SpareBank 1

Alliance have historically provided good support for the critical estimates of significantly increased credit risk and they have also been on par with what other banks use in similar loss models.

Sensitivity related to substantially increased credit risk:

The effects of a more conservative definition of a significant degree of credit deterioration were simulated as at 31 December 2019, where this alternative occurs when the customer's PD has increased by more than 100 per cent (other conditions unchanged). The simulation indicated only insignificant changes in the level of expected losses. Expected credit losses in the Parent Bank increased by NOK 8 million (2.5 per cent) and the estimated effect on the consolidated portfolio was around NOK 10 million (2.5 per cent). Since the coronavirus crisis has not significantly changed individual PD estimates in underlying credit models as at 30 June 2020, the sensitivity calculations as at 31 December 2019 remain relevant. However, the Bank believes there is reason to believe that the coronavirus crisis will have a delayed impact on the credit models. Consequently, models have been overridden by assuming that a proportion of customers in exposed industries will migrate from Stage 1 to Stage 2 as a result of an assumed, but not observed, significant degree of credit deterioration. These extra loan loss impairments are based on a discretionary assessment of a proportion of loans that may be expected to migrate in each industry and the related higher expected credit losses in the event of migration. Total provisions of NOK 55 million have been made the SpareBank 1 Østlandet Group: NOK 50 million in the Parent Bank and NOK 5 million in the subsidiary SpareBank 1 Finans Østlandet.

Important assumptions in the overall loss model: Scenario-weighting and estimate of expected development on the default and loss level.

The overall loss model calculates expected credit losses in three economic development scenarios: an expected scenario, a downside scenario and an upside scenario. The scenarios use different future levels of probability of default (PD) and loss given default (LGD). In combination with estimated exposure at default (EAD), PD and LGD are the most important assumptions in calculations of expected credit losses (ECL).

The starting point for the expected scenario is the observed and validated default rate (DR) and losses (LGD) over the past 3 years, although the starting point is the subject of ongoing, thorough reviews of the extent to which historical defaults and losses are unbiased, and the levels of future PD and LGD are adjusted accordingly. Over time, the Bank has experienced very low defaults and even before the coronavirus pandemic, estimated future PD levels had been set significantly higher than the average DR in the last 3 years. Based on an overall assessment of the macro picture, the PD estimates were raised significantly at the end of the first quarter of 2020. Based on updated macro forecasts, with an emphasis on the Monetary Policy Report 2/20 from Norges Bank, Economic Trends 2020/2 from Statistics Norway and monthly analyses from Moody's Investor Service, the PD assumptions were further adjusted at the end of the second quarter of 2020. The PD estimate for one year forward in time was increased by around 25 per cent for the portfolio of commitments in the corporate segment. Meanwhile, somewhat faster normalisation was assumed thereafter and the net effect of the changes was virtually neutral. The PD estimates for the portfolio in the retail segment were kept unchanged from the assessment at the end of the first quarter of 2020. The Bank has not found grounds for changing the LGD estimates in the expected scenario since the assessment as at 31 December 2019, but these also reflect a significantly higher loss ratio than the actual LGD in recent years.

The downside scenario reflects an economic outlook that is substantially worse than the expected development, and PD and LGD have been set higher than in the expected scenario. The starting point is the expected default and loss levels in a crisis situation with levels of PD and LGD used in conservative stress scenarios for other purposes in the Bank's credit management.

The upside scenario reflects an economic outlook that is better than the expected development, and PD and LGD have been set lower than in the expected scenario. The starting point is the observed level of defaults and losses in an historical economic recovery. The Bank believes that the DR in the last 3 years and the actual LGD in the last 5 years reflect such a period of economic prosperity. However, the assessments as at 30 June 2020 take account of the fact that it could take some time for PD levels to come down after the coronavirus pandemic. The PD curves was consequently adjusted upwards in the short and medium term, especially in the corporate segment.

The scenario weighting is subject to ongoing assessment based on the available information. The Bank's executive management team conducts, at least annually, a thorough review of the basis and principles for the current weighting. As at 31 December 2018, the expected scenario was assigned a weighting of 80 per cent, the downside

scenario 10 per cent and the upside scenario 10 per cent (80/10/10 per cent). On 31 December 2019, the Bank increased the weighting of the downside scenario by 5 percentage points such that the expected scenario was assigned a weighting of 75 per cent, the downside scenario 15 per cent and the upside scenario 10 per cent (75/15/10 per cent). In light of the coronavirus pandemic, it is the assessment of the Bank that the probability of the downside scenario occurring has further increased and it increased the scenario's weighting by a further 5 percentage points as at 31 March 2020. No new changes had been made to the scenario weighting as at 30 June 2020. This means that as at 30 June 2020, ECL was calculated as a combination of a 70 per cent expected scenario, a 20 per cent downside scenario and a 10 per cent upside scenario (70/20/10 per cent).

Sensitivity related to key assumptions in the general loss model:

The table below shows the estimated ECLs in the three scenarios described above: expected scenario, downside scenario and upside scenario. The calculations are divided into the main segments retail customers (RC) and corporate customers (CC), which are totalled for the Parent Bank. The table also shows corresponding ECL calculations for the subsidiary SpareBank 1 Finans Østlandet (SB1FØ). The ECLs of the Parent Bank and the subsidiary, adjusted for group eliminations, are totalled in the Group column. Besides the segment distributed ECLs with the scenario weighting applied, the table shows four alternative scenario weightings. The first two alternatives reflect previously applied scenario weightings. The last two alternatives show the sensitivity to a further deterioration in relation to the applied scenario weighting with a 60-65 per cent probability of the expected scenario, 25-30 per cent probability of the downside scenario and 10 per cent probability of the upside scenario (65/25/10 per cent and 60/30/10 per cent).

30.06.2020	Retail market	Corporate market	SpareBank 1		Group
			Parent Bank	Finans Østlandet	
ECL in expected scenario	77	237	314	85	399
ECL in downside scenario	396	712	1,108	173	1,281
ECL in upside scenario	60	154	214	66	280
ECL with used scenario weighting 70/20/10 per cent	139	324	463	100	563
ECL with alternative scenario weighting 80/10/10 per cent	107	276	383	92	475
ECL with alternative scenario weighting 75/15/10 per cent	123	300	423	96	519
ECL with alternative scenario weighting 65/25/10 per cent	155	347	502	105	607
ECL with alternative scenario weighting 60/30/10 per cent	171	371	542	109	651

The table reflects the fact that there are some significant differences in underlying PD and LGD estimates in the various scenarios and that there are differentiated levels and level differences between the segments. At the group level, the ECL in the upside scenario is about 70 per cent of the ECL in the expected scenario, meanwhile, the downside scenario indicates an ECL just over three times higher than in the expected scenario. The applied scenario weighting, with 20 per cent downside and 10 per cent upside, thereby results in an around 40 per cent higher ECL than in the expected scenario. A further 10-percentage point increase in the probability of the downside scenario would have increased the weighted ECL by around NOK 90 million or around 15 per cent. A 10-percentage point reduction in the probability of the downside scenario, the probably weightings the Bank used when introducing IFRS 9, would reduce the weighted ECL correspondingly.

Reference is also made to Note 6 'Loan loss provisions', where the first table shows the loss cost effects per segment of the various changes in the model assumptions in isolation. Note the table above does not include loan loss impairments due to model overriding, which totals NOK 55 million at a group level.

Note 2 Change in the composition of the Group

2020

SpareBank 1 Kredittkort AS changed its name to SpareBank 1 Kreditt AS as of 5 June 2020.

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 20.8 per cent to 20.9 per cent with effect from 1 January 2020.

2019

A reallocation of the shares of SpareBank 1 Boligkreditt AS pursuant to the shareholder agreement increased the stake in the company from 21.6 percent to 22.3 percent in december. The corresponding reallocation in SpareBank 1 Næringskreditt AS resultaed in a decrease in the stake from 17.7 percent to 15.2 percent.

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.

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.
- From 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 expences.
- 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.

30.06.2020	Retail market	Corporate market	SpareBank 1 Finans Østlandet Group	Eiendoms-Megler 1 Hedmark Innlandet AS	Megler 1 Oslo Akershus Group	TheVIT AS	Other operations/ eliminations	Total
Income statement								
Net interest income	451	517	146	-1	-1	-1	-20	1,093
Net commissions and other income	295	122	30	64	96	102	-66	643
Net income from financial assets and liabilities	0	0	0	0	0	0	265	265
Total operating expenses	436	216	48	49	89	99	-4	933
Profit before losses by segment	311	423	128	14	6	2	183	1,067
Impairment on loans and guarantees	26	202	54	0	0	0	0	282
Pre-tax operating profit	285	221	74	14	6	2	183	786
Tax expense	24	18	19	3	2	0	15	81
Profit/loss per segment after tax	261	203	55	11	5	1	168	704
Balance sheet								
Gross lending to customers	68,156	35,052	9,084	0	0	0	85	112,377
Impairments	-74	-373	-105	0	0	0	0	-553
Other assets	2,801	716	49	83	158	143	31,424	35,374
Total assets per segment	70,882	35,395	9,027	83	158	143	31,508	147,197
Deposits from and liabilities to customers	49,930	35,504	0	0	0	0	47	85,481
Other liabilities and equity	20,953	-109	9,027	83	158	143	31,461	61,716
Total equity capital and liabilities per segment	70,882	35,395	9,027	83	158	143	31,508	147,197

30.06.2019	Retail market	Corporate market	Finans Østlandet Group	Megler 1 Hedmark Innlandet AS	Megler 1 Oslo Akershus	TheVIT AS	Other operations/ eliminations	Total
Income statement								
Net interest income	497	453	122	-1	1	-1	-45	1,027
Net commissions and other income	349	110	26	61	112	102	-54	705
Net income from financial assets and liabilities	0	0	0	0	0	0	621	621
Total operating expenses	457	214	47	52	106	102	5	983
Profit before losses by segment	389	349	101	9	7	-1	516	1,370
Losses on loans and guarantees	-9	-33	17	0	0	0	0	-25
Pre-tax operating profit	398	382	84	9	7	-1	516	1,395
Tax expense	100	96	21	2	-2	0	-49	167
Profit/loss per segment after tax	299	287	63	7	8	-1	565	1,227

Balance sheet								
Gross lending to customers	61,886	31,266	8,571	0	0	0	-56	101,666
Impairments	-59	-172	-60	0	0	0	0	-290
Other assets	2,718	438	166	84	136	136	25,799	29,478
Total assets per segment	64,545	31,532	8,678	84	136	136	25,742	130,854
Deposits from and liabilities to customers	44,521	32,800	0	0	0	0	31	77,352
Other liabilities and equity	20,024	-1,268	8,679	84	136	136	25,710	53,502
Total equity capital and liabilities per segment	64,545	31,532	8,679	84	136	136	25,741	130,854

31.12.2019	Retail market	Corporate market	SpareBank 1 Finans Østlandet Group	Eiendoms- Megler 1 Hedmark Innlandet AS	Eiendoms- Megler 1 Oslo Akershus Group	TheVIT AS	Other operations/ eliminations	Total
Income statement								
Net interest income	1,049	957	246	-1	1	-2	-84	2,166
Net commissions and other income	698	228	55	124	208	185	-109	1,388
Net income from financial assets and liabilities	0	0	0	0	0	0	735	735
Total operating expenses	888	429	100	116	204	192	1	1,930
Profit before losses by segment	859	756	201	7	5	-9	541	2,359
Impairment losses on loans and guarantees	1	-13	43	0	0	0	1	32
Pre-tax operating profit	857	768	158	7	5	-9	540	2,326
Tax expense	142	127	40	2	-2	-2	92	398
Profit/loss per segment after tax	715	641	118	5	7	-7	448	1,928

Balance sheet								
Gross lending to customers	64,281	34,028	8,824	0	0	0	-98	107,035
Impairments	-65	-186	-65	0	0	0	0	-316
Other assets	2,810	486	169	74	154	125	24,246	28,064
Total assets per segment	67,026	34,328	8,928	74	154	125	24,148	134,783
Deposits from and liabilities to customers	45,028	33,422	0	0	0	0	44	78,494
Other liabilities and equity	21,998	906	8,928	74	154	125	24,105	56,289
Total equity capital and liabilities per segment	67,026	34,328	8,928	74	154	125	24,148	134,783

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 basis. The Bank has permission to use the AIRB approach for calculating risk weightings in the lending portfolio.

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

- Common equity tier 1 ratio (CET1)
- Tier 1 capital ratio (including hybrid tier 1 capital)
- Total capital adequacy ratio (including subordinated loans)

The current requirement for CET1 capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totalling 8 per cent, of which the Bank's countercyclical capital buffer requirement was 1 per cent at 30.06.2020. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.8 per cent as at 30.06.2020. The total capital requirement for common equity tier 1 capital was thus 12.8 per cent at 30.06.2020. In addition to this, a further 1.5 per cent is covered by additional Tier 1 capital and 2 per cent is covered by Tier 2 capital.

The Bank's final dividend for 2019 was changed from a foreseeable dividend of 50 % to a final dividend of 40 %. Payouts including dividend to owners, customers as well as provisions for gifts was therefore reduced from 955 mill. NOK to 765 mill. NOK. The withheld part of the dividend was part of the equity as of 1. quarter 2020 which results in increased capital adequacy levels. As at 31.12.2019 this increase in equity would have increased CET1 capital ratio with about 0.3 percentage points for the parent bank as well as on a consolidated level.

Parent Bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
14,972	14,274	15,257	Total equity carried	16,244	15,089	15,903
			Common equity tier 1 capital			
-955	-612	-347	Results for the accounting year not included	-347	-612	-955
-300	-200	-650	Hybrid capital	-650	-200	-300
0	0	0	Minority interests that is not eligible as CET1 capital	-71	-59	-60
25	36	15	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	15	36	25
-67	-68	-75	Goodwill and other intangible assets	-461	-404	-420
-348	-324	-181	Positive value of expected losses under the IRB approach	-255	-392	-441
-156	-156	-156	CET1 instruments of financial sector entities where the institution does have a significant investment	-440	-350	-292
-29	-22	-33	Value adjustments due to the requirements for prudent valuation (AVA)	-37	-27	-33
0	0	0	Other adjustments in CET1	16	6	3
13,143	12,927	13,829	Common equity tier 1 capital	14,015	13,087	13,430
			Additional Tier 1 capital			
300	200	650	Hybrid capital	650	200	300
0	0	0	Instruments issued by consolidated entities that are given recognition in AT1 Capital	194	296	179
300	200	650	Tier 1 capital	844	496	479
			Supplementary capital in excess of Tier 1 capital			
1,300	1,100	1,300	Subordinated loan capital	1,300	1,100	1,300
0	0	0	Instruments issued by consolidated entities that are given recognition in T2 Capital	259	299	235
1,300	1,100	1,300	Total supplementary capital	1,559	1,399	1,535
14,743	14,227	15,779	Total eligible capital	16,418	14,982	15,444
4,809	5,127	4,789	Corporates - SME	4,795	5,128	4,819
14,300	13,951	13,897	Corporates - Specialised Lending	14,555	13,951	14,980
1,783	1,557	3,129	Corporates - Other	3,163	1,557	1,815
1,162	1,188	1,234	Retail - SME	1,436	1,377	1,381
19,179	17,656	19,904	Retail - Mortgage exposures	27,574	24,611	27,293
1,034	1,161	1,033	Retail - Other	1,077	1,195	1,071
0	0	0	Equity exposures	3	0	3
42,267	40,640	43,985	Credit exposures calculated using IRB-approach	52,602	47,819	51,361
13,831	14,856	15,115	Credit exposures calculated using the standardised approach	19,419	19,597	17,972
351	375	687	Counterparty credit risk	3,088	1,960	1,881
0	0	0	Market risk	0	0	0
5,356	4,316	5,356	Operational risk	6,659	5,869	6,659
0	0	0	Basel I floor adjustment	0	3,196	0
61,805	60,187	65,143	Risk-weighted assets	81,768	78,441	77,873
4,944	4,815	5,211	Capital requirements (8%)	6,541	6,275	6,230
1,112	1,083	1,173	Pillar 2 (1.8%)	1,472	1,412	1,402
			Buffer requirements			
1,545	1,505	1,629	Capital conservation buffer (2.5%)	2,044	1,961	1,947
1,545	1,204	651	Countercyclical capital buffer (1%, 2% as at 30.06.2019 and 2.5% as at 31.12.2019)	818	1,569	1,947
1,854	1,806	1,954	Systemic risk buffer (3%)	2,453	2,353	2,336
4,944	4,514	4,234	Total buffer requirements for CET1 (6.5%, 7.5% as at 30.06.2019 and 8% as at 31.12.2019)	5,315	5,883	6,230
4,305	4,622	5,490	Available CET1 above current requirements (12.8%, 13.8% as at 30.06.2019 and 14.3 as at 31.12.2019)	3,549	2,262	2,294
			Capital ratios			
21.3 %	21.5 %	21.2 %	CET 1 capital ratio	17.1 %	16.7 %	17.2 %
21.8 %	21.8 %	22.2 %	Tier 1 Capital ratio	18.2 %	17.3 %	17.9 %
23.9 %	23.6 %	24.2 %	Capital adequacy ratio	20.1 %	19.1 %	19.8 %
9.8 %	9.7 %	9.8 %	Leverage Ratio	7.1 %	7.3 %	7.2 %

Note 5 Loans to and receivables from customers

Parent Bank

Gross loans	30.06.2020				30.06.19				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance	91,115	6,858	323	98,296	85,386	5,403	371	91,160	85,386	5,403	371	91,160
Transfers in (out) to Stage 1	1,530	-1,523	-7	0	1,244	-1,236	-8	0	1,268	-1,261	-7	0
Transfers in (out) to Stage 2	-1,424	1,426	-2	0	-2,185	2,201	-16	0	-3,198	3,233	-34	0
Transfers in (out) to Stage 3	-319	-91	410	0	-14	-88	102	0	-53	-80	133	0
Net increase/decrease existing loans	-1,550	-97	-10	-1,657	-1,391	-207	-29	-1,628	-2,315	-320	-42	-2,678
Purchases and originations	28,517	296	40	28,852	23,486	397	40	23,924	44,252	1,562	58	45,872
Derecognitions and maturities	-20,578	-1,454	-85	-22,116	-19,275	-913	-91	-20,279	-34,224	-1,678	-145	-36,047
Write-offs	0	0	-6	-6	0	0	-9	-9	0	0	-11	-11
Ending Balance	97,292	5,414	663	103,369	87,250	5,558	360	93,168	91,115	6,858	323	98,296
Loan and advances to customers at amortised cost				32,673				29,016				31,621
Loan and advances to customers at fair value				70,696				64,153				66,675

Group

Gross loans	30.06.2020				30.06.19				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance	98,654	7,925	456	107,035	92,167	6,317	456	98,940	92,167	6,317	456	98,940
Transfers in (out) to Stage 1	1,802	-1,793	-9	0	1,445	-1,431	-14	0	1,496	-1,484	-12	0
Transfers in (out) to Stage 2	-1,703	1,719	-17	0	-2,497	2,526	-28	0	-3,711	3,754	-44	0
Transfers in (out) to Stage 3	-371	-144	515	0	-40	-135	175	0	-104	-130	233	0
Net increase/decrease existing loans	-2,230	-189	-17	-2,435	-2,033	-311	-36	-2,380	-3,388	-520	-60	-3,968
Purchases and originations	30,347	366	44	30,757	25,621	504	47	26,172	47,764	1,870	86	49,721
Derecognitions and maturities	-21,276	-1,552	-141	-22,969	-19,930	-1,003	-122	-21,055	-35,571	-1,883	-192	-37,646
Write-offs	-	-	-6	-6	0	0	-9	-9	0	0	-11	-11
Ending Balance	105,223	6,332	826	112,381	94,732	6,467	469	101,668	98,654	7,925	456	107,035
Loan and advances to customers at amortised cost				41,685				37,516				40,360
Loan and advances to customers at fair value				70,696				64,153				66,675

Parent Bank

	Loan and advances to customers at amortised cost 30.06.2020	Provisions for credit losses			Loan and advances to customers at fair value 30.06.2020	Net lending 30.06.2020
		Stage 1	Stage 2	Stage 3		
Public sector	14	-0	-	-	-	14
Primary industries	2,972	-2	-5	-6	1,853	4,812
Paper and pulp industries	1,715	-2	-1	-1	333	2,044
Other industry	1,490	-8	-4	-61	46	1,463
Building and constructions	3,915	-27	-7	-12	299	4,167
Power and water supply	261	-0	-1	-1	1	259
Wholesale and retail trade	881	-7	-5	-9	135	996
Hotel and restaurants	456	-2	-1	-1	55	508
Real estate	15,785	-49	-56	-6	482	16,155
Commercial services	4,118	-16	-9	-9	578	4,662
Transport and communication	305	-1	-3	-4	171	468
Post model adjustments	-	-	-50	-	-	-50
Gross corporate loans by sector and industry	31,911	-114	-142	-110	3,952	35,498
Private customers	762	-1	-4	-31	66,694	67,420
Post model adjustments	-	-	-	-	-	-
Total loans to private customers	762	-1	-4	-31	66,694	67,420
Adjustment fair value	-	-	-41	-9	50	-
Total loans to customers	32,673	-115	-186	-150	70,696	102,918
Loans transferred to SpareBank 1 Boligkreditt AS						44,559
Loans transferred to SpareBank 1 Næringskreditt AS						1,016
Total loans including loans transferred to covered bond companies						148,493
Other liabilities ¹⁾						15,751
Total commitments including loans transferred to covered bond companies						164,245

	Loan and advances to customers at amortised cost 30.06.2019	Provisions for credit losses			Loan and advances to customers at fair value 30.06.2010	Net lending 30.06.2019
		Stage 1	Stage 2	Stage 3		
Public sector	7	-0	-	-	0	7
Primary industries	2,694	-1	-4	-11	1,689	4,367
Paper and pulp industries	747	-1	-1	-0	312	1,057
Other industry	1,168	-4	-2	-1	50	1,211
Building and constructions	3,148	-18	-10	-5	291	3,406
Power and water supply	258	-0	-0	-1	3	259
Wholesale and retail trade	748	-2	-4	-6	144	880
Hotel and restaurants	408	-1	-1	-0	61	467
Real estate	14,589	-26	-30	-3	508	15,038
Commercial services	4,046	-11	-8	-16	550	4,561
Transport and communication	333	-1	-3	-0	177	506
Other	-	-	-	-	-	-
Gross corporate loans by sector and industry	28,146	-65	-63	-43	3,786	31,760
Private customers	869	-2	-4	-21	60,331	61,174
Adjustment fair value			-28	-8	36	-
Total loans to customers	29,016	-68	-94	-73	64,153	92,934
Loans transferred to SpareBank 1 Boligkreditt AS						41,438
Loans transferred to SpareBank 1 Næringskreditt AS						1,230
Total loans including loans transferred to covered bond companies						135,602
Other liabilities ¹⁾						15,203
Total commitments including loans transferred to covered bond companies						150,806

	Loan and advances to customers at amortised cost 31.12.2019	Provisions for credit losses			Loan and advances to customers at fair value 31.12.2019	Net lending 31.12.2019
		Stage 1	Stage 2	Stage 3		
Public sector	22	-0	-	-	-	22
Primary industries	2,936	-2	-5	-11	1,873	4,791
Paper and pulp industries	775	-1	-2	-0	327	1,099
Other industry	1,217	-5	-3	-1	49	1,257
Building and constructions	3,676	-19	-13	-1	270	3,912
Power and water supply	221	-0	-0	-1	1	220
Wholesale and retail trade	1,025	-3	-3	-5	128	1,142
Hotel and restaurants	403	-1	-1	-1	61	461
Real estate	15,673	-33	-31	-7	461	16,064
Commercial services	4,572	-11	-8	-11	562	5,104
Transport and communication	325	-1	-3	-0	162	483
Other	-	-	-	-	-	-
Gross corporate loans by sector and industry	30,845	-75	-70	-39	3,894	34,555
Private customers	776	-1	-1	-23	62,735	63,486
Adjustment fair value			-37	-9	46	-
Total loans to customers	31,621	-76	-108	-71	66,675	98,041
Loans transferred to SpareBank 1 Boligkreditt AS						42,630
Loans transferred to SpareBank 1 Næringskreditt AS						1,022
Total loans including loans transferred to covered bond companies						141,694
Other liabilities ¹⁾						13,058
Total commitments including loans transferred to covered bond companies						154,752

1) Consists of guarantees, unused credits and loan commitments.

Group

	Loan and advances to customers at amortised cost 30.06.2020	Provisions for credit losses			Loan and advances to customers at fair value 30.06.2020	Net lending 30.06.2020
		Stage 1	Stage 2	Stage 3		
Public sector	288	-1	-0	-0	-	287
Primary industries	3,373	-3	-5	-6	1,853	5,212
Paper and pulp industries	1,734	-4	-2	-1	333	2,060
Other industry	1,759	-8	-4	-61	46	1,733
Building and constructions	5,072	-31	-12	-14	299	5,314
Power and water supply	443	-1	-1	-1	1	440
Wholesale and retail trade	1,197	-9	-6	-9	135	1,307
Hotel and restaurants	471	-2	-1	-1	55	522
Real estate	15,914	-55	-70	-17	482	16,254
Commercial services	4,878	-20	-10	-12	578	5,415
Transport and communication	1,678	-1	-4	-5	171	1,839
Post model adjustments	-	-	-51	-	-	-51
Gross corporate loans by sector and industry	36,808	-134	-168	-128	3,952	40,331
Private customers	4,877	-9	-16	-45	66,694	71,501
Post model adjustments	-	-	-4	-	-	-4
Total loans to private customers	4,877	-9	-20	-45	66,694	71,497
Adjustment fair value	-	-	-41	-9	50	-
Total loans to customers	41,685	-143	-228	-182	70,696	111,828
Loans transferred to SpareBank 1 Boligkreditt AS						44,559
Loans transferred to SpareBank 1 Næringskreditt AS						1,016
Total loans including loans transferred to covered bond companies						157,403
Other liabilities ¹⁾						15,388
Total commitments including loans transferred to covered bond companies						172,792

Provisions for credit losses

	Loan and advances to customers at amortised cost 30.06.2019	Stage 1	Stage 2	Stage 3	Loan and advances to customers at fair value 30.06.2019	Net lending 30.06.2019
Public sector	292	-1	-0	-0	0	291
Primary industries	3,064	-1	-5	-11	1,689	4,736
Paper and pulp industries	764	-1	-2	-0	312	1,072
Other industry	1,441	-4	-2	-1	50	1,484
Building and constructions	4,439	-20	-13	-6	291	4,691
Power and water supply	424	-1	-0	-1	3	425
Wholesale and retail trade	1,068	-4	-5	-6	144	1,196
Hotel and restaurants	424	-1	-1	-0	61	482
Real estate	14,395	-28	-35	-4	508	14,835
Commercial services	4,715	-13	-8	-16	550	5,228
Transport and communication	1,639	-1	-3	-2	177	1,811
Other	-	-	-	-	-	-
Gross corporate loans by sector and industry	32,664	-77	-75	-47	3,786	36,251
Private customers	4,852	-7	-15	-34	60,331	65,127
Adjustment fair value		-	-28	-8	36	-
Total loans to customers	37,516	-84	-117	-89	64,153	101,378
Loans transferred to SpareBank 1 Boligkreditt AS						41,438
Loans transferred to SpareBank 1 Næringskreditt AS						1,230
Total loans including loans transferred to covered bond companies						144,046
Other liabilities ¹⁾						16,124
Total commitments including loans transferred to covered bond companies						160,171

Provisions for credit losses

	Loan and advances to customers at amortised cost 31.12.2019	Stage 1	Stage 2	Stage 3	Loan and advances to customers at fair value 31.12.2019	Net lending 31.12.2019
Public sector	336	-0	-0	-0	0	336
Primary industries	3,356	-3	-7	-12	1,873	5,207
Paper and pulp industries	788	-1	-2	-0	327	1,112
Other industry	1,424	-6	-4	-2	49	1,462
Building and constructions	4,710	-22	-17	-4	270	4,938
Power and water supply	243	-1	-0	-1	1	242
Wholesale and retail trade	1,289	-5	-4	-5	128	1,402
Hotel and restaurants	419	-1	-1	-1	61	476
Real estate	16,028	-35	-32	-7	461	16,415
Commercial services	5,327	-14	-9	-8	562	5,859
Transport and communication	1,643	-6	-9	-3	162	1,787
Other	-	-	-	-	-	-
Gross corporate loans by sector and industry	35,562	-93	-86	-43	3,895	39,235
Private customers	4,797	-4	-10	-35	62,735	67,483
Adjustment fair value		-	-37	-9	46	-
Total loans to customers	40,359	-97	-133	-87	66,676	106,718
Loans transferred to SpareBank 1 Boligkreditt AS						42,630
Loans transferred to SpareBank 1 Næringskreditt AS						1,022
Total loans including loans transferred to covered bond companies						150,371
Other liabilities ¹⁾						13,638
Total commitments including loans transferred to covered bond companies						164,009

Note 6 Impairment on loans and liabilities

The table shows isolated loss effects.

31.12.2019-31.03.2020

Isolated loss effects	Private customers	Gross corporate	Parent bank	SB1FØ	Group
Change ECL due to period growth and migration	-2	2	0	-4	-4
Change ECL due to adjusted key assumptions (PD / LGD)	3	35	38	17	54
Change ECL due to changed scenario weighting	14	26	41	3	44
Change in model-based loss provisions	15	63	79	16	94
Post model adjustments	0	35	35	5	40
Change individual loss provisions	-2	13	11	2	13
Net write-offs	3	3	6	-1	4
Total losses	16	114	130	21	151

31.03.2020-30.06.2020

Isolated loss effects	Private customers	Gross corporate	Parent bank	SB1FØ	Group
Change ECL due to period growth and migration	3	0	3	3	6
Change ECL due to adjusted key assumptions (PD / LGD)	1	4	4	0	4
Change ECL due to changed scenario weighting	0	0	0	0	0
Change in model-based loss provisions	3	4	7	3	10
Post model adjustments	0	15	15	0	15
Change individual loss provisions	5	63	68	15	82
Net write-offs	2	6	8	15	23
Total losses	10	88	98	33	130

31.12.2019-30.06.2020

Isolated loss effects	Private customers	Gross corporate	Parent bank	SB1FØ	Group
Change ECL due to period growth and migration	1	2	3	-1	2
Change ECL due to adjusted key assumptions (PD / LGD)	3	39	42	17	59
Change ECL due to changed scenario weighting	14	26	41	3	44
Change in model-based loss provisions	18	67	86	18	104
Post model adjustments	0	50	50	5	55
Change individual loss provisions	3	75	79	17	95
Net write-offs	5	9	14	14	28
Total losses	26	202	228	54	282

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

Parent Bank

30.06.2020

	31.12.2019	Provision for credit losses	Net write-offs	30.jun.20
Provisions for loans at amortised cost, guarantees and unused credit facilities	232	206	-6	432
Provisions for loan losses at fair value over OCI	67	15	-1	81
Total provisions for credit losses	299	221	-6	513
Presented as:				
Assets: Provisions for loan losses - decrease of assets	255	202	-6	451
Liabilities: Provisions for loan losses - increase of liabilities	22	7	0	29
Equity: Fair value adjustment of losses	21	11	0	32

30.06.2019

	31.12.2018	Provision for credit losses	Net write-offs	30.jun.19
Provisions for loans at amortised cost, guarantee and unused credit facilities	265	-32	-10	223
Provisions for loan losses at fair value over OCI	65	-11	-1	54
Total provisions for credit losses	329	-43	-10	276
Presented as:				
Assets: Provisions for loan losses - decrease of assets	282	-37	-10	234
Liabilities: Provisions for loan losses - increase of liabilities	25	-2	0	23
Equity: Fair value adjustment of losses	22	-3	0	19

31.12.2019

	31.12.2018	Provision for credit losses	Net write-offs	31.12.2019
Provisions for loans at amortised cost, guarantees and unused credit facilities	265	-22	-11	232
Provisions for loan losses at fair value over OCI	65	2	-1	67
Total provisions for credit losses	329	-19	-11	299
Presented as:				
Assets: Provisions for loan losses - decrease of assets	282	-15	-11	255
Liabilities: Provisions for loan losses - increase of liabilities	25	-3	0	22
Equity: Fair value adjustment of losses	22	-1	0	21

Group

30.06.2020

	31.12.2019	Provision for credit losses	Net write-offs	30.jun.20
Provisions for loans at amortised cost, guarantees and unused credit facilities	294	245	-6	533
Provisions for loan losses at fair value over OCI	67	15	-1	81
Total provisions for credit losses	360	260	-6	614
Presented as:				
Assets: Provisions for loan losses - decrease of assets	317	242	-6	553
Liabilities: Provisions for loan losses - increase of liabilities	22	7	-	29
Equity: Fair value adjustment of losses	21	11	-	32

30.06.2019

	31.12.2018	Provision for credit losses	Net write-offs	30.jun.19
Provisions for loans at amortised cost, guarantee and unused credit facilities	320	-28	-10	282
Provisions for loan losses at fair value over OCI	65	-12	-1	53
Total provisions for credit losses	385	-40	-10	335
Presented as:				
Assets: Provisions for loan losses - decrease of assets	337	-37	-10	290
Liabilities: Provisions for loan losses - increase of liabilities	25	-2	0	23
Equity: Fair value adjustment of losses	22	-1	0	22

31.12.2019

	31.12.2018	Provision for credit losses	Net write-offs	31.12.2019
Provisions for loans at amortised cost, guarantees and unused credit facilities	320	-16	-11	294
Provisions for loan losses at fair value over OCI	65	2	-1	67
Total provisions for credit losses	385	-13	-11	360
Presented as:				
Assets: Provisions for loan losses - decrease of assets	338	-9	-11	317
Liabilities: Provisions for loan losses - increase of liabilities	25	-3	0	22
Equity: Fair value adjustment of losses	22	-1	0	21

Parent Bank

Provisions for credit losses *	30.06.2020				30.06.19				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance	115	115	68	298	111	136	83	329	111	136	83	329
<i>Provision for credit losses</i>												
<i>Transfers in (out) to Stage 1</i>	4	-4	0	0	3	-3	0	0	3	-3	0	0
<i>Transfers in (out) to Stage 2</i>	-34	34	0	0	-27	29	-1	0	-46	48	-2	0
<i>Transfers in (out) to Stage 3</i>	-8	-11	19	0	-1	-5	6	0	-9	-7	16	0
<i>Net remeasurement of loss provisions</i>	68	23	73	164	6	-42	12	-24	33	-49	2	-14
<i>Purchases and originations</i>	42	7	5	53	27	7	1	34	56	24	1	81
<i>Derecognitions and maturities</i>	-16	-22	-9	-46	-16	-22	-15	-53	-33	-34	-19	-86
<i>Write-offs</i>	0	0	-6	-6	0	0	-10	-10	0	0	-11	-11
<i>Post model adjustment</i>	0	50	0	50	0	0	0	0	0	0	0	0
Ending Balance	170	192	151	513	103	99	74	276	115	115	69	299

Group

Provisions for credit losses *	30.06.2020				30.06.19				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance	131	142	86	360	127	162	96	385	127	162	96	385
<i>Provision for credit losses</i>												
<i>Transfers in (out) to Stage 1</i>	9	-9	0	0	7	-7	0	0	8	-8	0	0
<i>Transfers in (out) to Stage 2</i>	-35	36	-1	0	-28	30	-2	0	-48	50	-2	0
<i>Transfers in (out) to Stage 3</i>	-9	-14	23	0	-1	-7	8	0	-9	-11	21	0
<i>Net remeasurement of loss provisions</i>	70	39	89	198	1	-40	5	-33	24	-42	8	-11
<i>Purchases and originations</i>	48	8	6	63	33	9	1	43	66	31	4	101
<i>Derecognitions and maturities</i>	-17	-24	-14	-55	-17	-25	-8	-50	-35	-41	-27	-103
<i>Write-offs</i>	0	0	-6	-6	0	0	-10	-10	0	0	-11	-11
<i>Post model adjustment</i>	0	55	0	55	0	0	0	0	0	0	0	0
Ending Balance	198	233	183	614	122	123	91	335	131	142	87	360

* Provisions for loans, guarantees and unused credit facilities

Note 7 Net income from financial assets and liabilities

Parent Bank			Group		
31.12.2019	30.06.2019	30.06.2020	30.06.2020	30.06.2019	31.12.2019
19	18	12	12	18	19
19	18	12	12	18	19
582	582	280	243	477	519
0	0	0			
-6	0	0			
576	582	280	243	477	519
3	48	145	145	48	3
14	-17	-170	-170	-17	14
17	31	-25	-25	31	17
-96	-285	-652	-652	-285	-96
106	301	674	674	301	106
10	16	22	22	16	10
82	34	16	16	34	82
-18	15	175	175	15	-18
36	-1	-212	-212	-1	36
16	6	7	7	6	16
55	24	26	26	24	55
197	125	10	10	125	197
792	726	303	265	621	735

Note 8 Financial derivatives

Parent Bank and Group

	30.06.2020		
	Contract amount	Fair value	
		Assets	Liabilities
At fair value through profit and loss			
Currency instruments			
Currency forward contracts	1,739	43	31
Currency swaps	2,619	39	13
Total currency instruments	4,359	81	44
Interest rate instruments			
Interest rate swaps (including cross-currency)	51,009	2,992	755
Other interest rate contracts	3,278	1	0
Total interest rate instruments	54,288	2,993	755
Total currency instruments	4,359	81	44
Total interest rate instruments	54,288	2,993	755
Total financial derivatives	58,646	3,075	800

	30.06.2019		
	Contract amount	Fair value	
		Assets	Liabilities
At fair value through profit and loss			
Currency instruments			
Currency forward contracts	1,519	13	13
Currency swaps	1,314	2	18
Total currency instruments	2,833	15	31
Interest rate instruments			
Interest rate swaps (including cross-currency)	37,647	763	247
Other interest rate contracts	2,909	4	0
Total interest rate instruments	40,556	767	247
Total currency instruments	2,833	15	31
Total interest rate instruments	37,647	767	247
Total financial derivatives	40,480	782	278

	31.12.2019		
	Contract amount	Fair value	
		Assets	Liabilities
At fair value through profit and loss			
Currency instruments			
Currency forward contracts	1,562	15	18
Currency swaps	1,712	5	18
Total currency instruments	3,275	20	36
Interest rate instruments			
Interest rate swaps (including cross-currency)	46,793	858	336
Other interest rate contracts	2,958	0	0
Total interest rate instruments	49,751	858	336
Total currency instruments	3,275	20	36
Total interest rate instruments	49,751	858	336
Total financial derivatives	53,026	878	373

Note 9 Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its obligations when they fall due, or be unable to finance its assets, including the desired growth, without significantly increased costs.

The group's framework for managing liquidity risk reflects its conservative risk profile, and the group manages the liquidity risk by maintaining a sufficient proportion of liquid reserves at all times, while the financing is diversified and long-term. Diversification is achieved by spreading borrowing across different markets, maturities and instruments. The group's goal is to be able to survive for twelve months without access to new financing while house prices fall by 30 per cent. The Bank must satisfy the minimum requirement for LCR over the same period. Stress testing is undertaken at various maturities for a bank-specific crisis, a systemic crisis and a combination of these, and a contingency plan has been established to handle various liquidity crises.

Average time to maturity in the Bank's borrowing portfolio was 3.7 (3.8) years at the end of Q2 2020. At the same date, total LCR was 143.3 (170.7) per cent.

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

30.06.2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
- Derivatives	0	3,075	0	3,075
- Certificates, bonds and fixed-income funds	0	21,171	0	21,171
- Fixed-rate loans to customers	0	0	6,421	6,421
- Equity instruments	341	44	305	690
- Other financial assets	0	0	0	0
- Mortgages	0	0	64,225	64,225
Total assets	341	24,290	70,951	95,582
Liabilities				
Financial liabilities at fair value				
- Derivatives	0	800	0	800
- Securities issued	0	3,250	0	3,250
Total liabilities	0	4,050	0	4,050
30.06.2019				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	782	0	782
- Bonds and certificates	0	17,590	0	17,590
- Fixed-rate loans to customers	0	0	6,548	6,548
- Equity instruments	293	45	287	625
- Equity instruments	0	0	4	4
- Other financial assets	0	0	57,569	57,569
Total assets	293	18,416	64,408	83,118
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	278	0	278
- Securities issued	0	4,068	0	4,068
Total liabilities	0	4,346	0	4,346
31.12.2019				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	878	0	878
- Bonds and certificates	0	17,252	0	17,252
- Fixed-rate loans to customers	0	0	6,765	6,765
- Equity instruments	331	45	299	675
- Equity instruments	0	0	0	0
- Other financial assets	0	0	59,865	59,865
Total assets	331	18,175	66,929	85,435
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	373	0	373
- Securities issued	0	4,036	0	4,036
Total liabilities	0	4,409	0	4,409

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:

	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
31.12.2019-30.06.2020					
Opening balance	6,765	299	59,865	0	66,929
Investments in the period	433	0	19,299	0	19,732
Sales/redemption in the period	-951	-1	-14,935	0	-15,887
Gains/losses recognised through profit and loss	175	7	-15	0	166
Gains/losses recognised through other comprehensive income	0	0	11	0	11
Closing balance	6,421	305	64,225	0	70,951
Gains/losses for the period included in the profit for assets owned on the balance sheet day	175	7	-15	0	166

	Fixed-rate loans to customers	Equity instruments	Term deposit	Mortgages (FVOCI)	Other financial assets	Total
31.12.2018-30.06.2019						
Opening balance	6,471	279	0	56,859	4	63,614
Investments in the period	621	0	0	15,852	0	16,473
Sales / redemption in the period	-559	0	0	-15,150	0	-15,709
Gains / losses recognised through profit and loss	15	8	0	11	0	34
Gains/losses recognised through other comprehensive income	0	0	0	-3	0	-3
Closing balance	6,548	287	0	57,569	4	64,408
Gains / losses for the period included in the profit for assets owned on the balance sheet day	15	8	0	11	0	34

31.12.2018-31.12.2019	Fixed-rate loans to customers	Equity instruments	Term deposit	Mortgages (FVOCI)	Other financial assets	Total
Opening balance	6,471	279	0	56,859	4	63,614
Investments in the period	1,608	2	0	30,858	0	32,468
Sales/redemption in the period	-1,297	0	0	-27,850	-4	-29,151
Gains/losses recognised through profit and loss	-18	18	0	-2	0	-2
Gains/losses recognised through other comprehensive income	0	0	0	-1	0	-1
Closing balance	6,765	299	0	59,865	0	66,929
Gains/losses for the period included in the profit for assets owned on the balance sheet day	-18	18	0	-2	0	-2

Specification of fair value, instruments classified in level 3:

30.06.2020	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,263	208	64,275	0	70,747
Fair value adjustment	158	97	-50	0	204
Closing balance	6,421	305	64,225	0	70,951

30.06.2019	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,532	209	57,604	4	64,350
Fair value adjustment	16	79	-36	0	59
Closing balance	6,548	287	57,569	4	64,408

31.12.2019	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,782	209	59,911	0	66,902
Fair value adjustment	-17	90	-46	0	27
Closing balance	6,765	299	59,865	0	66,929

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 (MNOK 40) and VN Norge AS (MNOK 50). 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 considered 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 -50. 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 offsetting

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 three 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. Under ISDA the Bank has entered into credit supplementary agreements (CSA) with 18 institutional counterparties. The Bank has also entered into agreements on the clearing of derivatives transactions, transferring its exposure to a central counterparty (clearing house) that calculates the collateral requirements.

Reverse repurchase agreements are governed by GMRA agreements with counterparty. The Bank has five 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					
	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
30.06.2020						
Derivatives as assets	3,075	0	3,075	-667	-2,024	383
Derivatives as liabilities	-800	0	-800	667	109	-23
30.06.2019						
Derivatives as assets	782	0	782	-245	-421	116
Derivatives as liabilities	-278	0	-278	245	11	-23
31.12.2019						
Derivatives as assets	878	0	878	-274	-550	54
Derivatives as liabilities	-373	0	-373	274	54	-45

Note 12 Leases

The Group SpareBank 1 Østlandet has mainly residential leases that are identified as falling under the IFRS 16 Lease standard.

Parent Bank				Group		
31.12.2019	30.06.2019	30.06.2020	Right of use	30.06.2020	30.06.2019	31.12.2019
224	224	214	Right of use asset at 01.01.	169	170	170
0	0	3	Indexation of the right of use asset	2	0	0
7	0	5	Additions	5	7	26
22	0	0	Adjustments of options	0	0	8
38	19	20	Depreciation	17	16	34
214	205	203	Right-of use asset ending balance	159	161	169

31.12.2019	30.06.2019	30.06.2020	Lease liability	30.06.2020	30.06.2019	31.12.2019
224	224	216	Lease liability at 01.01	170	170	170
0	0	3	Indexation of the lease obligation	2	0	0
7	0	5	Additions	5	7	26
22	0	0	Adjustments of options	0	0	8
42	20	20	Lease payments in the period	17	13	39
4	2	3	Interest	2	2	4
216	206	207	Lease liability ending balance *	162	166	170

* In the parent bank, NOK 41 million of the lease obligation falls due within 12 months. Corresponding figures in the Group are NOK 34 million.

31.12.2019	30.06.2019	30.06.2020	Effects on earnings	30.06.2020	30.06.2019	31.12.2019
4	2	3	Interest expense	2	2	4
38	19	20	Depreciation	17	16	34
43	21	22	Total cost from lease liabilities	19	17	37

Note 13 Other assets

Parent Bank				Group		
31.12.2019	30.06.2019	30.06.2020		30.06.2020	30.06.2019	31.12.2019
273	273	273	Capital payments into pension fund	273	273	273
33	32	26	Accrued income, not yet received	28	33	34
70	46	43	Prepaid costs, not yet incurred	137	143	144
0	0	1,012	Unsettled trades	1,012	0	0
144	252	217	Other assets	410	475	336
520	603	1,571	Total other assets	1,860	924	787

Note 14 Deposits from and liabilities to customers

Parent Bank				Group		
31.12.2019	30.06.2019	30.06.2020		30.06.2020	30.06.2019	31.12.2019
43,884	43,582	48,858	Private customers	48,858	43,582	43,884
7,106	7,433	6,756	Public sector	6,756	7,433	7,106
1,039	965	1,241	Primary industries	1,241	965	1,039
302	293	461	Paper and pulp industries	461	293	302
801	660	928	Other industry	928	660	801
1,964	1,754	2,135	Building and construction	2,135	1,754	1,964
244	116	314	Power and water supply	314	116	244
1,814	1,812	1,947	Wholesale and retail trade	1,947	1,812	1,814
319	270	341	Hotel and restaurants	341	270	319
3,966	4,833	4,668	Real estate	4,668	4,833	3,966
15,924	14,630	16,665	Commercial services	16,621	14,598	15,884
1,173	1,037	1,211	Transport and communications	1,211	1,037	1,173
78,534	77,385	85,525	Total deposits by sector and industry	85,481	77,352	78,494

Note 15 Debt securities issued

Parent Bank and Group

Change in debt securities issued	30.06.2020	Issued	Due / redeemed	Other changes	31.12.2019
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	32,160	2,551	-2,442	-913	32,964
Senior non-perferred, nominal value	1,000	1,000	0	0	0
Subordinated loan capital, nominal value	1,300	0	0	0	1,300
Accrued interest	180	0	0	-55	235
Value adjustments *	3,035	0	0	2,498	537
Total debt raised through issuance of securities and subordinated loan capital, book value	37,675	3,551	-2,442	1,530	35,036

*) Herof exchange rate effects with MNOK 1.855 in the period and MNOK 2.132 accumulated

Change in debt securities issued	30.06.2019	Issued	Due / redeemed	Other changes	31.12.2018
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	30,833	1,688	-2,350	330	31,165
Subordinated loan capital, nominal value	1,100	0	0	0	1,100
Accrued interest	206	0	0	-25	231
Value adjustments	602	0	0	11	591
Total debt raised through issuance of securities and subordinated loan capital, book value	32,741	1,688	-2,350	316	33,087

Change in debt securities issued	31.12.2019	Issued	Due / redeemed	Other changes	31.12.2018
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	32,964	6,677	-4,150	-729	31,165
Subordinated loan capital, nominal value	1,300	400	-200	0	1,100
Accrued interest	235	0	0	4	231
Value adjustments	537	0	0	-54	591
Total debt raised through issuance of securities and subordinated loan capital, book value	35,036	7,077	-4,350	-778	33,087

Note 16 Other debt and liabilities recognized in the balance sheet

Parent Bank			Group		
31.12.2019	30.06.2019	30.06.2020	30.06.2020	30.06.2019	31.12.2019
79	70	15	38	138	124
22	23	29	32	23	59
80	85	83	83	86	82
84	78	217	259	87	89
0	400	0	0	400	0
216	206	207	162	166	170
182	405	333	397	469	215
663	1,267	884	971	1,369	739

Note 17 Equity capital certificates and owner structure

Parent Bank	30.06.2020 ¹⁾	30.06.2019	2019
Equity capital certificates	5,791	5,791	5,791
Dividend equalisation fund	3,374	3,009	2,772
Dividends	0	0	663
Premium fund	848	848	848
A. Equity capital certificate owners' capital	10,013	9,648	10,074
Primary capital	4,097	3,997	3,838
Dividends to customers	0	0	292
Other paid-up equity	166	166	166
B. Total primary capital	4,263	4,164	4,297
Fund for unrealised gains	351	285	334
Provision for gifts	32	14	12
Total other equity	383	299	347
Other equity	0	0	0
Hybrid capital	650	200	300
Total interest expense on hybrid capital	-53	-37	-45
Total equity	15,257	14,274	14,972
Total equity for distribution:			
Equity capital certificate ratio (A/(A+B)) after distribution	70.1 %	69.9 %	70.1 %
Equity certificates issued	115,829,789	115,829,789	115,829,789
Average Equity certificates	115,829,789	115,710,726	115,800,431

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

20 largest owners of equity certificates:	No. Of EC's	Share in %
Sparebankstiftelsen Hedmark	60,404,892	52.15 %
Landsorganisasjonen i Norge	11,121,637	9.60 %
Fellesforbundet	2,101,322	1.81 %
Danske Invest Norske Institusjoner II	1,789,149	1.54 %
VPF Odin Norge	1,621,218	1.40 %
Geveran Trading Co LTD	1,612,075	1.39 %
VPF Eika Egenkapitalbevis	1,608,041	1.39 %
Pareto Invest AS	1,559,232	1.35 %
Norsk Nærings- og Nytelsesmiddelarbeiderforbund	1,313,555	1.13 %
Brown Brothers Harriman & Co.	1,000,000	0.86 %
Landkreditt Utbytte	950,000	0.82 %
Arctic Funds PLC	916,712	0.79 %
SpareBank 1 Østfold Akershus	839,880	0.73 %
Tredje AP-Fonden	804,750	0.69 %
State Street Bank and Trust Comp	762,192	0.66 %
Danske Invest Norske Aksjer Institusjon	750,607	0.65 %
State Street Bank and Trust Comp	735,239	0.63 %
SpareBank 1 BV	579,523	0.50 %
VPF Eika Spar	569,201	0.49 %
Brown Brothers Harriman & Co.	568,688	0.49 %

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 (majorityshare of group profit) 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 11 per cent. The Bank's ambitions concerning its financial strength are reflected by its long-term common equity tier 1 ratio target of 16.8 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 19 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	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
(NOK million, excluding percentages)	2020	2020	2019	2019	2019	2019	2018	2018	2018
Interest income	839	1,048	1,023	981	910	875	896	864	844
Interest expense	341	454	438	427	390	367	352	340	333
Net interest income	498	594	584	554	520	508	544	524	511
Commission income	277	314	332	336	323	304	297	299	310
Commission expenses	32	35	37	40	36	30	32	23	27
Other operating income	56	64	37	54	78	67	48	40	51
Net commission and other operating income	300	343	333	350	364	341	313	316	334
Dividends from other than Group companies	0	12	0	0	6	12	0	0	0
Net profit from ownership interests	128	115	-1	44	131	346	57	58	54
Net profit from other financial assets and liabilities	185	-175	12	59	61	65	-51	32	95
Net income from financial assets and liabilities	314	-48	11	103	198	423	7	90	149
Total income	1,112	889	928	1,007	1,082	1,271	864	930	994
Personnel expenses	255	274	274	267	267	290	286	259	247
Depreciation	32	34	32	30	33	36	23	24	32
Other operating expenses	160	178	183	161	189	169	197	173	190
Total operating expenses	447	487	490	457	489	494	506	457	468
Operating profit before losses on loans and guarantees	665	402	439	550	593	777	358	473	525
Impairment on loans and guarantees	130	151	33	24	8	-33	11	12	7
Pre-tax operating profit	535	251	406	526	585	810	347	461	518
Tax expense	97	-16	114	116	114	54	25	99	102
Profit after tax	438	266	291	409	471	757	322	362	416
	2Q	1Q	4.kv	3Q	2Q	1Q	4Q	3Q	2Q
	2019	2019	2019	2019	2019	2020	2018	2018	2018
Profitability									
Return on equity capital ¹⁾	11.3 %	6.9 %	7.3 %	10.7 %	12.8 %	21.2 %	9.1 %	10.8 %	12.9 %
Net interest income ²⁾	1.38 %	1.72 %	1.71 %	1.64 %	1.62 %	1.65 %	1.76 %	1.73 %	1.75 %
Cost income ratio ³⁾	40.2 %	54.7 %	52.7 %	45.4 %	45.2 %	38.8 %	58.6 %	49.2 %	47.6 %
Balance sheet and ratios									
Gross loans to customers	112,381	108,811	107,035	104,037	101,668	98,744	98,940	98,259	96,040
Gross loans to customers including loans transferred to covered bond companies ¹⁾	157,956	153,846	150,688	147,310	144,337	141,079	140,165	138,153	135,495
Growth in loans during the last 12 months ¹⁾	10.5 %	10.2 %	8.2 %	5.9 %	5.9 %	6.4 %	9.4 %	10.5 %	9.7 %
Growth in loans including loans transferred to covered bond companies in the last 12 months ¹⁾	9.4 %	9.0 %	7.5 %	6.6 %	6.5 %	6.5 %	8.2 %	8.9 %	8.9 %
Growth in loans during the last quarter ¹⁾	3.3 %	1.7 %	2.9 %	2.3 %	3.0 %	-0.2 %	0.7 %	2.3 %	3.5 %
Growth in loans including loans transferred to covered bond companies in the last quarter ¹⁾	2.7 %	2.1 %	2.3 %	2.1 %	2.3 %	0.7 %	1.5 %	2.0 %	2.3 %
Deposits from customers	85,481	79,901	78,494	76,866	77,352	72,377	71,497	70,251	70,645
Deposit to loan ratio ¹⁾	76.1 %	73.4 %	73.3 %	73.9 %	76.1 %	73.3 %	72.3 %	71.5 %	71.2 %
Deposit to loan ratio including loans transferred to covered bond companies ¹⁾	54.1 %	51.9 %	52.1 %	52.2 %	53.6 %	51.3 %	51.0 %	50.9 %	52.1 %
Growth in deposits in the last 12 months	10.5 %	10.4 %	9.8 %	9.4 %	9.5 %	9.5 %	8.4 %	7.6 %	6.0 %
Growth in deposits in the last quarter	7.0 %	1.8 %	2.1 %	-0.6 %	6.9 %	1.2 %	1.8 %	-0.6 %	6.9 %
Average total assets	145,392	139,184	134,783	133,711	128,573	124,882	122,395	120,455	116,840
Total assets	147,197	143,586	134,783	136,568	130,854	126,292	123,472	121,319	119,592
Total assets including loans transferred to covered bond companies ¹⁾	192,772	188,621	178,436	179,841	173,522	168,626	164,696	161,212	159,047
Losses and commitments in default									
Losses on loans as a percentage of gross loans 1)	0.5 %	0.6 %	0.1 %	0.1 %	0.0 %	-0.1 %	0.0 %	0.0 %	0.0 %
Financial strength									
Common equity Tier 1 capital ratio	17.1 %	17.0 %	17.2 %	16.7 %	16.7 %	16.9 %	16.8 %	15.9 %	16.1 %
Tier 1 capital ratio	18.2 %	17.7 %	17.9 %	17.7 %	17.3 %	17.5 %	17.6 %	16.7 %	16.9 %
Capital ratio	20.1 %	19.6 %	19.8 %	19.7 %	19.1 %	19.4 %	19.6 %	18.7 %	19.3 %
Net subordinated capital	16,418	15,883	15,444	15,685	14,982	14,676	14,672	14,077	14,288

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).

Statement from the Board of Directors and chief executive officer

We confirm that according to our firm belief the annual accounts for the period from 1 January to 30 June 2020 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-6.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 5 th August 2020

Siri J. Strømmevold
Board Chair

Nina C. Lier

Tore Anstein Doblough

Espen Bjørklund Larsen

Guro Nina Vestvik

Marit Jørgenrud

Hans-Christian Gabrielsen

Alexander Lund

Richard Heiberg
CEO

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	<p><i>Profit after tax - Interest expences on hybrid capital</i></p> <p>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 expences related to the hybrid capital had been recognized in the income statement.</p>
Return on equity capital	<p>$\frac{(\text{Profit after tax} - \text{Interest expences on hybrid capital}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Average equity} - \text{Average hybrid capital}}$</p> <p>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.</p>
Underlying banking operations	<p><i>Operating profit before losses on loans and guarantees</i> <i>– Net income from financial assets and liabilities – Notable items</i></p> <p>The result from underlying banking operations provides relevant information about the profitability of the Bank's core business.</p>
Cost-income-ratio	<p>$\frac{\text{Total operating costs}}{\text{Total net income}}$</p> <p>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.</p>
Lending margin	<p><i>Weighted average interest rate on lending to customers and loans transferred to covered bond companies – Average NIBOR 3 MND</i></p> <p>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.</p>

Alternative performance measures	Definition and rationale
Deposit margin	<i>Average NIBOR 3 MND – Weighted average interest rate on deposits from customers</i>
	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	<i>Lending margin + Deposit margin</i>
	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	<i>Net interest income + Commissions from loans and credit transferred to covered bond companies</i>
	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	<i>Total assets + Loans transferred to covered bond companies</i>
	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	<i>Loans to and receivables from customers + Loans transferred to covered bond companies</i>
	Loans transferred to covered bond companies are subtracted from the balance sheet, but are included in the total lending business.
Deposit to loan ratio	$\frac{\text{Deposit from and liabilities to customers}}{\text{Gross loans to customers}}$
	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	$\frac{\text{Deposit from and liabilities to customers}}{\text{Gross loans to customers} + \text{Loans transferred to covered bond companies}}$
	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	$\frac{\text{Gross loans to customers} + \text{Loans transferred to CB}}{\text{Gross loans to customers 12 months ago} + \text{Loans transferred to CB 12 months ago}} - 1$
	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	$\frac{\text{Deposits from and liabilities to customers}}{\text{Deposits from and liabilities to customers 12 months ago}} - 1$ <p>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.</p>
Impairment on loans as a percentage of gross loans	$\frac{(\text{Losses on loans and guarantees}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$ <p>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.</p>
Loans to and receivables from customers in stage 2, percentage of gross loans	$\frac{(\text{Loans to and receivables from customers in stage 2}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Loans to and receivables from customers in stage 3, percentage of gross loans	$\frac{(\text{Loans to and receivables from customers in stage 3}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Commitments in default as percentage of gross loans	$\frac{\text{Gross defaulted commitments for more than 90 days}}{\text{Gross loans to customers}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Other doubtful commitments as percentage of gross loans	$\frac{\text{Gross doubtful commitments not in default}}{\text{Gross loans to customers}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Net commitments in default and other doubtful commitments in percentage of gross loans	$\frac{\text{Net defaulted commitments} + \text{Net doubtful commitments}}{\text{Gross loans to customers}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Loan loss impairment ratio for defaulted commitments	$\frac{\text{Individual write downs on defaulted commitments}}{\text{Gross defaulted commitments for more than 90 days}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Loan loss impairment ratio for doubtful commitments	$\frac{\text{Individual write downs on doubtful commitments}}{\text{Gross doubtful commitments not in default}}$ <p>The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.</p>
Equity ratio	$\frac{\text{Total equity capital}}{\text{Total assets}}$ <p>The indicator provides information about the company's unweighted solvency ratio.</p>

Alternative performance measures	Definition and rationale
Book equity per EC	$\frac{(Total\ EC - Minority\ interests - Gifts - Hybrid\ capital) \times EC\ certificate\ ratio}{Number\ of\ Equity\ certificates\ issued}$ <p>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.</p>
Price/Earnings per EC	$\frac{Listed\ price\ of\ EC}{Earnings\ per\ EC \times \left(\frac{Act}{Act}\right)}$ <p>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.</p>
Price/book equity	$\frac{Listed\ price\ of\ EC}{Book\ equity\ per\ EC}$ <p>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).</p>
Average LTV (Loan to value)	$\frac{Average\ amount\ on\ loans\ to\ customers}{Average\ market\ value\ of\ asset\ encumbrance}$ <p>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.</p>
Loans transferred to covered bond (CB) companies	<p>Loans transferred to SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS and thus derecognised from the balance sheet</p> <p>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.</p>
Act/Act	$\frac{Total\ number\ of\ days\ in\ the\ year\ (365\ or\ 366)}{Number\ of\ days\ so\ far\ this\ year}$ <p>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.</p>
Notable items	<p>Identified costs considered to be non recurring</p> <p>The indicator is used to calculate the underlying banking activity, which is shown as a separate APM.</p>
Earnings per average equity certificate	$\frac{Majority\ interest\ of\ the\ Group's\ profit\ after\ tax \times ECC\ ratio}{Average\ number\ of\ ECC\ i\ the\ accounting\ period}$ <p>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.</p>
Diluted earnings per average equity certificate	$\frac{Majority\ interest\ of\ the\ Group's\ profit\ after\ tax \times ECC\ ratio}{Average\ number\ of\ ECC\ in\ the\ accounting\ period + Number\ of\ ECC\ issued\ after\ the\ accounting\ period}$ <p>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.</p>
Total operating expenses before restructuring costs	<p>Total operating expenses – Restructuring costs</p> <p>Restructuring costs in connection with reorganization of the business are included in total operating expenses, but these costs are excluded when the business sets targets for growth in operating expenses. These costs are kept out of line for growth figures to be comparable over time. The key figure is presented as it provides a good basis for calculating underlying growth in expenses.</p>

Financial calendar 2020

Friday 7 February 2020	7.30 AM	Preliminary annual accounts 2019
Thursday 5 March		Annual Report 2019
Thursday 26 March 2020		Supervisory Board Meeting
Friday 27 March 2020		Ex. Dividend
Tuesday 7 April 2020		Dividend payment date
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	3 rd 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



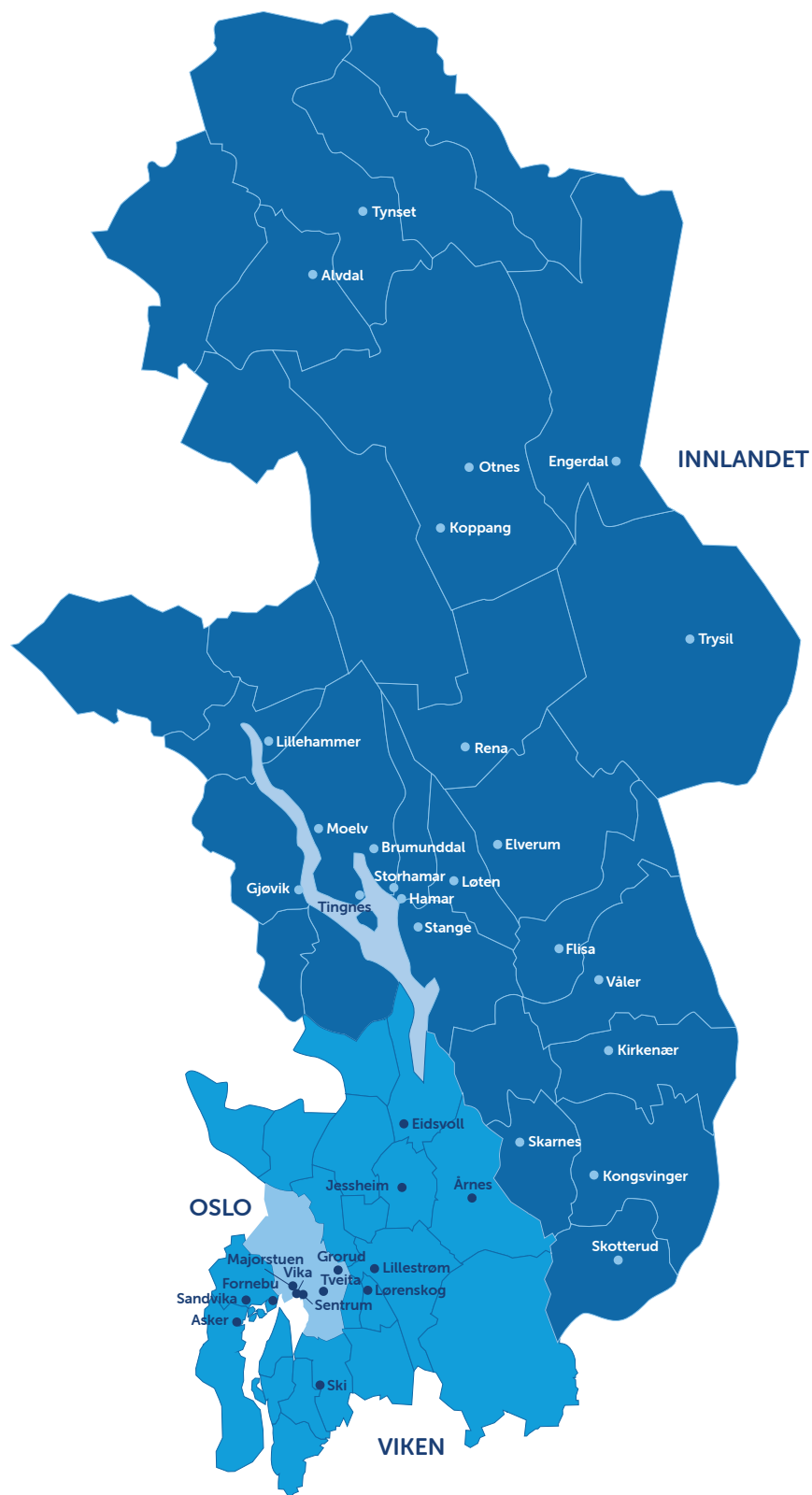
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