Fourth quarter report 2017

SPAREBANK 1 ØSTLANDET

Content

Key figures Group

Profit/loss summary (NOK mill and % of average assets)	01.01.17-31.12.17 Amount	% [1]	01.01.16-31.12.16 Amount	% [1]
Net interest income	1,956	1.86 %	1,490	1.79 %
Net commission and other operating income	1,263	1.20 %	939	1.13 %
Net income from financial assets and liabilities	277	0.26 %	220	0.26 %
Total income	**3,496**	**3.32 %**	**2,649**	**3.19 %**
Total operating costs before losses on loans and guarantees	1,898	1.81 %	**1,203**	**1.45 %**
Profit before losses on loans and guarantees	**1,598**	**1.52 %**	**1,446**	**1.74 %**
Losses on loans and guarantees	-20	-0.02 %	75	0.09 %
Profit/loss before tax	**1,618**	**1.54 %**	**1,371**	**1.65 %**
Tax expense	356	0.34 %	271	0.33 %
Profit after tax	**1,263**	**1.20 %**	**1,100**	**1.32 %**
Profitability				
Return on equity capital [2]	10.2 %		10.5 %	
Cost-income-ratio [2]	54.3 %		45.4 %	
From the balance sheet				
Gross loans to customers	90,460		82,945	
Gross loans to customers including loans transferred to covered bond companies [2]	129,535		119,450	
Growth in loans during the last 12 months [2]	9.1 %		89.5 %	
Growth in loans including loans transferred to covered bond companies in the last 12 months [2]	8.4 %		95.4 %	
Deposits from customers	65,985		63,070	
Deposit-to-loan-ratio [2]	72.9 %		76.0 %	
Growth in deposits in the last 12 months [2]	4.6 %		88.5 %	
Average total assets	105,157		83,074	
Total assets	108,321		101,242	
Total assets including loans transferred to covered bond companies [2]	147,396		137,747	
Losses and commitments in default				
Losses on loans as a percentage of gross loans [2]	0.0 %		0.1 %	
Commitments in default, percentage of gross loans [2]	0.3 %		0.3 %	
Other doubtful commitments, percentage of gross loans [2]	0.3 %		0.3 %	
Net commitments in default and other doubtful commitments, percentage of gross loans [2]	0.4 %		0.4 %	
Financial strength				
Common equity Tier 1 capital ratio	16.8 %		16.9 %	
Tier 1 capital ratio	17.7 %		17.9 %	
Capital adequacy ratio	20.5 %		20.3 %	
Total eligible capital	14,138		12,656	
Equity ratio [2]	12.3 %		12.0 %	
Leverage Ratio	7.1 %		7.4 %	
LCR [3]	114.0 %		116.6 %	
Branches and staff				
Number of fulltime equivalents	1,109		1,140	
Equity capital certificates				
Market price (NOK)	90.50			
Market capitalisation (NOK million)	9,700			
Book equity per EC [2]	81.14			
Earnings per EC, NOK [4]	7.92		6.95	
Price/Earnings per EC [2]	11.43			
Price/book equity [2]	1.12			

1) Calculated as a percentage of average total assets.

2) See attachment regarding Alternative performance measures.

3) Liquidity Coverage Ratio: Measures the size of banks' liquid assets relative to net liquidity output 30 days ahead of time given a stress situation.

4) Profit after tax for controlling interests * Equity capital certificate ratio as at 31.12.17 / number of EC's as at 31.12.2017.

Report of the Board of Directors

Fourth quarter of 2017 (Consolidated figures. Figures in brackets concern the corresponding period in 2016)

- Profit after tax: NOK 337 (281) million
- Return on equity: 10.4 (9.4) per cent
- Net interest income: NOK 501 (452) million
- Net commissions and other operating income: NOK 315 (295) million
- Net result from financial assets and liabilities: NOK 143 (66) million
- Operating costs: NOK 550 (477) million
- Loan loss provisions: Reversal of NOK 13 million (costs of NOK 43 million)

Preliminary financial statement 2017

- Profit after tax: NOK 1,263 (1,100) million
- Return on equity: 10.2 (10.5) per cent
- Earnings per equity certificate: NOK 7.92 (6.95)
- Net interest income: NOK 1,956 (1,490) million
- Net commissions and other operating income: NOK 1,263 (939) million
- Net result from financial assets and liabilities: NOK 277 (220) million
- Operating costs: NOK 1,898 (1,203) million
- Loan loss provisions: Reversals of NOK 20 million (costs of NOK 75 million)
- Core equity tier 1 ratio: 16.8 (16.9) per cent
- The Board of Directors proposes to the Supervisory Board of the Bank a cash dividend of NOK 3.96 per equity certificate, totalling NOK 424 million. A customer dividend of NOK 204 million is also proposed.

Sparebanken Hedmark and Bank 1 Oslo Akershus AS (B1OA) merged operations with effect from 1 April 2017. The merged bank simultaneously changed its name to SpareBank 1 Østlandet.

In the second quarter, SpareBank 1 Østlandet carried out a successful IPO and on 13 June its equity certificates were listed for trade on the Oslo Stock Exchange. The equity certificates trade under the ticker SPOL.

The ownership structure represents a good mix of institutional, professional and private investors from Norway and abroad. Employees as a group ended up as the eleventh largest owner of the Bank.

In mid-October, SpareBank 1 Østlandet completed a successful technical merger, bringing all of the Bank's IT solutions together from 16 October. This means that the Bank now has one joint IT platform and that all of the Bank's services are shared.

The Group and accounting matters relating to the acquisition of Bank 1 Oslo Akershus AS

The Group consists of Sparebank 1 Østlandet and the wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second-level subsidiary), SpareBank 1 Regnskapshuset Østlandet AS, Youngstorget 5 AS and Vato AS, and the 95 per cent owned subsidiary SpareBank 1 Finans Østlandet AS. The accounts of the above companies are fully consolidated into SpareBank 1 Østlandet's consolidated financial statements.

SpareBank 1 Østlandet owns 12.4 per cent of SpareBank 1 Gruppen AS, 18.0 per cent of SpareBank 1 Banksamarbeidet DA, 19.6 per cent of SpareBank 1 Kredittkort AS, 50.0 per cent of Torggata 22 AS, 20.0 per cent of SMB Lab AS, 23.7 per cent of KOMM-IN AS and 20.0 per cent of Proaware AS, plus 21.2 per cent of SpareBank 1 Betaling AS. The Bank also owns 21.1 per cent of SpareBank 1 Boligkreditt AS and 12.4 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).

SpareBank 1 Østlandet's acquisition of the remaining 59.5 per cent of the shares in B1OA was completed with accounting effect from 29 June 2016. In the first half of 2016, the results from B1OA and its subsidiaries were recognised in the consolidated accounts based on the equity method with an ownership interest of 40.5 per cent. From the second half of 2016 until the banks were merged, B1OA's results were fully consolidated into the consolidated accounts of SpareBank 1 Østlandet. From the date of the merger on 1 April 2017, the former B1OA has been reported as a part of the Parent Bank.

These changes in the Group structure mean that SpareBank 1 Østlandet's consolidated financial statements for 31 December 2017 are not directly comparable with last year's figures. Please see note 16 for comparable figures for last year; this shows the adjusted (pro forma) consolidated income statement at 31 December 2016 as it would have been under 100 per cent ownership of B1OA from 1 January 2016.

Consolidated results for the fourth quarter of 2017

The SpareBank 1 Østlandet Group's profit after tax amounted to NOK 337 (281) million, compared with NOK 377 million in the third quarter of 2017. The return on equity was 10.4 (9.4) per cent, down from 12.0 per cent in the third quarter of 2017.

Net interest income amounted to NOK 501 (452) million, compared with NOK 498 million in the third quarter of 2017. Net interest income as a percentage of average total assets was 1.85 (1.79) per cent, the same as in the third quarter of 2017.

Net commissions and other operating income amounted to NOK 315 (295) million, compared with NOK 325 million in the third quarter of 2017. Commissions from the covered bond companies amounted to NOK 109 (69) million, up from NOK 100 million in the third quarter of 2017. Income from real estate services amounted to NOK 70 (71) million, down from NOK 76 million in the third quarter of 2017. Income from accounting services amounted to NOK 33 (36) million, up from NOK 29 million in the third quarter of 2017.

The net result from financial assets and liabilities amounted to NOK 143 (66) million, up from NOK 100 million in the third quarter of 2017.

Operating costs amounted to NOK 550 (477) million, up from NOK 433 million in the third quarter of 2017. The increase from the third quarter of 2017 is mainly due to expenses connected with the merger process, wealth tax and cost increases in subsidiaries.

NOK 47 million was recognised as costs in connection with the merger process in the fourth quarter; NOK 26 million of this was linked to severance pay.

Accrued wealth tax for 2017 of NOK 7 million was expensed in full in fourth quarter 2017 as, according to IFRS, this cost is not incurred until the year-end.

The costs in subsidiaries showed an increase of NOK 27 million from the third to the fourth quarter. The increase is mainly due to increased personnel costs from recruiting new management and key personnel in EiendomsMegler 1 Oslo Akershus, and the salary costs in EiendomsMegler 1 Hedmark Eiendom AS showed an increase as a consequence of higher turnover and thus variable pay.

Loan losses produced a net income of NOK 13 (cost of 43) million, compared to an expense of NOK 14 million in the third quarter of 2017. Of the total net income recognised on losses, a change in collective impairment provisions accounted for an income of NOK 18 (cost of 12) million, compared with a cost of NOK 1 million in the third quarter of 2017.

Consolidated results as at 31 December 2017

The consolidated profit after tax for 2017 was NOK 1,263 (1,100) million. The return on equity was 10.2 (10.5) per cent. The changed stake in the former B1OA from 30 June 2016 means that last year's figures are not directly comparable with this year's.

Specification of the consolidated profit after tax in NOK millions:	31.12.17	31.12.16
Parent Bank's profit after tax	1,102	964
Dividends received from subsidiaries/associated companies	-266	-389
Share of the result from:		
SpareBank 1 Gruppen AS	222	192
Bank 1 Oslo Akershus AS (Q1-17)	119	250
SpareBank 1 Boligkreditt AS	-44	-25
SpareBank 1 Næringskreditt AS	1	2
EiendomsMegler 1 Hedmark Eiendom AS	10	14
EiendomsMegler 1 Oslo Akershus AS - Konsern	-12	2
SpareBank 1 Finans Østlandet AS	118	86
SpareBank 1 Regnskapshuset Østlandet AS	-3	2
SpareBank 1 Kredittkort AS	17	17
SpareBank 1 Betaling AS	-7	-25
Other associated companies/joint ventures	5	11
Consolidated profit after tax	**1,263**	**1,100**

Net interest income

Net interest income for 2017 was NOK 1,956 (1,490) million. Net interest income must be viewed in conjunction with commissions from mortgages transferred to the part-owned covered bond companies (recognised in the income statement as commissions) totalling NOK 377 (225) million. In total, net interest income and commissions amounted to NOK 2,333 (1,715) million. The increase is mainly due to growth in lending and a changed ownership stake in the former B1OA. Net interest income as a percentage of average total assets was 1.86 (1.79) per cent.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 1 263 (939) million. The increase is mainly due to a changed ownership stake in the former B1OA.

NOK million	31.12.17	31.12.16
Net money transfer fees	202	168
Commissions revenues from insurance and savings	197	140
Commissions revenues from covered bonds companies	377	225
Real estate broker commision	297	198
Accounting services	149	158
Other income	43	51
Net commissions and other (non interest) income	**1,263**	**939**

For more detailed information about the various profit centres in the Group, please see note 3 'Segment information'.

Net result from financial assets and liabilities

The net result from financial assets and liabilities was NOK 277 (220) million.

Dividends of NOK 11 (46) million consist mainly of dividends from Totens Sparebank of NOK 9 (7) million. Last year, the Bank received a dividend from Visa Norge of NOK 38 million.

The net profit from ownership interests amounted to NOK 194 (236) million.

Contribution from Associated companies and joint ventures	31.12.17	31.12.16	Change
SpareBank 1 Gruppen AS	222	192	30
Bank 1 Oslo Akershus AS	0	71	-71
SpareBank 1 Boligkreditt AS	-44	-25	-19
SpareBank 1 Næringskreditt AS	1	2	-1
SpareBank 1 Kredittkort AS	17	17	0
SpareBank 1 Betaling AS	-7	-25	18
Other associated companies/joint ventures	5	5	0
Net profit from ownership interests	**194**	**236**	**-42**

The reduction of NOK 42 million is mainly due to the fact that the share of profits from the former B1OA was included in income from ownership interests in the first half of 2016. The profits from SpareBank 1 Gruppen AS and SpareBank 1 Betaling AS have improved compared to last year, while the profits from SpareBank 1 Boligkreditt AS have been reduced. The result from SpareBank 1 Boligkreditt AS was negatively affected by a change in basis swap value adjustments linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased, while previously booked gains are reversed as the basis swaps matures.

The net result from other financial assets and liabilities was NOK 72 (-62) million. The Group's issued securities, fixed-income investments, derivatives and fixed-rate products for customers are generally assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. So far this year there has been a contraction in the credit spread for Norwegian senior unsecured bonds. For a five-year senior issue in a Norwegian regional savings bank, the market's credit spread was reduced from an estimated 85 basis points at the start of the year to around 65 basis points at year end. All other things being equal, this results in the relevant discount rate on previously issued fixed-income securities with fixed coupons decreasing and thus their present value (price) rising. The rise in value for own debt results in an unrealised loss, while the rise in value for purchased fixed-income securities results in an unrealised gain.

The net effect of price changes for all fixed-income securities, inclusive of hedging transactions, was NOK -13 (-91) million, almost all of which are unrealised losses. Over the maturity of the securities, the market value will move towards the par value, and unrealised gains and losses will approach zero as long as the securities are not redeemed. The change in value for securities issued, inclusive of hedging transactions, was NOK -58 (-146) million.

The net profit from other financial assets and liabilities also includes a gain of NOK 26 million from the sale of Nets Holding ASA in connection with the subsequent sale of Nets Holding's shares in VISA Europe Ltd.

Please also see note 7 'Net result from financial assets and liabilities'.

Operating costs
Total operating costs were NOK 1,898 (1 203) million and amounted to 54.3 (45.4) per cent of net income. The increase in costs is mainly due to the fact that, in the first half of 2016, the share of the profits from the former B1OA and subsidiaries was included in the group by the equity method with a 40.5 per cent share. From the second half of 2016, the results from B1OA were fully recognised into the group accounts. In 2017 the operating costs from former B1OA has had full year effect in the accounts on a fully owned basis.

The former Sparebanken Hedmark wound up its occupational pension scheme in the third quarter of 2016, reducing staff costs by NOK 271 million.The former B1OA closed its defined benefit pension scheme on 1 January 2017, and this resulted in a gain that reduced personnel costs in the former B1OA by NOK 53 million. Recalculated pension costs for 2016 resulted in a cost of NOK 29 million in 2017.

NOK 30 million was recognised as costs in connection with the IPO, NOK 14 million of which were personnel costs associated with the employee discount on purchases of equity certificates and managers' fees for the employee issue of new ECs.

NOK 81 million was recognised as costs in connection with the merger process, NOK 37 million of which was linked to severance pay. The remaining costs were primarily linked to IT and the use of external consultants.

At 31 December 2017, there were 1,109 (1,140) full-time equivalents in the Group.

Net loan losses
For 2017, the Group saw net reversals on losses of 20 million (cost of NOK 75 million). The net reversal on losses were primarily due to a reduction in collective impairment provisions of NOK 42 million (cost of NOK 22 million).
Net loan loss provisions are distributed as follows:

Specification of total losses on loans and guarantees in the period, NOK million	Totalt	RM	CM	SB1FØ
Change in individual impairments in the period	-8	-2	-7	2
Change in collective impairments in the period	-42	3	-47	2
Realised losses on commitments for which earlier impairment provisions have been made	36	4	11	21
Realised losses on commitments for which no earlier impairment provisions has been made	12	4	4	4
-Recoveries on loans and guarantees previously impaired	19	1	15	3
Total losses on loans and guarantees in the period	**-20**	**8**	**-54**	**26**

74 per cent of the SpareBank 1 Østlandet Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, are loans for the retail market, primarily consisting of residential mortgages. The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk.

Credit risk
At 31 December 2017, gross non-performing commitments totalled NOK 287 (233) million. This corresponded to 0.3 (0.3) per cent of gross lending. Gross other doubtful commitments amounted to NOK 254 (272) million. This corresponded to 0.3 (0.3) per cent of gross lending.

The loan loss impairment ratio, measured as total individual impairments as a percentage of gross commitments, respectively, were 15 (23) per cent for non-performing loans and 41 (37) per cent for other doubtful commitments. The loan loss impairment ratio will vary over time depending on the valuation of the underlying security and collateral for the commitments.

Individual impairment to cover losses were NOK 142 (146) million at the end of the fourth quarter. Collective impairment to cover losses amounted to NOK 221 (262) million and represented 0.24 (0.32) per cent of gross lending.

Credit quality, measured as total problem loans in relation to total lending, was unchanged from the corresponding period last year. In total, the Group's problem loans amounted to 0.6 (0.6) per cent of gross lending on its balance sheet and 0.4 (0.4) per cent if one includes mortgages transferred to the covered bond companies. Credit quality, measured by expected losses, has improved. The improvement is due both to the fact that the former B1OA is now included in the balance sheet and to an otherwise positive change in the probability of default and loss given default parameters.

The Board's assessment is that the Group's credit risk is low.

Total assets
Total assets at 31 December 2017 were NOK 108.3 (101.2) billion. Adjusted total assets, defined as total assets including loans transferred to the covered bond companies, amounted to NOK 147.4 (137.7) billion.

Lending to customers
Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 129.5 (119.5) billion. At the end of the fourth quarter, loans totalling NOK 37.5 (35.2) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.6 (1.3) billion had been transferred to SpareBank 1 Næringskreditt AS.

Lending growth over the past twelve months, inclusive of transferred loans to the covered bond companies, was NOK 10.1 (58.3) billion, equivalent to 8.4 (95.4) per cent. The retail lending grew by NOK 7.7 billion and the corporate lending by NOK 2.4 billion. The high figures for last year are due to the acquisition and consolidation of B1OA.

Deposits from customers
At 31 December 2017, deposits from customers totalled NOK 66.0 (63.1) billion. Deposits grew in the last 12 months by NOK 2.9 (29.6) billion, equivalent to 4.6 (88.5) per cent. The retail deposits grew by NOK 0.2 billion and the corporate deposits by NOK 2.7 billion. The high figures for last year are due to the acquisition and consolidation of B1OA.

The deposit coverage ratio in the Group was 72.9 (76.0) per cent.

Liquidity
Borrowing from financial institutions and issued securities issued (including subordinated capital) totalled NOK 27.7 (24.8) billion. The average time to maturity of the Group's long-term funding was 4.1 (3.4) years. The average time to maturity for all borrowing was 3.6 (3.1) years.

As of 31 December 2017, the Group had reserves to maintain normal operations without access to external financing from the market for over 18 (14) months. The liquidity coverage ratio (LCR) was 114.0 (116.6) per cent.

In the opinion of the Board, the Group's liquidity risk is low.

Equity certificates
At 31 December 2017, the equity share capital consisted of 107,179,987 equity certificates.

The book value per equity certificate at the end of the fourth quarter was NOK 81.14 and earnings per equity certificate were NOK 7.92 (6.95). At the end of the fourth quarter, the price per equity certificate was NOK 90.50.

Financial strength and capital adequacy
The Group's equity amounted to NOK 13.3 (12.1) billion, which is equivalent to 12.3 (12.0) per cent of total capital. The leverage ratio was 7.1 (7.4) per cent.

The Group's total capital and core capital adequacy ratios at the end of the fourth quarter were 20.5 (20.3) per cent and 17.7 (17.9) per cent respectively. The core equity tier 1 ratio was 16.8 (16.9) per cent. Reduced capital adequacy levels are due to growth in lending as well as proportional consolidation of SpareBank 1 Næringskreditt AS.

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

Rating
SpareBank 1 Østlandet is rated A1 by Moody's Investor Service. This makes SpareBank 1 Østlandet one of the best rated savings banks in Norway.

In the latest credit statement from Moody's (15 December 2017), the earlier rating of A1 is maintained, and the rating outlook is still negative. The negative outlook arose out of the proposed legislation presented by the Ministry of Finance on 21 June 2017, which is intended to transpose the EU's crisis management directives, the Banking Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Directive, into Norwegian law. The rating outlook expresses Moody's assessment of the likelihood of public support being reduced as a result of the new regulation.

Parent Bank

The Parent Bank's financial statements for 2017 include the former B1OA from the date of the merger, 1 April 2017. The figures for last year are therefore not directly comparable with this year's.

The Parent Bank's profit after tax for 2017 was NOK 1,102 (964) million.

At the end of the fourth quarter, the core equity tier 1 ratio was 22.4 (31.4) per cent. The reduction was mainly due to the inclusion of B1OA in the basis for calculation in the parent bank.

The Parent Bank's equity amounted to NOK 12.4 (10.4) billion, which was equivalent to 11.6 (16.9) per cent of total capital at the end of the quarter.

At 31 December 2017, the Parent Bank had 705 (462) full-time equivalents. Of these, 273 FTEs are attributable to posts added to the Bank by the merger with B1OA.

Underlying banking operations are defined as the result before losses on loans, exclusive of results from securities and dividends. Costs related to the merger and stock exchange listing process in 2017 have also been removed, and the costs have been adjusted for the effects of winding up the occupational pension scheme.

Underlying banking operations, MNOK	31.12.17	31.12.16	Change
Net interest income	1,508	1,003	50.4 %
Net commission and other income	782	420	86.1 %
Total operating cost	-1,289	-519	148.4 %
Adjustment: Merger costs	70	0	
Adjustment: IPO costs	30	0	
Adjustment: Liquidation of defined benefit plans	0	-271	
Operating profit underlying banking operations	**1,100**	**633**	**73.7 %**

The operating profit from underlying banking operations amounted to NOK 1,100 (633) million in 2017. Underlying banking operations were up NOK 467 million compared with last year, which is equivalent to 73.7 per cent. The increase was due to both higher net interest income and the merger with the former B1OA from 1 April 2017.

Subsidiaries

The financing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 118 (86) million for 2017. The financing company's gross lending totalled NOK 7.1 (6.3) billion at 31 December 2017. Lending growth over the past twelve months was 12.7 (12.1) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 148 (158) million and achieved a net result after tax of NOK -3 (+2) million.

The real estate broker EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 108 (99) million and achieved a profit after tax of NOK 10 (14) million.

The real estate broker EiendomsMegler 1 Oslo Akershus Group posted earnings of NOK 192 (101) million and achieved a net result after tax of NOK -12 (2) million.

Associated Companies and Joint Ventures

SpareBank 1 Gruppen AS (12.4 per cent ownership interest) includes the SpareBank 1 Alliance's common product companies within insurance, fund management, claims management and enforcement. The company posted a profit after tax of NOK 1,789 (1,598) million for 2017. The return on equity was 22.3 (19.4) per cent.

SpareBank 1 Boligkreditt AS (21.1 per cent stake) is the SpareBank 1 Alliance's joint residential covered bond issuing company. The company posted a profit after tax of NOK -216 (-110) million. The result for 2017 was heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and booked gains are reversed in line with the maturity of the swaps.

SpareBank 1 Næringskreditt AS (12.4 per cent stake) is the SpareBank 1 Alliance's joint commercial covered bond issuing company. The company posted a profit after tax of NOK 53 (84) million for 2017.

SpareBank 1 Kredittkort AS (19.6 per cent stake) is the SpareBank 1 Alliance's joint credit card company. The company posted a profit after tax of NOK 60 (129) million.

SpareBank 1 Betaling AS (21.2 per cent stake) is the SpareBank 1 Alliance's joint company for mobile phone payment solutions. The company posted a loss after tax of NOK -33 million for 2017.

For more information about the accounts of the various companies, please see the interim reports available from the companies' own websites.

Proposed distribution of profits

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

NOK million	31.12.17	31.12.16
Profit after tax (Parent bank)	1,102	964
Changes in fund for unrealised gains	71	-7
Profit available for distribution	**1,031**	**970**
Dividend	424	148
Dividend equalisation fund	272	506
Customer dividend	204	0
Primary capital	131	316
Total distribution	**1,031**	**970**

The profit available for distribution is determined after changes in the funds for unrealised gains amounting to NOK 71 million. The total amount available for distribution is then NOK 1,031 million.

The profit has been distributed between primary capital and owners' equity in proportion to their relative share of the equity, so dividends and provisions to the dividend equalisation funds account for 67.5 percent of the distributed profit.

The Board of Directors proposes to the Supervisory Board of the Bank a cash dividend of NOK 3.96 per equity certificate, totalling NOK 424 million. This equals a distribution to equity certificate holders of 50 per cent of the profit per equity certificate. The Board of Directors also proposes to the Supervisory Board a customer dividend of NOK 204 million. The dividend equalisation fund and primary capital are then allocated NOK 272 million and NOK 131 million respectively.

After distributing the profit for 2017, the equity certificate ratio has changed from 67.5 per cent to 67.6 per cent.

Outlook

The macro situation in Norway is improving and the trends in a number of key economic indicators are positive. The Board regards this as favourable for the Group with respect to its operations, credit risk and the losses going forward.

SpareBank 1 Østlandet's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. The Inland Region, the counties of Hedmark and Oppland, has traditionally been less cyclically volatile than other regions, in part due to the businesses in the region not being particularly exposed to the oil and gas industries. In recent years, GDP growth in the Inland region has outpaced the growth in the rest of Norway. The activity in the Capital region, with the counties of Oslo and Akershus, largely reflects the rest of the country, partly because the region accounts for a large proportion of Norway's wealth creation.

The rise in housing prices slowed from the beginning of 2017, due in part to the government's new Mortgage Regulation of 1 January 2017. From April 2017, the growth in housing prices has been negative in the Oslo area, while the remainder of the Bank's market area shows a more nuanced picture. The decrease in prices in Oslo is most pronounced in the districts where the price increase last year was greatest. In central areas around Oslo, we are seeing housing prices rising again from the fourth quarter of 2017. The Board believes that the Bank's conservative lending practices reduce its vulnerability to falling housing prices. The loan to value ratio in the Bank's loan portfolio in the Oslo area has improved in the last year, despite falling housing prices. The Bank's prudent lending practices for housing purposes are also reflected in a low proportion of problem loans and the fact that the Bank is operating well within the limits of the mortgage regulation.

The Board believes the Group is well-positioned for further profitable growth, with a strong position in the Bank's traditional home market and good growth opportunities in the other parts of the banks expanded home market. Going forward the business will be based on continued prudent lending practice and providing relevant products and services to customers from all of the Group's business lines. Given its high capital adequacy, sound liquidity situation and the merged, effective organisation, the Board believes that the Group is well-prepared to take a stronger position in the Bank's market area.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 8 February 2018

Income statement

Parent bank						Group			
Q4 16	Q4 17	01.01.16-31.12.16	01.01.17-31.12.17	*(NOK million)*	Notes	01.01.17-31.12.17	01.01.16-31.12.16	Q4 17	Q4 16
435	739	1,692	2,642	Interest income		3,238	2,494	820	786
173	316	689	1,134	Interest expense		1,282	1,004	318	333
262	**423**	**1,003**	**1,508**	**Net interest income**		**1,956**	**1,490**	**501**	**452**
104	242	427	807	Commission income		1,197	830	312	275
7	18	28	57	Commission expenses		102	71	27	23
6	9	21	31	Other operating income		168	180	29	43
103	**233**	**420**	**782**	**Net commission and other operating income**		**1,263**	**939**	**315**	**295**
0	0	45	11	Dividends from other than Group companies	7	11	46	0	0
122	30	369	275	Net profit from ownership interests	7	194	236	77	49
1	60	-122	48	Net profit from other financial assets and liabilities	7	72	-62	67	17
123	**90**	**293**	**334**	**Net income from financial assets and liabilities**		**277**	**220**	**143**	**66**
488	**746**	**1,714**	**2,624**	**Total net income**		**3,496**	**2,649**	**959**	**813**
98	224	162	684	Personnel expenses		1,010	573	308	253
10	16	38	57	Depreciation		84	65	22	22
89	170	320	548	Other operating costs		804	565	220	201
197	**411**	**519**	**1289**	**Total operating costs**		**1,898**	**1,203**	**550**	**477**
291	**335**	**1,195**	**1,335**	**Operating profit before losses on loans and guarantees**		**1,598**	**1,446**	**409**	**337**
31	-20	47	-39	Losses on loans and guarantees	6	-20	75	-13	43
260	**355**	**1,148**	**1,373**	**Profit/loss before tax**		**1,618**	**1,371**	**422**	**294**
-15	79	186	272	Tax expense		356	271	85	14
276	**276**	**963**	**1,102**	**Profit after tax**		**1,263**	**1,100**	**337**	**281**
				Majority interest		1,257	1,095	337	280
				Minority interest		6	4	1	1
				Earnings per equity certificate (in NOK)		7.92	6.95		

Statement of other comprehensive income

276	**276**	**963**	**1,102**	**Profit after tax**	**1,263**	**1,100**	**337**	**281**
-6	-7	-71	-7	Actuarial gains/losses on pensions	-7	-52	-7	19
1	2	18	2	Tax effect of actuarial gains/losses on pensions	2	12	2	-13
				Share of other comprehensive income from associated companies and joint ventures	3	-7	3	22
-6	**-6**	**-54**	**-6**	**Total items that will not be reclassified through profit or loss**	**-3**	**-47**	**-3**	**28**
24	26	5	75	Change in value of financial assets avaiable for sale	77	4	28	26
0	-5	0	-1	Financial assets avaiable for sale transferred to profit and loss on write-down due to permanent impairment of value	-1	0	-5	0
0	6	0	11	Financial assets avaiable for sale transferred to profit and loss on realisation	11	0	6	0
				Share of other comprehensive income from associates and joint ventures	2	7	-5	7
24	**27**	**5**	**86**	**Total items that will be reclassified through profit or loss**	**90**	**11**	**24**	**33**
19	**21**	**-48**	**80**	**Total profit and loss items recognised in equity**	**87**	**-36**	**22**	**61**
295	**297**	**915**	**1,182**	**Total profit/loss for the accounting year**	**1,350**	**1,064**	**358**	**341**
				Majority interest	1,344	1,060	357	341
				Minority interest	6	4	1	1

Balance sheet

Parent bank				Group	
31.12.16	**31.12.17**	*NOK million*	Notes	**31.12.17**	**31.12.16**
		ASSETS			
354	672	Cash and deposits with central banks		673	761
7,191	7,669	Loans to and receivables from credit institutions		1,808	1,335
41,762	83,030	Loans to and receivables from customers	5,6	90,098	82,537
5,630	8,883	Certificates, bonds and fixed-income funds	10	8,883	9,776
349	582	Financial derivatives	8,10,11	582	810
321	494	Shares, units and other equity interests	10	495	747
1,681	3,336	Investments in associates and joint ventures		3,929	3,618
3,842	1,370	Investments in subsidiaries		0	0
0	0	Assets held for sale		0	5
304	365	Property, plant and equipment		578	587
102	100	Goodwill and other intangible assets		366	371
0	3	Deferred tax asset		0	0
338	645	Other assets	12	910	695
61,873	**107,149**	**Total assets**		**108,321**	**101,242**
		LIABILITIES			
1,666	2,288	Deposits from and liabilities to credit institutions		2,286	1,654
36,259	66,013	Deposits from and liabilities to customers	13	65,985	63,070
12,404	23,686	Liabilities arising from issuance of securities	10,14	23,686	21,937
233	307	Financial derivatives	8,10,11	307	349
148	314	Current tax liabilities		358	247
10	0	Deferred tax liabilities		122	118
222	431	Other debt and liabilities recognised in the balance sheet	15	541	556
502	1,706	Subordinated loan capital	10,14	1,706	1,203
51,443	**94,743**	**Total liabilites**		**94,990**	**89,135**
		EQUITY CAPITAL			
5,310	5,359	Equity capital certificates	18	5,359	5,310
520	547	Premium fund		547	520
974	1,599	Dividend equalisation fund		1,599	974
148	424	Dividend		424	148
3,313	3,432	Primary capital		3,432	3,313
0	172	Other paid-up equity		172	0
33	20	Provision for gifts		20	33
134	279	Fund for unrealised gains		281	134
0	204	Dividend customers return		204	0
0	400	Hybrid capital		400	400
0	-30	Interest cost for hybrid capital		-30	0
0	0	Other equity		861	1,229
0	0	Minority interests		62	47
10,430	**12,406**	**Total equity capital**		**13,331**	**12,107**
61,873	**107,149**	**Total equity capital and liabilities**		**108,321**	**101,242**

The board of SpareBank 1 Østlandet

Hamar, February 8th, 2018

Changes in equity capital

Parent bank	Paid-up equity			Earned equity capital							
(NOK million)	Equity certicates	Premium fund	Other paid-up equity	Primary capital [1]	Dividend equalisation funds [2]	Provision for gifts	Fund for unrealised gains	Other equity	Dividends	Hybrid-capital	Total equity capital
Equity capital as of 01.01.16	**3,987**	**0**	**0**	**3,019**	**503**	**50**	**135**	**0**	**0**	**0**	**7,695**
ECs issued and transferred to owners	1,323	520									**1,843**
Profit after tax				316	506		-7		148		**964**
Actuarial gains after tax on pensions				-17	-35						**-53**
Change revaluation reserve							5				**5**
Donations distributed from profit 2015				-6							**-6**
Grants from provision for gifts in 2016						-18					**-18**
Equity capital as of 31.12.16	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**0**	**148**	**0**	**10,430**
Equity capital as of 01.01.17	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**0**	**148**	**0**	**10,430**
ECs issued and transferred to owners	49	27									**76**
Equity inflated by merger with B1OA			172		353						**525**
Hybrid capital										400	**400**
Interest hybrid capital								-30			**-30**
Profit after tax				335	696		71		0		**1,102**
Actuarial gains after tax on pensions				-6							**-6**
Change revaluation reserve							75				**75**
Dividend paid									-148		**-148**
Donations distributed from profit 2016				-6							**-6**
Grants from provision for gifts in 2017						-13					**-13**
Equity capital as of 31.12.17	**5,359**	**547**	**172**	**3,636**	**2,023**	**20**	**279**	**-30**	**0**	**400**	**12,406**

Group	Paid-up equity			Earned equity capital								
(NOK million)	Equity certicates	Premium fund	Other paid-up equity	Primary capital [1]	Dividend equalisation funds [2]	Provision for gifts	Fund for unrealised gains	Other equity	Dividends	Hybrid-capital	Minority intersets	Total equity capital
Equity capital as of 01.01.16	**3,987**	**0**	**0**	**3,019**	**503**	**50**	**135**	**1,023**	**0**	**0**	**0**	**8,718**
OB Correction: Correction of previous years's errors in associated companies and joint ventures [1]								73				73
Adjusted equity capital at 01.01.16	**3,987**	**0**	**0**	**3,019**	**503**	**50**	**135**	**1,096**	**0**	**0**	**0**	**8,791**
ECs issued and transferred to owners	1,323	520										**1,843**
Profit after tax				316	506		-7	130	148		4	**1,100**
Actuarial gains after tax on pensions				-17	-35			13				**-39**
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								-7				**-7**
Change revaluation reserve							5					**5**
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								11				**11**
Interest cost for hybrid capital in subsidiary								-13				**-13**
Hybrid capital in subsidiary										400		**400**
Change in shareholding in Group companies											43	**43**
Donations distributed from profit 2015				-6								**-6**
Grants from provision for gifts in 2016						-18						**-18**
Equity capital as of 31.12.16	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**1,228**	**148**	**400**	**47**	**12,107**
Equity capital as of 01.01.17	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**1,228**	**148**	**400**	**47**	**12,107**
OB Correction: Correction of previous years's errors in associated companies and joint ventures [1]								-8				**-8**
Adjusted equity capital at 01.01.17	**5,310**	**520**	**0**	**3,313**	**974**	**33**	**134**	**1,220**	**148**	**400**	**47**	**12,099**
ECs issued and transferred to owners	49	27									13	**89**
Equity inflated by merger with B1OA			172		353			-525				**0**
Profit after tax				335	696		71	155			6	**1,263**
Actuarial gains after tax on pensions				-6								**-6**
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								3				**3**
Change revaluation reserve							77					**77**
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								11				**11**
Interest cost for hybrid capital								-17				**-17**
Change in Group companies [3]								-16				**-16**
Dividend paid									-148		-4	**-152**
Donations distributed from profit 2016				-6								**-6**
Grants from provision for gifts in 2017						-13						**-13**
Equity capital as of 31.12.17	**5,359**	**547**	**172**	**3,636**	**2,023**	**20**	**281**	**831**	**0**	**400**	**62**	**13,331**

1) Amounts transferred to primary capital include dividend payments.

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

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

4) Changes in Group companies are mainly due the facth that SpareBank 1 Gruppen over years has allocated to little to fund for self-sustaining schemes. The error was addressed directly to equity. SpareBank 1 Østlandet's share was -14 MNOK.

Cash Flow Statement

Parent bank			Group	
01.01.16-31.12.16	01.01.17-31.12.17	*(NOK million)*	01.01.17-31.12.17	01.01.16-31.12.16
-3,901	-5,965	Change in gross lending to customers	-7,486	-5,814
1,338	2,256	Interest receipts from lending to customers	2,916	2,210
2,750	2,825	Change in deposits from customers	2,915	3,701
-377	-503	Interest payments on deposits from customers	-577	-534
-502	-399	Change in receivables and debt from credit institutions	-101	801
149	101	Interest on receivables and debt to financial institutions	9	22
645	910	Change in certificates and bonds	1,517	769
169	246	Interest receipts from commercial papers and bonds	277	204
420	782	Net commission receipts	1,271	939
40	25	Capital gains from sale on trading	27	59
-499	-1,269	Payments for operations	-1,862	-1,155
-177	-189	Taxes paid	-245	-181
-509	-21	Other accruals	-89	-465
-453	**-1,200**	**Net change in liquidity from operations A)**	**-1,427**	**556**
-27	-49	Investments in tangible fixed assets	-65	-43
0	13	Receipts from sale of tangible fixed assets	13	0
-108	-401	Change in long-term investments in equities	-392	-256
435	276	Dividends from long-term investments in equities	182	282
299	**-161**	**Net cash flow from investments (B)**	**-263**	**-17**
3,329	4,700	Debt raised by issuance of secutities	5,113	3,889
-2,550	-2,603	Repayments of issued securities	-3,203	-3,845
0	63	Payments arising from issuance of equity capital certificates	63	0
-238	-523	Interest payments on securities issued	-592	-378
-14	-32	Interest payments on subordinated loans	-38	-25
-17	-13	Donations	-13	-17
510	**1,592**	**Net cash flow from financing (C)**	**1,331**	**-376**
-225	**0**	**Liquidity effect from acquisition of remaining shares in B1OA (D)**	**0**	**-225**
0	**458**	**Cash and cash equivalents taken over from B1OA (E)**	**0**	**843**
38	**0**	**Liquidity effect of acquisition and sale of other subsidiaries (F)**	**0**	**-13**
-95	**-247**	**Payments arising from placements in subsidiaries (G)**	**13**	**5**
73	**441**	**CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E+F+G)**	**-346**	**773**
309	382	Cash and cash equivalents at 1 January	1,082	309
382	**824**	**Cash and cash equivalents at the end of the period**	**736**	**1,082**
		Cash and cash equivalents at comprise:		
354	672	Cash and deposits with central banks	673	759
28	152	Deposits etc. at call with banks	63	323
382	**824**	**Cash and cash equivalents at the end of the period**	**736**	**1,082**

Notes to the accounts

Note 1 Accounting principles

1.1 Basis for preparation

The quarterly accounts for SpareBank 1 Østlandet cover the period 1 January - 31 December 2017. The quarterly accounts have been prepared in accordance with IAS 34 'Interim reporting'. These quarterly financial statements have been prepared in accordance with the current IFRS standards and IFRIC interpretations. The quarterly financial statements do not include all information required in full annual financial statements and should be read in conjunction with the financial statements for 2016. In this quarterly report, the Group has used the same accounting policies and methods of calculation as in the last financial statements.

The interim financial statements is unaudited.

New standards and interpretations that have not been implemented yet

A number of new standards, amendments to standards, and interpretations will be mandatory for future annual financial statements. Among those the group has chosen not to apply early, the most important standards are IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.

IFRS 9 'Financial instruments' will replace IAS 39 from 1 January 2018. SpareBank 1 Østlandet has collaborated with other SpareBank 1 banks on modelling work, as well as analyses relating to valuation, classification, etc. over the past few years. The Group has worked with clarification and an impact assessment related to the effects of implementation. Total loan loss impairments for the Group under IFRS 9 are estimated at NOK 389 million. This is NOK 22 million higher than individual and collective impairments as of 31 December 2017. The introduction of a new loan loss impairment model in itself has no significant effect on capital adequacy. Debt securities with floating interest rates reported at fair value through income are reclassified at amortised cost. This causes an unrealised loss of NOK 49 million to be reversed and added to equity. At the same time, an equivalent positive adjustment to core equity tier 1 capital is eliminated for an unrealised value change due to an increase in the value of the debt. Hence, the classification and measurement of issued debt have no significant effect on capital adequacy. The total effect on the core equity tier 1 ratio is estimated at around -0.03 percentage points. As well as the above factors, the overall impact calculation also includes implementation effects for Group companies recognized under the equity method of accounting, and a changed adjustment as a result of the requirements for prudent valuation adjustments (AVA).

The group has assessed the effects of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' and does not believe these will have significant consequences.

1.2 Important accounting estimates and discretionary assessments

In drawing up the consolidated financial statements, group management applies estimates and discretionary assessments and makes assumptions that determine the effect of applying accounting principles. These will therefore affect reported amounts for assets and liabilities, income and expenses. The annual financial statements for 2016 provide more details of critical estimates and assessments in relation to the use of accounting principles in note 3.

Note 2 Change in the composition of the Group

2017

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

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

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

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

2016

On 29 June 2016 Sparebanken Hedmark puchased the remaining 59.5 per cent of the shares in Bank 1 Oslo Akerhus AS (B1OA). As a consequence, Sparebanken Hedmark owns 100 per cent of the shares in B1OA. B1OA was until 29 June 2016 classified as an associated company. From 29 June 2016 B1OA is classified as a wholly owned subsidiary.

On 01 January 2016, 5 per cent of the shares in SpareBank 1 Finans Østlandet AS were sold to SpareBank 1 Ringerike Hadeland.

Note 3 Segment information

This segment information is linked to the way the Group is run and followed up internally in the entity through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas: Retail banking, corporate banking, property, financing, accounting and other activities.

Prerequisites:

- Property brokerage, leasing, financing and accounting are organised as independent companies.
- Tax is calculated by 25 per cent for the retail- and corporate banking.
- Net commission and other income in retail- and corporate banking contain their share of indirect income.
- Operating expenses in retail- and corporate banking contain their share of indirect costs
- The result of the elimination of companies appears with other activities in a separate column.

01.01.17-31.12.17	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Megler 1 Oslo Akershus Group	SpareBank 1 Regnskapshuset Østlandet	Other operations/ eliminations	Total
Income statement								
Net interest income	938	751	312	0	2	-2	-46	1,956
Net commissions and other income	767	216	-39	108	192	148	-130	1,263
Net income from financial assets and liabilities	0	0	0	0	0	0	277	277
Total operating costs	929	399	89	95	206	150	30	1,898
Profit before losses by segment	**777**	**569**	**184**	**14**	**-12**	**-3**	**71**	**1,598**
Losses on loans and guarantees	7	-54	26	0	0	0	0	-20
Profit/loss per segment before tax	**769**	**622**	**158**	**14**	**-12**	**-3**	**71**	**1,618**
Tax expense	192	156	39	3	0	-1	-34	356
Profit/loss per segment after tax	**577**	**467**	**118**	**10**	**-12**	**-3**	**105**	**1,263**
Balance sheet								
Gross lending to customers	56,208	27,046	7,131	0	0	0	75	90,460
Individual impairments to cover losses on loans	-31	-95	-16	0	0	0	0	-142
Collective impairments to cover losses on loans	-75	-124	-22	0	0	0	0	-221
Other assets	1,538	448	154	61	84	130	15,808	18,223
Total assets per segment	**57,641**	**27,275**	**7,247**	**61**	**84**	**130**	**15,883**	**108,321**
Deposits from and liablilities to customers	39,260	26,645	0	0	0	0	81	65,986
Other liabilities and equity	18,382	629	7,247	61	84	130	15,802	42,335
Total equity capital and liabilities per segment	**57,641**	**27,275**	**7,247**	**61**	**84**	**130**	**15,883**	**108,321**

01.01.16-31.12.16	Retail banking Sparebanken Hedmark	Corporate banking Sparebanken Hedmark	Bank 1 Oslo Akershus Group	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Other operations/ eliminations	Total
Income statement								
Net interest income	552	457	262	238	0	-1	-19	1,490
Net commissions and other income	340	87	280	-29	99	158	4	939
Net income from financial assets and liabilities	2	0	53	0	0	0	165	220
Total operating costs	509	202	383	68	79	155	-193	1,203
Profit before losses by segment	**385**	**343**	212	**142**	**19**	**2**	**343**	**1,446**
Losses on loans and guarantees	15	31	1	27	0	0	0	75
Profit/loss per segment before tax	**370**	**311**	211	**115**	**19**	**2**	**343**	**1,371**
Tax expense	93	78	50	29	5	0	16	271
Profit/loss per segment after tax	**278**	**234**	**160**	**86**	**14**	**2**	**327**	**1,100**
Balance sheet								
Gross lending to customers	24,053	17,169	34,659	6,327	0	0	737	82,945
Individual impairments to cover losses on loans	-28	-90	-13	-14	0	0	0	-145
Collective impairments to cover losses on loans	-36	-87	-120	-20	0	0	0	-262
Other assets	102	1	8,324	165	55	144	9,913	18,704
Total assets per segment	**24,091**	**16,994**	**42,850**	**6,458**	**55**	**144**	**10,650**	**101,242**
Deposits from and liablilities to customers	21,985	13,614	26,838	0	0	0	634	63,070
Other liabilities and equity	2,106	3,380	16,012	6,458	55	144	10,016	38,171
Total equity capital and liabilities per segment	**24,091**	**16,994**	**42,850**	**6,458**	**55**	**144**	**10,650**	**101,242**

Note 4 Capital Adequacy

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

- Pillar 1: Minimum regulatory capital requirements
- Pillar 2: Evaluation of the overall capital requirements and supervisory follow-up
- Pillar 3: Disclosure Requirements

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

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

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

The current requirement for common equity tier 1 (CET1) capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totaling 7.5 per cent, of which the Bank's countercyclical capital buffer requirement was 2 per cent at 31. December 2017. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.7 per cent as at 31.12.2017 which is set to increase to 1.8 per cent as of 31.03.2018. The total capital requirement for common equity tier 1 capital was thus 13.7 per cent at 30 September 2017. In addition to this, a further 2 per cent is to be covered by additional Tier 1 capital and 1.5 per cent to be covered by Tier 2 capital.

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

Parent bank			Group	
Basel III	Basel III		Basel III	Basel III
31.12.16	31.12.17		31.12.17	31.12.16
5,830	6,078	Paid-up equity	6,078	5,830
4,600	5,928	Earned equity capital	6,791	5,830
0	400	Hybrid capital	400	400
0	0	Minority interests	62	47
10,430	**12,406**	**Total equity carried**	**13,332**	**12,107**
		Common equity tier 1 capital		
-148	-629	Results for the accounting year not included	-629	-148
0	-400	Share of equity not included in core capital	-462	-447
0	0	Minority interests that can be included in core capital	42	36
43	93	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	93	43
0	0	Cash flow hedge reserve	8	0
-102	-103	Goodwill and other intangible assets	-380	-371
-117	-189	Positive value of expected losses under the IRB approach	-231	-205
0	0	CET 1 instruments of financial sector entities where the institution does have a significant investement	-154	-452
-10	-28	Value adjustments due to the requirements for prudent valuation (AVA)	-35	-33
10,095	**11,150**	**Common equity tier 1 capital**	**11,583**	**10,530**
		Additional Tier 1 capital		
0	400	Hybrid capital	616	619
0	**400**	**Tier 1 capital**	**616**	**619**
		Supplementary capital in excess of Tier 1 capital		
500	1,700	Subordinated loan capital	2,068	1,524
0	-130	T2 instruments of financial sector where the institution does have a significant investement	-130	-17
500	**1,570**	**Total supplementary capital**	**1,939**	**1,507**
10,595	**13,120**	**Total eligible capital**	**14,138**	**12,656**
3,624	5,154	Corporates - SME	5,154	4,546
6,791	9,776	Corporates - Specialised Lending	9,776	10,628
532	633	Corporates - Other	633	768
847	1,020	SME exposure	1,203	1,104
5,997	14,507	Retail mortgage exposure	21,840	18,393
1,392	1,701	Other retail exposure	1,723	1,834
19,183	**32,792**	**Risk-weighted assets credit risk IRB**	**40,330**	**37,273**
10,505	11,004	Exposures calculated using the standardised approach	15,438	14,495
0	0	Market risk	0	0
162	72	CVA	765	452
2,253	3,343	Operational risk	4,503	3,702
0	2,577	Basel I	7,884	6,279
32,104	**49,787**	**Risk-weighted assets**	**68,920**	**62,201**
2,568	**3,983**	**Capital requirements (8%)**	**5,514**	**4,976**
546	**846**	**Pillar 2 (1,7%)**	**1,172**	**1,057**
		Buffer requirements		
803	1,245	Capital conservation buffer (2.5%)	1,723	1,555
482	996	Countercyclical capital buffer (2 %, 1,5 % in previous period)	1,378	933
963	1,494	Systemic risk buffer (3%)	2,068	1,866
2,247	**3,734**	**Total buffer requirements for common equity (7.5 %)**	**5,169**	**4,354**
5,857	**4,329**	**Available common equity (12 %)**	**2,141**	**2,320**
		Capital ratios		
31.4 %	**22.4 %**	CET 1 capital ratio	**16.8 %**	**16.9 %**
31.4 %	**23.6 %**	CET 1 capital ratio (excluding Basel 1-floor)	**19.0 %**	**18.8 %**
31.4 %	**23.2 %**	Tier 1 Capital ratio	**17.7 %**	**17.9 %**
33.0 %	**26.4 %**	Capital adequacy ratio	**20.5 %**	**20.3 %**
15.7 %	**10.6 %**	Leverage Ratio	**7.1 %**	**7.4 %**

Note 5 Loans to and receivables from customers

Parent bank			Group	
31.12.16	**31.12.17**		**31.12.17**	**31.12.16**
24,653	55,782	Private customers	58,872	53,421
4	4	Public sector	295	193
4,102	3,850	Primary industries	4,179	4,428
202	926	Paper and pulp industries	946	218
542	795	Other industry	1,030	801
831	2,936	Building and constructions	3,923	1,684
214	250	Power and water supply	427	407
791	1,053	Wholesale and retail trade	1,316	1,332
188	489	Hotel and restaurants	505	476
8,283	12,767	Real estate	12,860	14,157
1,917	3,823	Commercial services	4,368	4,356
220	681	Transport and communication	1,730	1,287
56	0	Other	8	187
42,003	**83,355**	**Total gross loans by sector and industry**	**90,460**	**82,945**
-118	-126	Individual loan impairments to cover losses on loans	-142	-146
-122	-198	Collective loan impairments to cover losses on loans	-221	-262
41,762	**83,030**	**Total loans to customers**	**90,098**	**82,537**
17,517	37,451	Loans transferred to SpareBank 1 Boligkreditt AS	37,451	35,197
706	1,624	Loans transferred to SpareBank 1 Næringskreditt AS	1,624	1,308
59,985	**122,105**	**Total loans including loans transferred to covered bond companies**	**129,172**	**119,042**

Note 6 Losses on loans and guarantees

Parent bank 01.01.16-31.12.16	Parent bank 01.01.17-31.12.17		Group 01.01.17-31.12.17	Group 01.01.16-31.12.16
1	-9	Change in individual impairments in the period	-8	7
19	-44	Change in collective impairments in the period	-42	22
16	14	Realised losses on commitments for which earlier impairment provisions have been made	36	40
34	8	Realised losses on commitments for which no earlier impairment provisions have been made	12	38
24	8	-Recoveries on loans and guarantees previously impaired	19	33
47	**-39**	**Total losses on loans and guarantees in the period**	**-20**	**75**

31.12.16	31.12.17		31.12.17	31.12.16
134	128	Individual impairments to cover losses on loans and guarantees at 1 January	156	147
0	13	Individual impairments to cover losses on loans and guarantees transferred from B1OA at 1 April 2017 when SH and B1OA merged operations in the parent bank	0	0
0	0	Individual impairments to cover losses on loans and guarantees transferred from B1OA at 30 June 2016 when consolidating B1OA into the group	0	8
20	14	Realised losses in the period on loans and guarantees with previous individual impairments	35	40
19	25	Reversal of impairment provisions from previous years	33	28
6	4	Increase in impairments on commitments with previous individual impairments	11	9
28	23	Impairment provision on commitments for which no earlier individual impairment provision has been made	47	59
128	**130**	**Individual impairment provisions to cover losses on loans and guarantees at the end of period** [1)]	**146**	**156**

1) Guarantee provisions are included under Other liabilities in the balance sheet, see note 15.

31.12.16	31.12.17		31.12.17	31.12.16
103	122	Collective impairments to cover losses on loans and guarantees at 1 January	262	120
0	120	Collective impairments to cover losses on loans and guarantees transferred from B1OA at 1 April when SH and B1OA merged operations in the parent bank	0	0
0	0	Collective impairments to cover losses on loans and guarantees transferred from B1OA at 30 June 2016 when consolidating B1OA into the group	0	120
19	-44	Collective impairment provisions to cover losses on loans and guarantees in the period	-42	22
122	**198**	**Collective impairments to cover losses on loans and guarantees**	**221**	**262**

31.12.16	31.12.17		31.12.17	31.12.16
137	242	Gross defaulted commitments for more than 90 days [2)]	287	233
40	31	Individual impairments on defaulted commitments	42	54
97	**211**	**Net defaulted commitments**	**244**	**179**
29 %	13 %	**Loan loss impairment ratio on defaulted commitments**	15 %	23 %
230	242	Gross doubtful commitments (not in default)	254	272
88	99	Individual impairments on doubtful commitments	104	101
142	**142**	**Net doubtful commitments**	**151**	**171**
38 %	41 %	**Loan loss impairment ratio on doubtful commitments**	41 %	37 %
35 %	27 %	**Total loan loss impairment ratio on defaulted and doubtful commitments**	27 %	31 %

2) Commitments is the total of the customers gross lending, guarantees and unused credit facilities.

Note 7 Net income from financial assets and liabilities

Parent bank			Group	
01.01.16-31.12.16	**01.01.17-31.12.17**		**01.01.17-31.12.17**	**01.01.16-31.12.16**
45	11	Dividends from equity instruments available for sale	11	46
45	**11**	**Dividends from other than group companies**	**11**	**46**
389	265	Dividends (Parent bank) / net profit from group companies (Group)	194	236
0	1	Gains or losses on realisation of group companies (Parent bank)		
-20	10	Impairment on assets in group companies (Parent bank)		
369	**275**	**Net profit from ownership interests**	**194**	**236**
21	16	Net change in value on bonds and certificates	33	35
15	13	Net change in value of derivatives that hedge bonds and certificates	12	21
36	*29*	*Net change in value on bonds and certificates including hedge derivatives*	*45*	*55*
-65	19	Net change in value of securities issued	28	100
-87	-73	Net change in value in derivatives that hedge securities issued	-86	-246
-151	*-53*	*Net change in value of securities issued including hedge derivatives*	*-58*	-146
-41	5	Net change fixed-rate loans and deposits to customers at fair value through profit and loss	12	-78
6	2	Net change in value of other derivatives	0	54
1	10	Gains or losses on realisation of assets at fair value through profit or loss	10	1
13	15	Gains or losses on realisation of assets available for sale	17	29
0	0	Impairment on assets available for sale	0	0
16	40	Net income from currency trading	46	24
-122	**48**	**Net profit from other financial assets and liabilities**	**72**	**-62**
293	**334**	**Net income from financial assets and liabilities**	**277**	**220**

Note 8 Financial derivatives

	Parent bank		
	31.12.17		
	Contract amount	Fair value	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	1,263	12	14
Currency swaps	1,576	4	29
Total currency instruments	**2,838**	**16**	**42**
Interest rate instruments			
Interest rate swaps (including cross-currency)	23,631	566	264
Other interest rate contracts	0	0	0
Total interest rate instruments	**23,631**	**566**	**264**
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	0	0	0
Total currency instruments	**2,838**	**16**	**42**
Total interest rate instruments	**23,631**	**566**	**264**
Total other financial derivatives	**0**	**0**	**0**
Total financial derivates in NOK million	**26,469**	**582**	**307**

	31.12.16		
	Contract amount	Fair value	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	558	6	8
Currency swaps	1,686	7	3
Total currency instruments	**2,244**	**13**	**11**
Interest rate instruments			
Interest rate swaps (including cross-currency)	10,970	334	222
Other interest rate contracts	0	0	0
Total interest rate instruments	**10,970**	**334**	**222**
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	2	0
Total currency instruments	**2,244**	**13**	**11**
Total interest rate instruments	**10,970**	**334**	**222**
Total other financial instruments	**20**	**2**	**0**
Total financial derivates in NOK million	**13,234**	**349**	**233**

	Group		
	31.12.17		
	Contract amount	Fair value	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	1,263	12	14
Currency swaps	1,576	4	29
Total currency instruments	**2,838**	**16**	**42**
Interest rate instruments			
Interest rate swaps (including cross-currency)	23,631	566	264
Other interest rate contracts	0	0	0
Total interest rate instruments	**23,631**	**566**	**264**
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	0	0	0
Total currency instruments	**2,838**	**16**	**42**
Total interest rate instruments	**23,631**	**566**	**264**
Total other financial instruments	**0**	**0**	**0**
Total financial derivates in NOK million	**26,469**	**582**	**307**

	31.12.16		
	Contract amount	Fair value	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	805	7	10
Currency swaps	2,076	19	7
Total currency instruments	**2,881**	**26**	**18**
Interest rate instruments			
Interest rate swaps (including cross-currency)	21,853	783	331
Other interest rate contracts	50	0	0
Total interest rate instruments	**21,903**	**783**	**331**
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	2	0
Total currency instruments	**2,881**	**26**	**18**
Total interest rate instruments	**21,903**	**783**	**331**
Total other financial instruments	**20**	**2**	**0**
Total financial derivates in NOK million	**24,804**	**810**	**349**

Note 9 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its payment obligations and finance its assets, without an increase in funding cost. The banks's framwork for managing liquidity risk shall reflect the bank's conservative risk profile. The board has approved internal limits to achieve as balanced maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturities for bank-specific crises, system crises and a combination of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of the banks borrowing was 3.6 years at the end of the fourth quarter of the year 2017.

Note 10 Determination of fair value of financial instruments

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

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

Group

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

31.12.2016	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	808	2	810
- Bonds and certificates	0	9,776	0	9,776
- Fixed-rate loans to customers	0	0	5,913	5,913
- Equity instruments	356	0	0	356
Financial assets available for sale				0
- Equity instruments	188	0	204	392
- Other financial assets	0	0	32	32
Total assets	**544**	**10,585**	**6,151**	**17,280**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	349	0	349
- Securities issued	0	12,492	0	12,492
- Subordinated loan capital	0	502	0	502
- Fixed-rate deposits from customers	0	646	0	646
- Term deposit	0	0	107	107
Total liabilities	**0**	**13,988**	**107**	**14,096**

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

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

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

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

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

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

31.12.16-31.12.17	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	5,913	204	2	-107	32	6,044
Investments in the period	629	26	0	-10	4	650
Sales/redemption in the period	-1,301	0	-5	108	0	-1,198
Gains/losses recognised through profit and loss	13	-10	2	0	0	5
Gains/losses recognised directly against comprehensive income	0	17	0	0	4	21
Closing balance	5,254	237	0	-9	40	5,522
Gains/losses for the period included in the profit for assets owned on the balance sheet day	13	0	0	0	0	12

31.12.15-31.12.16	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	5,447	199	-3	-61	71	5,653
Investments in the period	1,237	1	0	-47	0	1,191
Sales/redemption in the period	-692	-4	3	1	0	-692
Gains/losses recognised through profit and loss	-79	-1	3	0	0	-77
Gains/losses recognised directly against comprehensive income	0	8	0	0	-39	-31
Closing balance	5,913	204	2	-107	32	6,044
Gains/losses for the period included in the profit for assets owned on the balance sheet day	-79	0	3	0	0	-77

Gains or losses through profit and loss from instruments classified as level 3 is entirety included in "Net profit from financial assets and liabilities".

Specification of fair value, instruments classified in level 3:

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

31.12.2016	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	5,861	153	0	-107	0	5,907
Fair value adjustment	52	51	2	0	32	137
Closing balance	5,913	204	2	-107	32	6,044

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 11.

Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 55), Eksportfinans ASA (MNOK 77) and SpareBank 1 Markets AS (NOK 40 million). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass belonging to Oslo Kongressenter Folkets Hus BA (P/B 4.6). Based on an external valuation in connection with a demerger in 2012 and subsequent results, the value of Eksportfinans ASA is considered to be smaller than book value (P/B 0.86). The value of the shareholding in SpareBank 1 Markets are based on valuation of the company in the accounts of majority sharehoulders as well as current issue price.

Derivatives in Level 3 was entirely a 1.3 percentage share of a portfolio hedge agreement with Eksportfinans ASA. The agreement was terminated as of 31.12.2017.

The valuation of term deposits is based on an agreed rate with the customer. The contributions are discounted by the current yield curve plus a discretionary market premium reducing the discount rate would have resulted in an insignificant change in fair value.

Other financial assets are mainly a remaining settlement for Visa Norway's sale of Visa Europe Ltd to Visa Inc. This consists of an agreed cash consideration settled in 2019 as well as preference shares in Visa Inc that will be converted into tradable shares no later than 2028. The valuation of this assets is based on the closing exchange rates (EUR and USD), the share price of tradable Visa Inc stocks, purchase agreement conversion factor for the preference shares and the adopted settlement share of Visa Norway FLI to the member banks. The value of this record will change with the aforementioned assumptions.

Note 11 Financial instruments and offsetting

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

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

SpareBank 1 Østlandet has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. 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 regards to financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with ten institutional counterparties. Reverse repurchase agreements are governed by GMRA agreements with counterparty. The Bank has two GMRA agreements.

The assets and liabilities below may be offset.

Parent bank

				Amounts not presented on the balance sheet on an net basis		
31.12.17	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	582	0	582	-212	-218	**152**
Derivatives as liabilities	-307	0	-307	212	73	**-22**

31.12.16	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	349	0	349	-50	0	**299**
Derivatives as liabilities	-233	0	-233	50	136	**-47**

Group

				Amounts not presented on the balance sheet on an net basis		
31.12.17	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	582	0	582	-212	-218	**152**
Derivatives as liabilities	-307	0	-307	212	73	**-22**

31.12.16	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	810	0	810	-126	-201	**483**
Derivatives as liabilities	-349	0	-349	126	168	**-54**

Note 12 Other assets

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
103	273	Capital payments into pension fund	273	103
17	54	Accrued income, not yet received	55	31
26	66	Prepaid costs, not yet incurred	135	138
0	2	Unsettled trades	2	0
193	249	Other assets	445	424
338	**645**	**Total other assets**	**910**	**695**

Note 13 Deposits from and liabilities to customers

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
21,998	38,682	Private customers	38,682	38,443
4,256	4,329	Public sector	4,329	4,699
941	874	Primary industries	874	950
103	266	Paper and pulp industries	266	107
670	826	Other industry	826	782
884	1,602	Building and construction	1,602	1,092
259	139	Power and water supply	139	262
782	1,388	Wholesale and retail trade	1,388	1,417
120	267	Hotel and restaurants	267	247
1,920	3,549	Real estate	3,549	3,794
4,006	12,993	Commercial services	12,965	10,071
305	1,013	Transport and communications	1,013	422
14	84	Other operations	84	784
36,259	**66,013**	**Total deposits by sector and industry**	**65,985**	**63,070**

Note 14 Securities-related debt

Parent bank

Change in liabilities from issuance of securities	31.12.17	Issued	Due/redeemed	Other Changes	31.12.16
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	23,109	5,764	-2,603	7,854	12,093
Subordinated loan capital, nominal value	1,700	500	0	700	500
Accrued interest	207	0	0	84	123
Adjustments	375	0	0	186	189
Total debt raised through issuance of securities and subordinated loan capital, book value	**25,391**	**6,264**	**-2,603**	**8,824**	**12,906**

Change in liabilities from issuance of securities	31.12.16	Issued	Due/redeemed	Other Changes	31.12.15
Certificate debt, nominal value	0	0	-500	0	500
Bond debt, nominal value	12,093	2,904	-2,050	425	10,814
Subordinated loan capital, nominal value	500	0	0	0	500
Accrued interest	123	0	0	-12	136
Adjustments	189	0	0	66	123
Total debt raised through issuance of securities and subordinated loan capital, book value	**12,906**	**2,904**	**-2,550**	**478**	**12,073**

Group

Change in liabilities from issuance of securities	31.12.17	Issued	Due/redeemed	Other Changes	31.12.16
Certificate debt, nominal value	0	0	0	0	0
Bond debt, nominal value	23,109	5,764	-3,203	-651	21,199
Subordinated loan capital, nominal value	1,700	500	0	0	1,200
Accrued interest	207	0	0	-14	221
Adjustments	375	0	0	-145	520
Total debt raised through issuance of securities and subordinated loan capital, book value	**25,391**	**6,264**	**-3,203**	**-810**	**23,140**

Change in liabilities from issuance of securities (B1OA included in opening balance)	31.12.16	Issued	Due/redeemed	Other Changes	31.12.15
Certificate debt, nominal value	0	0	-500	0	500
Bond debt, nominal value	21,199	3,877	-3,345	12	20,654
Subordinated loan capital, nominal value	1,200	0	0	0	1,200
Accrued interest	221	0	0	-8	230
Adjustments	520	0	0	-66	586
Total debt raised through issuance of securities and subordinated loan capital, book value	**23,140**	**3,877**	**-3,845**	**-63**	**23,170**

Note 15 Other debt and liabilities

Parent bank			Group	
31.12.16	**31.12.17**		**31.12.17**	**31.12.16**
52	120	Accrued expenses and prepaid revenue	135	150
10	4	Garantee provisions	4	10
40	84	Pension liabilities	87	119
30	81	Accounts payable	88	38
0	0	Unsettled trades	0	0
89	142	Other liabilities	227	239
222	**431**	**Total other debt and liabilities recognised in the balance sheet**	**541**	**556**

Note 16 Adjusted profit and loss group

Sparebanken Hedmark's acquisition of the remaining shares in Bank 1 Oslo Akershus AS completed with accounting effect from 29 June 2016. The results from Bank 1 Oslo Akershus AS were in the first half of 2016 consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of 2016 and until the mergers in April, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of SpareBank 1 Østlandet. From April, Bank 1 Oslo Akershus AS was included as part of the parent bank.

The consolidation of the accounts of Bank 1 Oslo Akershus AS means that SpareBank 1 Østlandet's consolidated financial statements for the third quarter of the year of 2017 are not directly comparable with the figures for the year before. In order to present comparable figures for last year an adjusted consolidated income statement for the third quarter of the year of 2016 has been prepared, which shows the consolidated profit as it would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016. This adjusted income statement is an alternative performance measure (APM) which has been prepared in order to provide a more relevant basis for comparisons with last year.

The adjusted income statement was prepared by eliminating the profit share from the Bank 1 Oslo Akershus AS group in the "Net result from financial assets and liabilities" item. The profit share for the first half year of 2016 eliminated was NOK 70.5 million. The remaining profit and loss items for the adjusted as at 31.12.2016 were calculated by adding the reported second half of 2016 for Sparebanken Hedmark to the reported for the first half of 2016 for the Bank 1 Oslo Akershus AS group.

GROUP	**Reported**	**Reported**	**Adjusted**
(NOK million)	**31.12.17**	**31.12.16**	**31.12.16**
Interest income	3,238	2,494	3,066
Interest expenses	1,282	1,004	1,328
Net interest income	**1,956**	**1,490**	**1,739**
Commission income	1,197	830	1,129
Commission expenses	102	71	89
Other operating income	168	180	189
Net commission and other income	**1,263**	**939**	**1,229**
Dividends from other than group companies	11	46	77
Net profit from ownership interests	194	236	199
Net profit from other financial assets and liabilities	72	-62	-69
Net income from financial assets and liabilities	**277**	**220**	**207**
Total net income	**3,496**	**2,649**	**3,175**
Personnel expenses	1,010	573	765
Depreciation	84	65	65
Other operating expenses	804	565	743
Total operating costs	**1,898**	**1,203**	**1,573**
Operating profit before losses on loans and guarantees	**1,598**	**1,446**	**1,602**
Losses on loans and guarantees	-20	75	86
Profit/loss before tax	**1,618**	**1,371**	**1,516**
Tax expense	356	271	312
Profit after tax	**1,263**	**1,100**	**1,204**
Majority interests	1,257	1,095	1,200
Minority interests	6	4	4

Statement of comprehensive income

Results for the accounting period	**1,263**	**1,100**	**1,204**
Actuarial gains / losses on pensions	-7	-52	-52
Tax effect of actuarial gains / losses on pensions	2	12	12
Share of other comprehensive income from associates and joint ventures	3	-7	-7
Total items that will not be reclassified through profit or loss	**-3**	**-47**	**-46**
Change in value of financial assets available for sale	77	4	4
Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value	-1	0	0
Financial assets available for sale transferred to profit and loss on realisation	11	0	0
Share of other comprehensive income from associates and joint ventures	2	7	7
Total items that will be reclassified through profit or loss	**90**	**11**	**11**
Total profit and loss items recognised in equity	**87**	**-36**	**-35**
Total profit/loss for the accounting year	**1,350**	**1,064**	**1,169**
Majority interest	1,344	1,059	1,164
Minority interest	6	4	4

Note 17 Events occurring after the balance sheet date

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

Note 18 Equity capital certificates

Parent bank	31.12.2017 [1)]	31.12.16
Equity capital certificates	5,359	5,310
Dividend equalisation fund	1,599	974
Dividends	424	148
Premium fund	547	520
A. Equity capital certificate owners' capital	**7,929**	**6,952**
Primary capital	3,432	3,313
Dividends to customers	204	0
Other paid-up equity	172	0
B. Total primary capital	**3,808**	**3,313**
Fund for unrealised gains	279	134
Provision for gifts	20	33
Total other equity	**299**	**166**
Other equity		
Hybrid capital	400	0
Total interest expence on hybrid capital	-30	0
Total equity	**12,406**	**10,430**
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	**67.6 %**	**67.3 %**
Equity certificates issued	**107,179,987**	**106,202,540**

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	58,654,893	54.73 %
Landsorganisasjonen LO sentralt	10,322,584	9.63 %
Tredje AP-Fonden C/O Handelsbanken AS	2,859,000	2.67 %
Fellesforbundet	1,950,901	1.82 %
Danske Invest Norske C/O Danske Capital	1,837,633	1.71 %
ODIN Norge	1,421,218	1.33 %
Norsk Nærings og Nytelsesmiddelarbeiderforbund	1,219,526	1.14 %
SEB Nordenfond Skandinaviska Enskilda	1,092,822	1.02 %
Fidelity PUR.TRUST:F Intrinsic Opportunit	1,000,000	0.93 %
Danske Invest Norske	977,300	0.91 %
SpareBank 1 BV v/Finansavdelingen	839,930	0.78 %
Sparebank 1 Østfold	839,930	0.78 %
VPF EIKA Egenkapital C/O EIKA Kapitalforvaltning	809,877	0.76 %
State Street Bank an A/C Client Omnibus	707,259	0.66 %
Landkreditt Utbytte	679,000	0.63 %
State Street Bank an S/A SSB Client Omnibus	698,383	0.65 %
State Street Bank an A/C Client Omnibus	700,000	0.65 %
Skandinaviska Enskil SEB S.A. Client Asse	619,913	0.58 %
Eika Spare c/o Eika kapitalforvaltning	625,584	0.58 %
Arctic funds PLC	481,668	0.45 %

Dividend policy

SpareBank 1 Østlandet believes it is important to provide its owners with a competitive, stable cash dividend based on good profitability and a high dividend capacity. The Bank's goal is to pay out 50 per cent of each year's profit after tax as dividends to equity certificate holders and customer dividends from the primary capital. The Bank's long-term profitability target is a return on equity of 10 per cent. The return on equity target is thus a slightly lower than those of comparable banks, which reflects SpareBank 1 Østlandet's goal of maintaining its well-established position as Norway's strongest regional savings bank. The Bank's ambitions concerning its financial strength are reflected by its long-term common equity tier 1 ratio target of 16 per cent. Adjusted for differences in levels of capital adequacy, SpareBank 1 Østlandet has historically been just as profitable as comparable banks.

In addition to being the strongest regional savings bank, SpareBank 1 Østlandet's proportion of loans in the retail market is high and the Interior Region is its original home market, which is less sensitive to cyclical changes than the rest of Norway. The combination of good financial strength and a robust lending portfolio means the Bank has the capacity to adhere to its dividend target, including in economic downturns.

Each year, based on the Board's recommendation, the supervisory board approves the proportion of the profit after tax that will be allocated to equity certificate holders and primary capital as dividends, based on their respective shares of the equity. The share allocated to primary capital is normally paid out to customers via customer dividends. The customer dividends arrangement prevents the dilution of the equity certificate holders' ownership interest in the Bank. The equity certificate holders' share of the profit is divided between dividends and the dividend equalisation fund. In determining the dividend, the supervisory board takes into account the expected financial performance in a normalised market situation and any regulatory changes.

Profit/loss from the Quarterly Accounts

(NOK million, excluding percentayes)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Interest income	820	809	823	787	786	765	472	472	481
Interest expense	318	310	331	322	333	323	172	176	192
Net interest income	**501**	**498**	**491**	**464**	**452**	**442**	**300**	**297**	**289**
Commission income	312	311	297	277	275	295	137	123	129
Commission expenses	27	27	26	22	23	23	13	13	14
Other operating income	29	42	45	53	43	37	51	50	44
Net commission and other income	**315**	**325**	**316**	**308**	**295**	**310**	**175**	**160**	**159**
Dividends from other than group companies	0	0	2	9	0	1	45	0	0
Net profit from ownership interests	77	82	30	6	49	21	96	70	70
Net profit from other financial assets and liabilities	67	19	2	-14	17	30	-47	-63	33
Net income from financial assets and liabilities	**143**	**100**	**34**	**0**	**66**	**53**	**94**	**7**	**103**
Total net income	**959**	**923**	**841**	**773**	**813**	**805**	**569**	**464**	**551**
Personnel expenses	308	233	237	232	253	27	145	148	155
Depreciation	22	21	21	21	22	19	12	11	13
Other operating costs	220	179	221	184	201	168	102	94	126
Total operating costs	**550**	**433**	**478**	**437**	**477**	**214**	**259**	**253**	**294**
Operating profit before losses on loans and guarantees	**409**	**491**	**363**	**335**	**337**	**590**	**310**	**211**	**260**
Losses on loans and guarantees	-13	14	5	-26	43	3	20	9	18
Profit/loss before tax	**422**	**476**	**358**	**361**	**294**	**587**	**289**	**202**	**242**
Tax expense	85	99	84	88	14	163	62	33	48
Profit after tax	**337**	**377**	**274**	**274**	**281**	**424**	**227**	**169**	**194**

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Profitability									
Return on equity capital 1)	10.4 %	12.0 %	9.0 %	9.2 %	9.4 %	15.0 %	9.0 %	7.7 %	8.9 %
Net interest income 2)	1.85 %	1.85 %	1.88 %	1.85 %	1.79 %	1.75 %	1.53 %	2.09 %	2.08 %
Cost-income-ratio 3)	57.4 %	46.9 %	56.8 %	56.6 %	58.6 %	26.6 %	45.6 %	54.5 %	52.9 %
From the balance sheet									
Gross loans to customers	90,460	88,945	87,528	84,901	82,945	81,336	79,286	44,308	43,779
Gross loans to customers including loans transferred to covered bond companies 1)	129,535	126,919	124,393	121,701	119,450	117,625	115,224	62,156	61,140
Growth in loans during the last 12 months 1)	9.1 %	9.4 %	10.4 %	91.6 %	89.5 %	90.1 %	88.4 %	9.4 %	9.6 %
Growth in loans including loans transferred to covered bond companies in the last 12 months 1)	8.4 %	7.9 %	8.0 %	95.8 %	95.4 %	99.9 %	98.7 %	9.8 %	9.3 %
Deposits from customers	65,985	65,268	66,653	62,782	63,070	62,107	62,637	33,675	33,458
Deposit-to-loan-ratio 1)	72.9 %	73.4 %	76.2 %	73.9 %	76.0 %	76.4 %	79.0 %	76.0 %	76.4 %
Growth in deposits in the last 12 months	4.6 %	5.1 %	6.4 %	86.4 %	88.5 %	87.9 %	88.6 %	8.4 %	7.7 %
Average total assets	107,316	106,982	104,757	101,749	100,679	100,301	79,019	56,577	55,236
Total assets	108,321	106,312	107,652	101,861	101,640	99,720	100,883	57,185	55,970
Total assets including loans transferred to covered bond companies 1)	147,396	144,286	144,517	138,661	138,145	136,009	136,821	75,033	73,331
Losses and commitments in default									
Losses on loans as a percentage of gross loans 1)	-0.1 %	0.1 %	0.0 %	-0.1 %	0.2 %	0.0 %	0.1 %	0.1 %	0.2 %
Commitments in default, percentage of gross loans 1)	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.4 %	0.3 %	0.6 %	0.5 %
Other doubtful commitments, percentage of gross loans 1)	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.5 %	0.6 %
Net commitments in default and other doutful commitments, percentage of gross loans 1)	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.5 %	0.4 %	0.7 %	0.8 %
Financial strength									
Common equity Tier 1 capital ratio	16.8 %	16.9 %	16.7 %	16.7 %	16.9 %	17.5 %	16.0 %	16.9 %	17.2 %
Tier 1 capital ratio	17.7 %	17.8 %	17.6 %	17.6 %	17.9 %	18.3 %	16.7 %	17.3 %	17.5 %
Capital ratio	20.5 %	19.9 %	19.9 %	19.3 %	20.3 %	20.2 %	18.6 %	18.8 %	19.1 %
Net subordinated capital	14,138	13,423	13,440	12,649	12,656	9,608	9,305	7,229	7,178

1) See attachment Alternative performance measures.
2) Net interest income as a percentage of average total assets for the period.
3) Total operating costs as a percentage of total operating income (isolated for the quarter).

Alternative performance measures

SpareBank 1 Østlandet's alternative performance measures (APMs) presents useful information that supplements the financial statements. These measures are either adjusted financial measures or measures not defined under IFRS or other legislation and may not be directly comparable with APMs presented by other companies. The APMs are not intended to be a substitute for, or superior to, any IFRS Measures of performance, but are included to provide insight into Sparebank 1 Østlandet's performance, as the APMs represent important measures for how management governs the company and its business activities.

Non-financial data and kay financial ratios regulated by IFRS or other legislation are not considered as APMs. SpareBank 1 Østlandet's APMs are presented in the main figures and in the report of the board of directors, and in investor presentations and prospects. APMs are shown with comparable figures for earlier corresponding periods.

Lending and deposits margins for the Parent Bank are calculated using daily average of gross loans to customers and deposits from customers respectively. For all other key figures and APMs that are calculated using average balance sheet figures, average balance sheet figures are calculated as the average of the starting balance of the period and the ending balance of each of the quarters in the period.

Alternative performance measures	Definition
Return on equity capital	$\frac{(\text{Profit after tax} - \text{Interest expenses after tax on hybrid capital}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Average equity} - \text{Average hybrid capital}}$
Underlying banking operations	$Operating\ profit\ before\ losses\ on\ loans\ and\ guarantees - Net\ income\ from\ financial\ assets\ and\ liabilities - Notable\ items$
Cost-income-ratio	$\frac{\text{Total operating costs}}{\text{Total net income}}$
Lending margin	$Weighted\ average\ interest\ rate\ on\ lending\ to\ customers\ and\ loans\ transferred\ to\ covered\ bond\ companies - Average\ NIBOR\ 3\ MND$
Deposit margin	$Average\ NIBOR\ 3\ MND - Weighted\ average\ interest\ rate\ on\ deposits\ from\ customers$
Net interest income inclusive of commissions from covered bond companies	$Net\ interest\ income + Commissions\ from\ loans\ and\ credit\ transferred\ to\ covered\ bond\ companies$
Adjusted total assets	$Total\ assets + Loans\ transferred\ to\ covered\ bond\ companies$
Gross loans to customers including loans transferred to covered bond companies	$Loans\ to\ and\ receivables\ from\ customers + Loans\ transferred\ to\ covered\ bond\ companies$
Deposit to loan ratio	$\frac{Deposit\ from\ and\ liabilities\ to\ customers}{\text{Gross loans to customers}}$
Growth in loans during the last 12 months	$\frac{\text{Gross loans to customers}}{\text{Gross loans to customers 12 months ago}} - 1$

Growth in loans including loans transferred to covered bond companies CB) in the last 12 months	$\frac{\text{Gross loans to customers + Loans transferred to CB}}{\text{Gross loans to customers 12 months ago + Loans transferred to CB 12 months ago}} - 1$
Growth in deposits in the last 12 months	$\frac{\text{Deposits from and liabilities to customers}}{\textit{Deposits from and liabilities to customers 12 months ago}} - 1$
Losses on loans as a percentage of gross loans	$\frac{\text{(Losses on loans and guarantees)} \times (\frac{\text{Act}}{\text{Act}})}{\text{Gross loans to customers}}$
Commitments in default as percentage of gross loans	$\frac{\text{Gross defaulted commitments for more than 90 days}}{\text{Gross loans to customers}}$
Other doubtful commitments as percentage of gross loans	$\frac{\text{Gross doubtful commitments not in default}}{\text{Gross loans to customers}}$
Net commitments in default and other doubtful commitments in percentage of gross loans	$\frac{\text{Net defaulted commitments + Net doubtful commitments}}{\text{Gross loans to customers}}$
Loan loss impairment ratio for defaulted commitments	$\frac{\textit{Individual write downs on defaulted commitments}}{\text{Gross defaulted commitments for more than 90 days}}$
Loan loss impairment ratio for doubtful commitments	$\frac{\textit{Individual write downs on doubtful commitments}}{\text{Gross doubtful commitments not in default}}$
Equity ratio	$\frac{\textit{Total equity capital}}{\text{Total assets}}$
Book equity per EC	$\frac{(Tot.EC - Min.int. - Gifts - Hybrid\ cap. + Tot.interest\ expense\ on\ hybrid\ cap.) \times \text{EC certi. ratio}}{\text{Number of Equity certificates issued}}$
Price/Earnings per EC	$\frac{\textit{Listed price of EC}}{\text{Earnings per EC} \times (\frac{\text{Act}}{\text{Act}})}$
Price/book equity	$\frac{\textit{Listed price of EC}}{\text{Book equity per EC}}$
Average LTV (Loan to value)	$\frac{\text{Average amount on loans to customers}}{\text{Average market value of asset encumbrance}}$
Loans transferred to covered bond (CB) companies	Loans transferred to SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS and thus derecognised from the balance sheet
Act/Act	$\frac{\textit{Total number of days in the year (365 or 366)}}{\text{Number of days so far this year}}$
Notable items	Identified costs considered to be non recurring

Financial Calendar 2018

Preliminary Annual Accounts 2017	Friday 9 February
Supervisory Board Meeting	Thursday 22 March
Ex. Dividend	Friday 23 March
Dividend payment date	Friday 6 April
Q1 2018	Friday 27 April
Q2 2018	Tuesday 7 August
Q3 2018	Friday 26 October

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

We reserve the right to change any dates of publication.

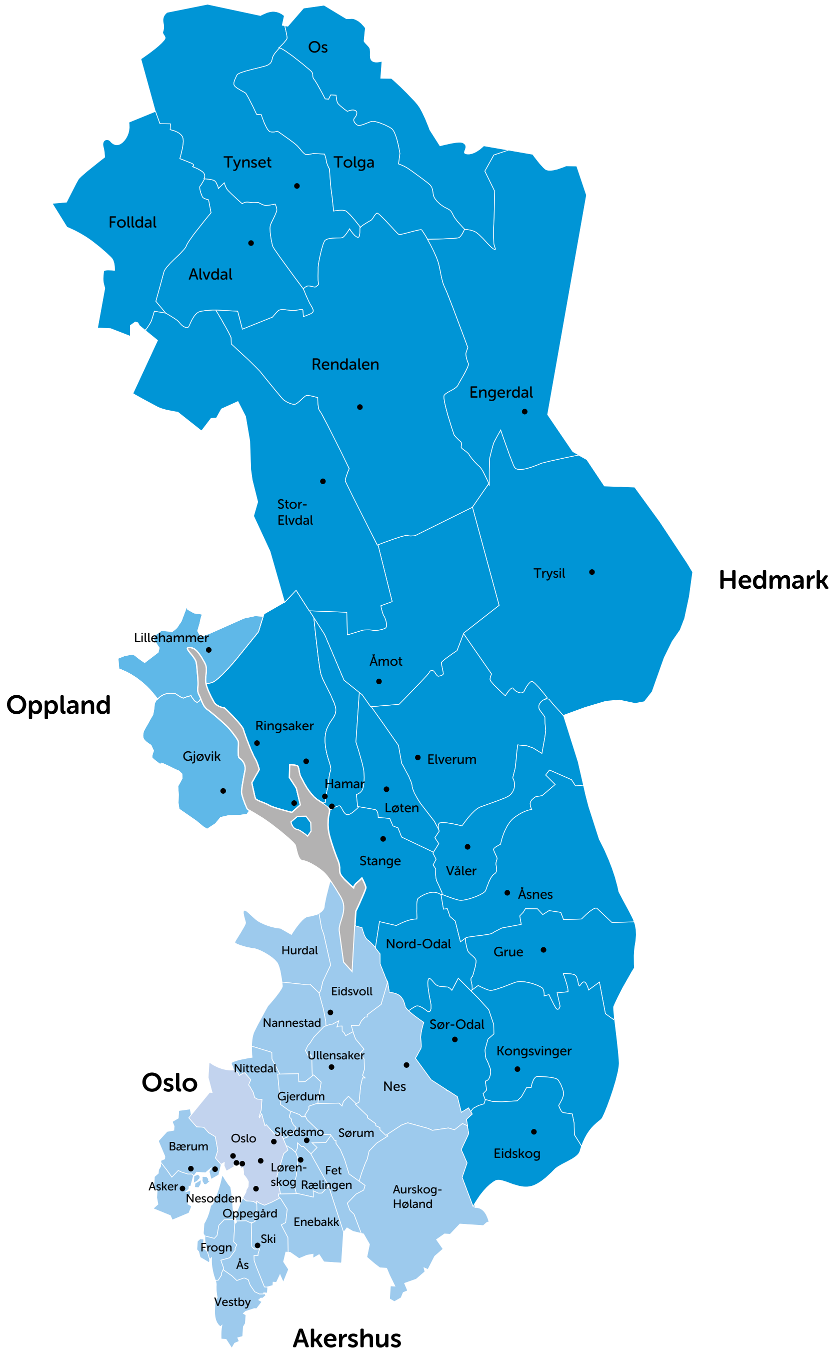
The silent period occurs from the fifth banking day of the new quarter and until the interim report has been published. During this period, Investor Relations does not arrange any meetings with media, investors, analysts or other capital market players.

Contact details

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

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

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



Corporate Management

Strandgata 15, Box 203, N-2302 Hamar

Organisation: NO 920 426 530

Phone

915 02999

Internet banking

sb1ostlandet.no

SpareBank 1 ØSTLANDET