

Fourth quarter report 2019

SPAREBANK 1 ØSTLANDET



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Key figures

Group	01.01-31.12 2019		01.01-31.12 2018	
	Amount	Per cent ¹⁾	Amount	Per cent ¹⁾
Summary (NOK million and per cent of average assets)				
Net interest income	2,166	1.66 %	2,074	1.77 %
Net commission and other operating income	1,388	1.06 %	1,286	1.10 %
Net income from financial assets and liabilities	735	0.56 %	291	0.25 %
Total income	4,289	3.29 %	3,651	3.11 %
Total operating expenses	1,930	1.48 %	1,881	1.60 %
Operating profit before losses on loans and guarantees	2,359	1.81 %	1,770	1.51 %
Impairment on loans and guarantees	32	0.02 %	35	0.03 %
Pre-tax operating profit	2,326	1.78 %	1,735	1.48 %
Tax expense	398	0.31 %	321	0.27 %
Profit after tax	1,928	1.48 %	1,414	1.20 %
Interest expenses on hybrid capital	15	0.01 %	17	0.01 %
Profit after tax incl. interest hybrid capital ²⁾	1,913	1.47 %	1,396	1.19 %
Profitability				
Return on equity capital ²⁾	12.8%		10.5%	
Cost income ratio ²⁾	45.0%		51.5%	
Balance sheet and ratios				
Gross loans to customers	107,035		98,940	
Gross loans to customers including loans transferred to covered bond companies ²⁾	150,688		140,165	
Growth in loans during the last 12 months ²⁾	8.2%		9.4%	
Growth in loans including loans transferred to covered bond companies in the last 12 months ²⁾	7.5%		8.2%	
Deposits from customers	78,494		71,497	
Growth in deposits in the last 12 months ²⁾	9.8%		8.4%	
Deposit to loan ratio ²⁾	73.3%		72.3%	
Deposit to loan ratio incl. loans transferred to covered bond companies ²⁾	52.1%		51.0%	
Average total assets	130,394		117,358	
Total assets	134,783		123,472	
Total assets including loans transferred to covered bond companies ²⁾	178,436		164,696	
Losses and commitments in default				
Impairment on loans as a percentage of gross loans ²⁾	0.0%		0.0%	
Loans to and receivables from customers in stage 2, percentage of gross loans	7.4%		6.4%	
Loans to and receivables from customers in stage 3, percentage of gross loans	0.4%		0.5%	
Solidity and liquidity				
CET 1 capital ratio	17.2%		16.8%	
Tier 1 capital ratio	17.9%		17.6%	
Capital adequacy ratio	19.8%		19.6%	
Total eligible capital	15,444		14,672	
Equity ratio ²⁾	11.8%		12.0%	
Leverage Ratio	7.2%		7.5%	
LCR ³⁾	162.2%		152.5%	
LCR in NOK ³⁾	147.1%		164.2%	
LCR in EUR ³⁾	1248.3%		123.2%	
Staff				
Number of fulltime equivalents	1,127		1,139	
Equity capital certificates				
Market price (NOK)	92.50		83.00	
Market capitalisation (NOK million)	10,714		9,572	
Book equity per EC ²⁾	93.67		85.83	
Earnings per EC, NOK ⁴⁾	11.55		8.46	
Price/Earnings per EC ²⁾	8.01		9.81	
Price/book equity ²⁾	0.99		0.97	

1) Calculated as a percentage of average total assets.

2) See attachment regarding Alternative performance measures.

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

4) Profit after tax for controlling interests * Equity capital certificate ratio as at 22.01.19 / number of EC's as at 22.01.2019.

(Number of EC's calculated after issue of EC's 22.01.2019)

Report of the Board of Directors

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

- Profit before tax: NOK 406 (347) million
- Profit after tax: NOK 291 (322) million
- Return on equity: 7.3 (9.1) per cent
- Net interest income: NOK 584 (544) million
- Net commissions and other operating income: NOK 333 (313) million
- Net result from financial assets and liabilities: NOK 11 (7) million
- Total operating costs: NOK 490 (506) million
- Loan loss provisions: NOK 33 (11) million
- Lending growth, inclusive of loans transferred to the covered bond companies, was 2.3 (0.7) per cent for the quarter.
- Deposit growth was 2.1 (1.8) per cent for the quarter.

Preliminary financial statements 2019 (Consolidated figures. Figures in brackets concern 2018)

- Profit after tax: NOK 1,928 (1,414) million
- Return on equity: 12.8 (10.5) per cent
- Earnings per equity certificate: NOK 11.58 (8.46)
- Net interest income: NOK 2,166 (2,074) million
- Net commissions and other operating income: NOK 1,388 (1,286) million
- Net result from financial assets and liabilities: NOK 735 (291) million
- Total operating costs: NOK 1,930 (1,881) million
- Loan loss provisions: NOK 32 (35) million
- Common equity tier 1 ratio: 17.2 (16.8) per cent
- Lending growth in 2019, inclusive of loans transferred to the covered bond companies: 7.5 (8.2) per cent
- Deposit growth in 2019: 9.8 (8.4) per cent
- The Board of Directors is proposing to the Supervisory Board of the Bank a cash dividend of NOK 5.72 (4.12) per equity certificate, totalling NOK 663 (477) million. A customer dividend of NOK 266 (222) million and provisions of NOK 26 (6) million for donations are also proposed.

Important events in the fourth quarter

Classification of distributions of gifts and customer dividends from the ownerless capital under IFRS

In connection with preparations of the audit of the annual accounts for the financial year 2019, the bank's auditor has expressed an assessment that the current practice for classification of distributions from the ownerless capital (gifts and customer dividends) for savings banks as an "equity transaction" must be amended to ensure compliance with the requirements under IFRS.

The Bank is of the opinion that the financial institutions act's regulation of distributions implies that a change in classification shall not affect the bank's dividend capacity, distribution of profits between ownerless capital and the equity certificate capital or the bank's capital adequacy. The Bank has initiated a process to clarify the question related to

classification of distributions from the ownerless capital under IFRS and will update the market with further information once clarified.

Minimum requirement for own funds and eligible liabilities (MREL)

The Financial Supervisory Authority of Norway has concluded that the preferred crisis management strategy for SpareBank 1 Østlandet is for the Bank to continue through a 'bail-in' in the event of a crisis situation.

The SpareBank 1 Østlandet Group's minimum requirement for own funds and eligible liabilities (MREL) is NOK 18,891 million, equivalent to 33.1 per cent of adjusted risk weighted assets as at 31 December 2018.

The eligible liabilities that must be included to meet the minimum requirements are senior non-preferred debt to external investors.

The requirement will apply from 31 March 2020. The requirement for lower priority (senior non-preferred debt) must be met by 31 December 2022 and can be

phased by SpareBank 1 Østlandet including debt issued before 1 January 2020 up to this date, provided that it meets the general requirements for eligible liabilities.

The SpareBank 1 Østlandet Group

The Group comprises SpareBank 1 Østlandet and the wholly-owned subsidiaries EiendomsMegler 1 Innlandet AS (formerly EiendomsMegler 1 Hedmark Eiendom AS), EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second tier subsidiary), Youngstorget 5 AS and AS Vato, as well as the 95 per cent-owned subsidiary SpareBank 1 Finans Østlandet AS. The Group also includes the 70.68 per cent-owned holding company SpareBank 1 Østlandet VIT AS, which in turn owns 100 per cent of the shares in the subsidiary TheVIT AS. The accounts of these companies are fully consolidated into SpareBank 1 Østlandet's consolidated financial statements.

SpareBank 1 Østlandet owns 12.40 per cent of SpareBank 1 Gruppen AS, 18.00 per cent of SpareBank 1 Utvikling DA (formerly SpareBank 1 Banksamarbeidet DA), 20.85 per cent of SpareBank 1 Kredittkort AS, 9.99 per cent of BN Bank ASA, 20.00 per cent of SMB Lab AS, 20.00 per cent of Betr AS, and 18.74 per cent of SpareBank 1 Betaling AS. The Bank also owns 22.29 per cent of SpareBank 1 Boligkreditt AS and 15.15 per cent of SpareBank 1 Næringskreditt AS (sum of A and B shares) (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements in proportion to the Bank's stake. The Group prepares its financial statements in accordance with international accounting standards as adopted by the EU (IAS 34).

Consolidated results for the fourth quarter of 2019

The SpareBank 1 Østlandet Group's profit after tax amounted to NOK 291 (322) million, compared with NOK 409 million in the third quarter of 2019. The return on equity was 7.3 (9.1) per cent, compared with 10.7 per cent in the third quarter of 2019.

Specification of the consolidated profit after tax in NOK millions:	4. kv 19	3. kv 19	4. kv 18
Parent Bank's profit after tax	282	324	253
Dividends received from subsidiaries/associated companies	0	0	-4
Share of profit from:			
SpareBank 1 Gruppen - consolidated figures	-8	26	63
SpareBank 1 Boligkreditt AS	0	3	-10
SpareBank 1 Næringskreditt AS	2	1	1
EiendomsMegler 1 Innlandet AS	-6	5	-4
EiendomsMegler 1 Oslo Akershus - consolidated figures	-3	2	-1
SpareBank 1 Finans Østlandet AS	26	29	33
SpareBank 1 Østlandet VIT - consolidated figures	-3	-3	-6
SpareBank 1 Kredittkort AS	0	6	7
SpareBank 1 Betaling AS	-4	-2	-3
BN Bank ASA - consolidated figures	9	9	0
Youngstorget 5 AS	1	1	-6
Other associated companies/joint ventures	-4	10	0
Consolidated profit after tax	291	409	322

The reduction of NOK 31 million compared with the fourth quarter of 2018 was mainly due to a reduction in the profit share from Sparebank 1 Gruppen and changed accrual of tax deductions for customer dividends in the Parent Bank. Reduced profit contribution from Sparebank 1 Gruppen was mainly

due to a significantly weaker insurance result in Fremtind Forsikring AS, which was primarily attributable to higher claims payments, higher costs and lower liquidation gains. Furthermore, SpareBank 1 Forsikring AS significantly strengthened its management reserves for paid up policies in the life insurance company in the fourth quarter, which also contributed to the weakening of the consolidated profit for the fourth quarter of 2019.

Net interest income amounted to NOK 584 (544) million, compared with NOK 554 million in the third quarter of 2019. Net interest income as a percentage of average total assets was 1.71 (1.76) per cent, compared with 1.64 per cent in the third quarter of 2019.

Net commissions and other operating income amounted to NOK 333 (313) million, compared with NOK 350 million in the third quarter of 2019. Commissions from the covered bond companies amounted to NOK 82 (89) million, compared with NOK 84 million in the third quarter of 2019.

Income from real estate brokerage services amounted to NOK 67 (75) million, compared with NOK 82 million in the third quarter of 2019, and income from accounting services amounted to NOK 44 (43) million, compared with NOK 38 million in the third quarter of 2019.

The net result from financial assets and liabilities amounted to NOK 11 (7) million, compared with NOK 103 million in the third quarter of 2019.

Total operating costs amounted to NOK 490 (506) million, compared with NOK 457 million in the third quarter of 2019. Wealth tax for the 2019 fiscal year amounted to NOK 8 million. In accordance with IFRS, this is an operating cost that is incurred at the end of

the year and it was thus recognised in the fourth quarter of 2019.

Loan losses amounted to NOK 33 (11) million, compared with NOK 24 million in the third quarter of 2019.

The tax cost amounted to NOK 114 (25) million, compared with NOK 116 million in the third quarter of 2019. Pending clarification of the tax implications of the customer dividend, the tax deduction for the 2018 customer dividend gave a positive tax effect of NOK 51 million in the fourth quarter of 2018. In 2019, the Supervisory Board of the Bank decided to pay out a customer dividend totalling NOK 222 million for 2018. The decision reduced the tax cost for the first quarter of 2019 by NOK 55 million.

Consolidated results for 2019

Consolidated results

The consolidated profit after tax for 2019 was NOK 1,928 (1,414) million. The return on equity was 12.8 (10.5) per cent.

The gain recognised in the Group as a result of DNB ASA increasing its ownership interest in Fremtind Forsikring AS from 20 to 35 per cent amounted to NOK 291 million. The gain raised the return on equity for 2019 by 2.0 percentage points.

Specification of the consolidated profit after tax in NOK millions:	31.12.19	31.12.18
Parent Bank's profit after tax	1,856	1,447
Dividends received from subsidiaries/associated companies	-582	-372
Share of profit from:		
SpareBank 1 Gruppen - consolidated figures	451	184
SpareBank 1 Boligkreditt AS	27	-8
SpareBank 1 Næringskreditt AS	6	3
EiendomsMegler 1 Innlandet AS	5	8
EiendomsMegler 1 Oslo Akershus - consolidated figures	7	3
SpareBank 1 Finans Østlandet AS	118	139
SpareBank 1 Østlandet VIT - consolidated figures ¹⁾	-7	-9
SpareBank 1 Kredittkort AS	16	27
SpareBank 1 Betaling AS	3	-12
BN Bank ASA - consolidated figures	20	0
Youngstorget 5 AS	8	-2
Other associated companies/joint ventures	1	5
Consolidated profit after tax	1,928	1,414

¹⁾ The profit at 31 December 2018 include SpareBank 1 Regnskapshuset Østlandet AS only for the period up to 16 May 2018.

Net interest income

Net interest income amounted to NOK 2,166 (2,074) million. Net interest income showed a lower increase than underlying operations imply due to the subsidiary SpareBank 1 Finans Østlandet AS reclassifying some income items from 'net interest income' to 'net commissions and other operating income' from 1 January 2019. The reclassification effects amounted to NOK 101 million for the fiscal year 2019.

Net interest income must be viewed in conjunction with commissions from mortgages transferred to the partly-owned covered bond companies (recognised as commission income) totalling NOK 334 (365) million. Total net interest income and commissions from the covered bond companies totalled NOK 2,500 (2,439) million. Improved lending margins and growth in loans and deposits contributed to the increase in total net interest income, while the reclassification of income in SpareBank 1 Finans Østlandet AS, reduced deposit margins and lower commissions from the covered bond companies had the opposite effect.

Net interest income as a percentage of average total assets was 1.66 (1.77) per cent. The effect of the reclassification of some income items in the subsidiary SpareBank 1 Finans Østlandet AS had a negative contribution of 0.08 percentage points.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 1,388 (1,286) million.

NOK millions	31.12.19	31.12.18
Net money transfer fees	125	133
Commissions from insurance and savings	201	196
Commissions from covered bonds companies	333	365
Commission from credit cards	61	66
Estate agency commissions	326	321
Accounting services	183	162
Other operating income	158	43
Net commissions and other (non interest) operating income	1,388	1,286

The increase in commissions was mainly due to the subsidiary SpareBank 1 Finans Østlandet AS reclassifying some income items from 'net interest income' to 'net commissions and other operating income' from 1 January 2019. The effect of this amounted to NOK 101 million for the fiscal year 2019.

Net commissions and other operating income increased further due to higher income from accounting services as a result of the consolidation of TheVIT AS. Mutual funds and insurance commissions, real estate brokerage commissions and other operating income also increased. This was offset by reduced commissions from the covered bond companies, reduced commissions from credit cards and reduced net income from money-transfer services.

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

Net result from financial assets and liabilities

The net result from financial assets and liabilities was NOK 735 (291) million.

NOK millions	31.12.19	31.12.18
Dividends from other than Group companies	19	13
Net profit from ownership interests	519	198
Net profit from other financial assets and liabilities	197	80
Net commission and other operating income	735	291

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

The net profit from ownership interests amounted to NOK 519 (198) million.

Contribution from associated companies and joint ventures	31.12.19	31.12.18
SpareBank 1 Gruppen AS	451	184
SpareBank 1 Boligkreditt AS	27	-8
SpareBank 1 Næringskreditt AS	6	3
SpareBank 1 Kredittkort AS	16	27
SpareBank 1 Betaling AS	3	-12
BN Bank ASA	20	0
Other associated companies/joint ventures	-3	5
Net profit from ownership interests	519	198

The increase of NOK 321 million was mainly due to effects from SpareBank 1 Gruppen AS relating to the insurance merger, the sale of shares in Fremtind Forsikring AS, and the write up of properties in the subsidiary SpareBank 1 Forsikring AS. The increase was also due to better results from SpareBank 1 Betaling AS and the covered bond companies, as well as profit share from BN Bank ASA with effect from 24 May 2019, although these were offset to some

extent by weaker results from SpareBank 1 Kredittkort AS.

The net result from other financial assets and liabilities was NOK 197 (80) million. The profit contribution for 2019 was due to positive value changes in equity instruments, issued securities and fixed-income securities in the liquidity portfolio, a positive net result from currency trading, a positive value changes on derivatives, and gains from realising assets at fair value through profit or loss. A negative change in value in fixed-rate loans for customers pulled in the opposite direction.

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

Operating costs

Total operating costs were NOK 1,930 (1,881) million and amounted to 45.0 (51.5) per cent of net income.

The gain recognised in the Group as a result of DNB ASA increasing its ownership interest in Fremtind Forsikring AS from 20 to 35 per cent amounted to NOK 291 million. The gain produced an effect on the cost/income ratio of 3.3 percentage points for 2019.

NOK millions	31.12.19	31.12.18	Change
Personnel costs excl. restructuring costs	1,095	1,049	4.4 %
Depreciation/amortisation	131	102	27.8 %
IT costs	286	264	8.2 %
Marketing	84	102	-17.4 %
Operating costs from real estate	49	102	-52.2 %
Other costs	280	260	7.7 %
Total operating costs excl. restructuring costs	1,925	1,880	2.4 %
Restructuring costs	5	1	
Total operating costs	1,930	1,881	2.6 %

The NOK 49 million increase in total operating costs was mainly due to increased personnel costs. On top of normal wage growth, personnel costs have increased as a result of increased staffing in subsidiaries, including the consolidation of TheVIT AS, as well as costs of NOK 7 million related to a employee discounts on purchases of equity certificates as part of the employee offering in the first quarter. Increased depreciation must be seen in the context of reduced operating costs for properties following the implementation of IFRS 16 from 1 January 2019. Restructuring costs amounted to NOK 5 (1) million for 2019 and were due to severance payments arising from lay offs in the Parent Bank.

As at 31 December 2019, there were 1,127 (1,139) FTEs in the Group. The overall reduction of 12 FTEs was the result of a combination of a reduction of 25 FTEs in the Parent Bank and an increase of 13 FTEs in subsidiaries.

Loan loss provisions

The Group's losses in 2019 amounted to NOK 32 (35) million. SpareBank 1 Finans Østlandet AS saw a net loss of NOK 43 (19) million for 2019, which was mainly due to losses in the retail market segment. Of the total losses in SpareBank 1 Finans Østlandet AS, NOK 13 (5) million related to losses on unsecured consumer loans. SpareBank 1 Finans Østlandet AS's total exposure in unsecured consumer loans amounted to NOK 71 (105) million, and accounted for the majority of the Group's exposure to unsecured consumer loans. The Parent Bank recognised a net NOK 11 million as reversals of losses (cost of NOK 16 million), which was mainly due to a reduction in loan loss provisions in the first quarter due to validation of the loss models showing that the previous LGD estimates were significantly higher than realised loss rates.

Loan losses can be broken down as follows:

	Total	RM	CM	SB1FØ
Change in impairments in the period	-20	-2	-28	10
Realised losses on commitments for which earlier impairment provisions have been made	9	2	7	0
Realised losses on commitments for which no earlier impairment provisions has been made	59	3	10	46
-Recoveries on loans and guarantees previously impaired	16	2	1	13
Total impairment losses on loans and guarantees in the period	32	1	-12	43

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

Credit risk

The Group's loan loss provisions as at 31 December 2019 amounted to NOK 360 (385) million, which represents a reduction of NOK 25 million since 31 December 2018.

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

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

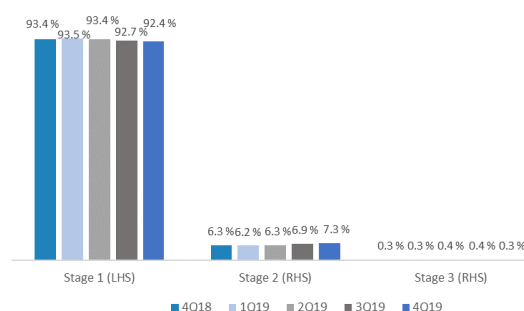
Stage 2 is used for lending that has a substantially higher credit risk than it did upon initial recognition, but where no credit loss has occurred on the balance date. A provision is made for expected losses over the entire lifetime.

Stage 3 is used for lending that has a substantially higher credit risk than it did upon initial recognition,

and where credit loss has occurred on the balance date. A provision is made for expected losses over the entire lifetime. These are assets that under the rules prior to 1 January 2018 were defined as defaulted/doubtful or individually impaired.

Gross loans and financial liabilities defined as stage 3 amounted to NOK 456 (456) million as at 31 December 2019. This corresponded to 0.4 (0.5) per cent of gross lending. NOK 87 (96) million of gross loans and financial liabilities defined as stage 3 was provisions for credit losses.

Net exposure in the different stages was as follows:



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

Otherwise, the credit risk in the Bank's credit portfolio has been stable during 2019. This applies to both the retail portfolio and the corporate portfolio. Low loan loss impairments reflected the good credit quality of the loan portfolio. The Board considers SpareBank 1 Østlandet's total credit risk to be low and well within the Bank's accepted risk tolerance.

Total assets

Total assets as at 31 December 2019 amounted to NOK 134.8 (123.5) billion. Adjusted total assets, defined as total assets inclusive of mortgages transferred to the covered bond companies, amounted to NOK 178.4 (164.7) billion.

Lending to customers

Gross lending to customers, inclusive of mortgages transferred to the covered bond companies, totalled NOK 150.7 (140.2) billion. At the end of the year, mortgages totalling NOK 42.6 (39.8) billion had been transferred to SpareBank 1 Boligkreditt AS, and mortgages totalling NOK 1.0 (1.4) billion had been transferred to SpareBank 1 Næringskreditt AS.

The growth in lending in the past 12 months, inclusive of mortgages transferred to the covered bond companies, was NOK 10.5 (10.6) billion, equivalent to 7.5 (8.2) per cent. The growth in retail lending was NOK 6.9 (7.0) billion, while the growth in corporate lending was NOK 3.6 (3.6) billion.

Deposits from customers

As at 31 December 2019, deposits from customers totalled NOK 78.5 (71.5) billion. The growth in deposits in the last 12 months was NOK 7.0 (5.5) billion, equivalent to 9.8 (8.4) per cent. The growth in retail deposits was NOK 3.1 (2.2) billion, while the growth in corporate deposits was NOK 3.9 (3.3) billion.

The Group's deposit coverage ratio was 73.3 (72.3) per cent. The Group's deposit coverage ratio, inclusive of mortgages transferred to the covered bond companies, was 52.1 (51.0) per cent.

Liquidity

Borrowing from financial institutions and securities issued (senior, subordinated loan capital and hybrid tier 1 capital) totalled NOK 38.2 (35.0) billion, 44.8 (33.3) per cent of which is euro-denominated. The average term to maturity of the Group's long-term funding was 4.1 (4.2) years. The average term to maturity for all borrowing was 3.8 (3.8) years.

The liquidity coverage ratio (LCR) was 162.2 (152.5) per cent, whereas the previous annual average was 170.6 (150.7) per cent. The level of LCR was above the long-term target levels and reflected the effect of a higher proportion of international funding. In the opinion of the Board, the Group's liquidity risk is low.

Equity certificates

As at 31 December 2019, the equity share capital consisted of 115,829,789 (115,319,521) equity certificates. At the end of the year, book value per equity certificate was NOK 94.10 (85.83). Earnings per equity certificate amounted to NOK 11.58 (8.46) for the year.

As at 31 December 2019, the market price for the Bank's equity certificate (ticker 'SPOL') was NOK 92.50 (83.00). In April 2019, the dividend payout was NOK 4.12 (3.96) per equity certificate.

Financial strength and total capital adequacy ratio

The Group's equity at the end of 2019 totalled NOK 15.9 (14.8) billion and amounted to 11.8 (12.0) per cent of total capital. The leverage ratio was 7.2 (7.5) per cent. The profit for the year after expected tax and dividends is included in the capital adequacy calculation.

At the end of the year, the Group's common equity tier 1 ratio was 17.2 (16.8) per cent. The tier 1 capital adequacy ratio and the total capital adequacy ratio were 17.9 (17.6) per cent and 19.8 (19.6) per cent, respectively.

Full implementation of CRD IV/CRR into Norwegian law resulted in the elimination of the Basel I transitional floor and the introduction of an SME discount for risk weightings for smaller exposures. In isolation, the effects of the changes on the Group's common equity tier 1 ratio were estimated to be approximately +0.6 percentage points with respect to the elimination of the Basel I floor and +0.4 percentage points from the introduction of the SME discount.

From and including the fourth quarter of 2019, the Bank has consolidated BN Bank, in which the Bank owns a 9.99 per cent stake. This change in its capital adequacy treatment is done according to the decision of the Financial Supervisory Authority of Norway which employs a different interpretation of the term 'cooperative group' than the Bank and thereby expects this stake to be consolidated. The Bank disagrees with the Financial Supervisory Authority of Norway's interpretation of the matter, but has nevertheless decided to consolidate BN Bank into its capital adequacy reporting. The effect of this change was -0.4 percentage points.

According to the decision of the Financial Supervisory Authority of Norway, the Group increased its estimates for loss given default (LGD) for the corporate portfolio from the first quarter. The effect was a reduction in common equity tier 1 ratio of about 0.8 percentage points. The Group has appealed the Financial Supervisory Authority of Norway's decision and the appeal is still being considered by the Ministry of Finance.

The Group's long-term target for its common equity tier 1 capital ratio is 16.8 per cent, which corresponds with the regulatory requirement announced with effect from 31 December 2020, with the addition of a management buffer of 100 basis points. The revision of the capital target reflects the greater clarity regarding future capital requirements and the Bank's assessment that the regulatory requirements now contain substantial buffers that reduce the Bank's need for a management buffer compared with previous regulation. In the opinion of the Board, the Bank's position as indisputably solid is safeguarded by a capital target in line with comparable banks, seen in light of the Bank's operations in Norway's most stable market area and a low-risk lending book.

Rating

SpareBank 1 Østlandet's deposits and senior unsecured debt were rated A1 by Moody's Investor

Service as at 31 December 2019. SpareBank 1 Østlandet was thus rated on a par with the best-rated savings banks in Norway.

Parent Bank

Parent Bank's results

The Parent Bank's profit after tax for 2019 was NOK 1,856 (1,447) million. The increase from 2018 was mainly due to extraordinary dividends from SpareBank 1 Gruppen AS of NOK 211 million resulting from DNB ASA increasing its stake in Fremtind Forsikring AS from 20 to 35 per cent, and increased net interest income resulting from growth in lending and deposits. The Parent Bank has also improved net income from other financial assets and liabilities, as well as reduced impairment losses. This was offset by reduced commissions from the covered bond companies and increased operating costs.

Operating costs

Total operating costs in the Parent Bank were NOK 1,346 (1,309) million for 2019 and amounted to 37.9 (43.0) per cent of total net income.

The NOK 37 million increase in operating costs was mainly due to increased personnel costs. On top of normal wage growth, personnel costs have increased as a result of costs of NOK 7 million related to discounts on purchases of equity certificates as part of the employee offering in the first quarter. The increase in other operating costs was largely due to temporary staff hired to assist with the work of reverifying the identification documentation of existing customers.

Increased depreciation must be seen in the context of reduced operating costs for properties following the implementation of IFRS 16 from 1 January 2019. Restructuring costs amounted to NOK 5 (1) million for 2019 and were due to severance payments arising from downsizing in the Parent Bank.

NOK millions	31.12.19	31.12.18	Change
Personnel costs excl. restructuring costs	694	673	3.2 %
Depreciation/amortisation	104	69	50.4 %
IT costs	262	248	5.9 %
Marketing	53	67	-21.4 %
Operating costs from real estate	44	79	-43.7 %
Other costs	184	173	6.3 %
Total operating costs excl. restructuring costs	1,341	1,308	2.5 %
Restructuring costs	5	1	
Total operating costs	1,346	1,309	2.8 %

At the beginning of the year, SpareBank 1 Østlandet stated that its target for 2019 was to limit growth in the Parent Bank's operating costs, adjusted for restructuring costs, to 2.0 per cent.

The Parent Bank's operating costs before restructuring costs for 2019 amounted to NOK 1,341 (1,308) million, an increase of 2.5 per cent and thus NOK 7 million above the target level.

As at 31 December 2019, the Parent Bank had 672 (697) FTEs. The reduction of 25 FTEs represents a decrease in staffing of 3.6 per cent over the year. The reduction was implemented with very limited use of severance packages, mainly by utilising natural departure and turnover. Since the acquisition of Bank 1 Oslo Akershus AS was announced at the end of 2015, staffing in the Parent Bank has been reduced from 763 FTEs to 672 FTEs, which is equivalent to a reduction of 11.9 per cent.

Financial strength and total capital adequacy ratio

The Parent Bank's equity amounted to NOK 15.0 (13.9) billion, which was equivalent to 11.2 (11.4) per cent of the total capital as at 31 December 2019.

The common equity tier 1 ratio was 21.3 (23.0) per cent at the end of the year. The tier 1 capital adequacy ratio was 21.8 (23.7) per cent and the total capital adequacy ratio was 23.9 (25.7) per cent. The profit for the year after expected tax and dividends is included in the capital adequacy calculation.

Full implementation of CRD IV/CRR into Norwegian law resulted in the elimination of the Basel I floor and the introduction of an SME discount for risk weightings for smaller exposures. The effects of these on the Parent Bank's common equity tier 1 ratio were approximately zero with respect to the Basel I floor and about 0.4 percentage points for the SME discount.

In line with the decision of the Financial Supervisory Authority of Norway, the Bank increased its estimates for loss given default (LGD) for the corporate portfolio from the first quarter. The effect was a reduction in common equity tier 1 ratio of about 1.2 percentage points. The Bank has appealed the Financial Supervisory Authority of Norway's decision and the appeal is still being considered by the Ministry of Finance.

Underlying banking operations

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

Underlying banking operations, NOK millions	31.12.19	31.12.18	Change
Net interest income	1,923	1,737	10.7 %
Net commission and other operating income	835	849	-1.7 %
Total operating costs	-1,346	-1,309	2.8 %
Adjustments: Restructuring costs	5	1	
Operating profit underlying banking operations	1,416	1,278	10.8 %

The operating profit from underlying banking operations amounted to NOK 1,416 (1,278) million for 2019. Profit from the underlying banking operations increased by NOK 138 million, equivalent to an improvement of 10.8 per cent. The improvement was mainly due to increased net interest income from the growth in lending and deposits, offset by reduced commission income from the covered bond companies.

Subsidiaries

SpareBank 1 Finans Østlandet AS

The leasing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 118 (139) million for 2019. The decrease in profit was mainly due to a NOK 24 million increase in losses. The bulk of the losses were related to the retail market segment. Of the total losses in SpareBank 1 Finans Østlandet AS, NOK 13 (5) million related to losses on unsecured consumer loans. SpareBank 1 Finans Østlandet AS's total exposure to unsecured consumer loans was NOK 71 (105) million. As at 31 December 2019, gross lending to customers amounted to NOK 8.8 (7.8) billion and the growth in lending in the last 12 months was 10.7 (9.8) per cent. SpareBank 1 Finans Østlandet AS saw good lending growth and strong income development with the same headcount over the last year, but increased borrowing costs and losses pulled in the opposite direction.

EiendomsMegler 1 Innlandet AS

EiendomsMegler 1 Innlandet AS posted earnings for 2019 of NOK 124 (120) million and achieved a profit after tax of NOK 5 (8) million.

The growth in turnover came mainly from increased new build sales and the brokerage services associated with this. Other sales were on par with the year before, despite a weaker housing market in the autumn resulting in falling sales towards the end of the year. In its market area, the company had a market share of 32.2 (31.7) per cent in sales of used homes and leisure properties, and 48 per cent in the new construction segment. The company has a growth strategy. The company has recently established a new department for brokerage of agricultural properties and is in the process of establishing a branch office in Lillehammer, which will become the company's 12th branch office.

EiendomsMegler 1 Oslo Akershus Group – consolidated figures

The estate broker EiendomsMegler 1 Oslo Akershus Group posted earnings for 2019 of NOK 208 (209) million and achieved a profit after tax of NOK 7 (3) million.

The improvement in the result was mainly due to the correction of an error in the tax cost from previous years amounting to NOK 3 million, as well as a NOK 1 million improvement in the operating result.

Housing sales in the company's market area were high in 2019 and housing prices rose marginally throughout the year. In 2019, the company had a market share of 8.1 (8.6) per cent. The company experienced high staff turnover in 2019, which had a negative impact on market share. It is actively recruiting and training, and in 2019 the company recruited almost 30 new real estate brokers.

SpareBank 1 Østlandet VIT AS – consolidated figures

The SpareBank 1 Østlandet VIT Group posted earnings for 2019 of NOK 185 (164) million and saw a loss after tax of NOK -7 (-9) million. Last year's figures were only for SpareBank 1 Regnskapshuset Østlandet AS for the period up to 16 May 2018 and are thus not directly comparable.

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

Associated companies and joint ventures

SpareBank 1 Gruppen AS – consolidated figures

SpareBank 1 Gruppen (12.40 per cent stake) comprises the SpareBank 1 Alliance's joint product companies within insurance, fund management, claims management and collection. The company posted a consolidated profit after tax for 2019 of NOK 1,503 (1,480) million and a return on equity of 15.8 (18.6) per cent. The controlling interests' share of the consolidated profit for 2019 amounted to NOK 1,291 million and SpareBank 1 Østlandet's share of this amounted to NOK 160 million.

Write-ups in the property portfolio of the subsidiary SpareBank 1 Forsikring AS amounting NOK 596 million in the third quarter, as well as good financial income within insurance, contributed to the improvement in the result for 2019 compared with 2018. A significantly weaker insurance result in Fremtind Forsikring AS in the fourth quarter pulled in the opposite direction. Furthermore, SpareBank 1 Forsikring AS significantly strengthened its management reserves for paid up policies in the life insurance company in the fourth quarter, which also contributed to the weakening of the consolidated profit for 2019.

DNB ASA's increase in its stake in Fremtind Forsikring AS, from 20 per cent to 35 per cent, in January 2019 resulted in the equity in SpareBank 1 Gruppen, at a group level, increasing by NOK 4.7 billion. The majority interests' (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase amounted to NOK 2.3 billion. SpareBank 1 Østlandet's share of this increase amounted to NOK 291 million and was recognised in SpareBank 1 Østlandet's consolidated income statement in the first quarter of 2019. The total profit contribution from SpareBank 1 Gruppen AS in SpareBank 1 Østlandet's consolidated financial statements for 2019 thus amounted to NOK 451 (184) million.

The merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS was implemented with accounting effect from 1 January 2019 with SpareBank 1 Skadeforsikring as the acquiring company. SpareBank 1 Gruppen AS has a 65 per cent ownership interest and DNB ASA 35 per cent in Fremtind Forsikring AS.

Please refer to SpareBank 1 Gruppen AS' accounts for the first quarter of 2019 for the accounting and liquidity implications of this transaction.

Fremtind Forsikring AS was granted permission by the Financial Supervisory Authority of Norway to conduct life insurance business through its wholly owned subsidiary Fremtind Livsforsikring AS on 2 September 2019. This means that non-life insurance from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as company-paid non-life insurance from SpareBank 1 Forsikring AS, was transferred to Fremtind Livsforsikring AS with effect from 1 January 2020.

The merger of SpareBank 1 Forsikring AS and DNB Livsforsikring AS with transfer to Fremtind Livsforsikring AS, where the remuneration was issued by Fremtind Forsikring AS, was implemented with accounting effect on 1 January 2020.

The total value of the non-life area was estimated to be approximately NOK 6.25 billion. The merger will result in increased equity for SpareBank 1 Gruppen at the corporate level. The majority's (the SpareBank 1 banks and LO) share of this increase is estimated at approximately NOK 1.7 billion. SpareBank 1 Østlandet's share of this increase (12.4 per cent) amounts to approximately NOK 210 million and will be recognised in the first quarter of 2020.

SpareBank 1 Gruppen AS (parent company) will receive a tax-free profit of approximately NOK 937 million as a result of this merger. SpareBank 1 Gruppen AS will strengthen its dividend capacity as a consequence, and SpareBank 1 Østlandet's share of potential dividends of NOK 937 billion (12.4 per cent) equals NOK 116 million.

DNB has an option to increase its ownership stake in Fremtind Forsikring AS from 35 per cent to 40 per cent by 31 March 2020. If DNB exercises the option SpareBank 1 Gruppen AS (parent company) will receive a profit of approximately NOK 890 million. SpareBank 1 Gruppen AS' dividend capacity will be strengthened accordingly.

The exercise of the option will result in increased equity for SpareBank 1 Gruppen at the corporate level. The majority's (the SpareBank 1 banks and LO) share of this increase will be approximately NOK 590 million. SpareBank 1 Østlandet's share of this increase (12.4 per cent) amounts to approximately NOK 73 million and if applicable will be recognised in the first quarter of 2020. Note that the calculations are based on estimated figures at the present time.

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

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS (22.29 per cent stake) was established by the banks in the SpareBank 1 Alliance to utilise the market for covered bonds. The banks sell prime mortgages to the company and achieve lower funding costs.

The company posted a profit after tax for 2019 of NOK 169 (5) million. This improvement is mainly due to lower funding costs for liquid assets associated with a reduced size of the liquidity portfolio in the company, as well as improved returns on funds received as collateral from counterparties. The profit share from SpareBank 1 Boligkreditt AS, which is included in the consolidated accounts for SpareBank 1 Østlandet according to the equity method, is adjusted for interest paid on the hybrid capital that is recognised directly in equity. The profit share for 2019 amounted to NOK 27 (-8) million.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS (15.15 per cent stake) was established according to the same model, and with the same management, as SpareBank 1 Boligkreditt AS. SpareBank 1 Næringskreditt AS has two classes of shares with differing rights to dividends. SpareBank 1 Østlandet includes 9.15 per cent of the company's results in its consolidated financial statements, equivalent to the Bank's share of the company's dividend payments.

The company posted a profit after tax for 2019 of NOK 62 (51) million. The profit share included in SpareBank 1 Østlandet's consolidated financial statements for 2019 amounted to NOK 6 (3) million.

SpareBank 1 Kredittkort AS

SpareBank 1 Kredittkort AS (20.85 per cent stake) is the SpareBank 1 Alliance's jointly-owned credit card company. The company posted a profit after tax for 2019 of NOK 75 (131) million. The reduction was mainly due to lower commissions and higher loss costs. The higher loss costs were partly due to the fact that last year's figures contained a gain of NOK 15 million related to the sale of a loss-making portfolio. The profit share for 2019 included in SpareBank 1 Østlandet's consolidated financial statements amounted to NOK 16 (27) million.

SpareBank 1 Betaling AS

SpareBank 1 Betaling AS (18.74 per cent stake) is the SpareBank 1 Alliance's joint venture for money-transfer solutions, including the SpareBank 1 Alliance's stake in Vipps AS.

The company posted a loss after tax for 2019 of NOK 58 (-57) million. The profit share for 2019 included in SpareBank 1 Østlandet's consolidated financial statements was nonetheless positive at NOK 3 (-12) million due to SpareBank 1 Betaling AS making a correction to the 2018 financial statements. The correction related mainly to the amended valuation relating to the merger of SpareBank 1 Asept AS and SpareBank ID AS which was registered on 16 January 2019, but which was recognised in the accounts from 1 October 2018.

BN Bank ASA – consolidated figures

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

BN Bank ASA posted a consolidated profit after tax of NOK 327 (294) million. The profit share included in SpareBank 1 Østlandet's consolidated financial statements with effect from 24 May 2019 amounted to NOK 20 million.

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

Proposed distribution of profits

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

NOK millions	31.12.19	31.12.18
Profit after tax (Parent Bank)	1,856	1,447
Changes in fund for unrealised gains	83	-27
Profit available for distribution	1,773	1,474
Dividend	663	477
Dividend equalisation fund	605	521
Customer dividend/gifts	292	228
Primary capital	213	248
Total distribution	1,773	1,474

The profit for the year available for distribution is the profit after tax in the Parent Bank of NOK 1,856 (1,447) million corrected for changes in the fund for unrealised gains of NOK 83 (-27) million. The total amount available is thus NOK 1,773 (1,474) million.

The profit has been split between primary capital and owners' equity in proportion to their relative share of the total equity (The equity capital certificate – ECC ratio). Following the offerings

conducted in January 2019, the ECC ratio changed from 69.3 per cent to 70.1 per cent. Based on a proportional distribution of the profit, the dividends and provisions for the dividend equalisation fund will account for 71.5 (67.7) per cent of the distributed profit.

The Board of Directors is proposing to the Supervisory Board a cash dividend of NOK 5.72 (4.12) per equity certificate totalling NOK 663 (477) million. This is equivalent to a distribution rate to the equity certificate holders of 50 (50) per cent of the majority's share of the consolidated profit. The Board of Directors is also proposing to the Supervisory Board a customer dividend of NOK 266 (222) million and provisions of NOK 26 (6) million for donations. The dividend equalisation fund and primary capital will thus be allocated NOK 605 (521) million and NOK 213 (250) million, respectively.

Sustainability

The business sector faces major restructuring if the Paris Agreement and UN Sustainable Development Goals are to be achieved. The Bank seeks to be a driving force behind sustainable development in our market area. The Bank is working with its customers to meet this challenge. An ever growing number of domestic and international actors are also taking note of the Bank.

The work on sustainability was further intensified in 2019. The driving forces come from within, from the organisation, and from outside, from customers, industry and interest organisations, research and media. The sustainability strategy, which clarifies the Group's strategy for achieving its sustainability goals was updated in 2019. This, together with the Bank's

guidelines for sustainability and corporate social responsibility, provides the basis for the work. The goals are in turn linked to the UN Sustainable Development Goals, and a materiality analysis has been conducted.

Sustainability is an integral part of the Bank's operations and a management responsibility at all levels. The Board of Directors monitors the work closely and is in the process of reviewing a comprehensive risk analysis within sustainability and climate risk. Please refer to <https://www.sparebank1.no/en/ostlandet/about-us/sustainability.html> for further information.

Outlook

At the beginning of 2020, the international economy is showing signs of stabilisation, with a decision having been made on Brexit and the trade war between China and the US appearing to diminish. The international conditions for the Norwegian economy therefore look better than they did the previous six months. The rise in expectations is fragile, and setbacks in trade negotiations, or the spread of the Corona virus, could be factors that reduce growth impulses internationally.

In Norway, stimulation of the economy through oil investments is expected to slow during 2020, as too is the growth in housing prices as a driver in the economy.

Eastern Norway, which is SpareBank 1 Østlandet's primary market area, is well positioned in relation to other parts of the country in that it is in this region that population and jobs growth are expected to be greatest. This provides a good basis for continued good growth in SpareBank 1 Østlandet's business.

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

With the merger successfully completed in all parts of the organisation, the Bank has delivered further

efficiency gains throughout 2019 and managed to reduce staffing via natural departure and turnover. A leaner, better coordinated organisation means that the Board believes this is an appropriate time to be more ambitious going forward.

The Board has decided revised financial targets, with the return on equity target for 2020 being increased to at least 11 per cent per year. At the same time, the dividend target of 50 per cent of the profit for the year after tax will be maintained as an expression of the desire to balance the owners' dividends expectation with continued funding of the Bank's growth ambitions.

In light of the greater regulatory clarity, the Board has also adopted a revised target for common equity tier 1 ratio of 16.8 per cent, which indicates a stronger focus on efficient capital use for the benefit of the owners and the customers. The Board is confident that the Bank's position as indisputably sound is safeguarded by the fact that the regulatory requirements now contain substantial buffers, the Bank operates in Norway most cyclically stable region, and that it has a loan portfolio characterised by good and desirable credit quality.

The revised financial targets highlight the fact that the Board believes the Bank still has opportunities for profitable growth due to its position in Norway's most interesting market area. The Board will strengthen its focus on balancing financial strength, profitability and growth for the benefit of the region, owners, customers and employees.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 6 February 2020

Income statement

Parent Bank									Group			
01.10-31.12		01.01-31.12		(NOK million)	Notes	01.01-31.12		01.10-31.12				
2018	2019	2018	2019			2019	2018	2019	2018			
490	591	1,942	2,154	Interest income, fair value		2,151	1,942	590	490			
318	369	1,132	1,385	Interest income, amortized cost		1,638	1,473	433	406			
350	436	1,337	1,617	Interest expense		1,622	1,340	438	352			
458	523	1,737	1,923	Net interest income		2,166	2,074	584	544			
222	223	891	892	Commission income		1,295	1,210	332	297			
16	26	74	94	Commission expenses		143	104	37	32			
6	13	32	37	Other operating income		236	181	37	48			
213	211	849	835	Net commission and other operating income		1,388	1,286	333	313			
0	0	13	19	Dividends from other than Group companies	7	19	13	0	0			
4	0	369	576	Net profit from ownership interests	7	519	198	-1	57			
-51	12	80	197	Net profit from other financial assets and liabilities	7	197	80	12	-51			
-46	13	461	792	Net income from financial assets and liabilities		735	291	11	7			
625	747	3,048	3,549	Total net income		4,289	3,651	928	864			
176	170	674	699	Personnel expenses		1,098	1,050	274	286			
18	26	69	104	Depreciation		131	102	32	23			
156	143	566	543	Other operating expenses		702	728	183	197			
350	339	1,309	1,346	Total operating expenses		1,930	1,881	490	506			
275	408	1,738	2,203	Operating profit before losses on loans and guarantees		2,359	1,770	439	358			
5	18	16	-11	Impairment on loans and guarantees		32	35	33	11			
270	390	1,722	2,214	Pre-tax operating profit		2,326	1,735	406	347			
18	109	275	358	Tax expense		398	321	114	25			
253	282	1,447	1,856	Profit after tax		1,928	1,414	291	322			
						15	6	17	4			
						1,909	1,402	274	318			
						4	5	0	0			
						1,928	1,414	291	322			
						11.55	8.46	1.73	1.91			
						11.55	8.42	1.71	1.90			
						11.56	9.04	1.71	2.00			
						11.56	9.00	1.71	1.99			

Statement of other comprehensive income

Parent Bank				Group				
01.10-31.12		01.01-31.12		Notes	01.01-31.12		01.10-31.12	
2018	2019	2018	2019		2019	2018	2019	2018
253	282	1,447	1,856	(NOK million)				
				Profit after tax	1,928	1,414	291	322
-3	3	-3	3	Actuarial gains/losses on pensions	3	-3	3	-3
1	-1	1	-1	Tax effects of actuarial gains/losses on pensions	-1	1	-1	1
20	5	23	-13	Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	-13	23	5	0
-5	-1	0	3	Tax effects related to the above	3	-6	-1	0
				Share of other comprehensive income from associated companies and joint ventures	13	1	23	0
13	6	15	-7	Total items that will not be reclassified through profit or loss	6	16	29	13
1	2	2	-1	Net fair value adjustments on loans at fair value through other comprehensive income	-1	2	2	1
0	-1	-1	0	Tax effects related to the above	0	-1	-1	0
-9	-4	-51	5	Fair value changes on hedge derivatives due to changes in the currency basis spread	5	-51	-4	-9
2	1	13	-1	Tax effects related to the above	-1	13	1	2
				Share of other comprehensive income from associates and joint ventures	0	0	0	0
-6	-1	-36	3	Total items that will be reclassified through profit or loss	-6	-77	-8	-32
7	4	-21	-4	Total profit and loss items recognised in equity	0	-61	21	-19
259	286	1,426	1,852	Total profit/loss for the period	1,928	1,353	313	303
				Attributable to additional Tier 1 Capital holders	15	6	17	4
				Total profit/loss for the period for controlling interest	1,909	1,341	295	299
				Total profit/loss for the period for non-controlling interest	4	5	0	0

Balance sheet

Parent Bank			Group		
31.12.2018	31.12.2019	NOK million	Notes	31.12.2019	31.12.2018
		ASSETS			
1,878	1,325	Cash and deposits with central banks		1,325	1,878
7,487	8,273	Loans to and receivables from credit institutions		1,199	1,023
90,878	98,041	Loans to and receivables from customers	5,6	106,718	98,606
14,446	17,252	Certificates, bonds and fixed-income funds	10	17,252	14,446
819	878	Financial derivatives	8,10,11	878	819
594	675	Shares, units and other equity interests	10	675	594
3,635	4,323	Investments in associates and joint ventures		4,870	4,124
1,521	1,758	Investments in subsidiaries		0	0
337	514	Property, plant and equipment	12	672	543
96	89	Goodwill and other intangible assets		406	400
699	520	Other assets	13	787	1,041
122,390	133,648	Total assets		134,783	123,472
		LIABILITIES			
2,704	3,647	Deposits from and liabilities to credit institutions		3,650	2,636
71,540	78,534	Deposits from and liabilities to customers	14	78,494	71,497
31,984	33,732	Liabilities arising from issuance of securities	10,15	33,732	31,984
354	373	Financial derivatives	8,10,11	373	354
205	335	Current tax liabilities		376	248
69	88	Deferred tax liabilities		212	202
532	663	Other debt and liabilities recognised in the balance sheet	16	739	687
1,102	1,303	Subordinated loan capital	10,15	1,303	1,102
108,490	118,676	Total liabilities		118,880	108,710
		EQUITY CAPITAL			
5,766	5,791	Equity capital certificates	17	5,791	5,766
830	848	Premium fund		848	830
2,112	2,772	Dividend equalisation fund		2,772	2,112
477	663	Dividend		663	477
3,690	3,838	Primary capital		3,838	3,690
166	166	Other paid-up equity		166	166
15	12	Provision for gifts		12	15
252	334	Fund for unrealised gains		334	253
222	292	Dividend customers return		292	222
400	300	Hybrid capital		300	400
-30	-45	Interest expense for hybrid capital		-63	-48
0	0	Other equity		835	776
		Minority interests		114	102
13,900	14,972	Total equity capital		15,903	14,762
122,390	133,648	Total equity capital and liabilities		134,783	123,472

The board of SpareBank 1 Østlandet
Hamar, February 6th 2020

Changes in equity capital

Parent Bank

(NOK million)

	Paid-up equity			Earned equity capital					Hybrid-capital	Total equity capital
	Equity certificates	Premium fund	Other paid-up equity	Primary capital ¹⁾	Dividend equalisation funds ²⁾	Provision for gifts	Fund for unrealised gains	Other equity		
Equity capital as of 01.01.2018	5,359	547	165	3,636	2,008	20	279	-8	400	12,406
OB Corr. related to transitional rules IFRS 9				11	23					35
Repoting of intereset on hybrid capital					3			-4		0
Repoting of acturaial gains after tax on pensions				4	-4					0
Adjusted equity capital at 01.01.2018	5,359	547	166	3,652	2,031	20	279	-12	400	12,440
ECs issued and transferred to owners	407	283								690
Hybrid capital										0
Interest after tax on hybrid capital								-17		-17
Profit after tax				477	998		-27			1,447
Effects on creditspread at financial liabilities FVOCI				5	12					17
Effects on basisswap in hedge accounting				-12	-26					-38
Value change on loans measured at fair value				1	1					2
Actuarial gains after tax on pensions				-1	-1					-2
Dividend paid				-204	-424					-629
Donations distributed from profit 2017				-6						-6
Grants from provision for gifts in 2018						-5				-5
Equity capital as of 31.12.2018	5,766	830	166	3,912	2,589	15	252	-30	400	13,900
Equity capital as of 01.01.2019	5,766	830	166	3,912	2,589	15	252	-30	400	13,900
Reclassification				-57	57					0
ECs issued and transferred to owners	26	18								43
Hybrid capital									-100	-100
Interest after tax on hybrid capital								-15		-15
Profit after tax				505	1,268		83			1,856
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk				-3	-7					-10
Fair value changes on hedge derivatives due to changes in the currency basis spread				1	3					4
Net fair value adjustments on loans at fair value through other comprehensive income				0	0					-1
Actuarial gains/losses on pensions				1	2					3
Dividend paid				-222	-477					-699
Donations distributed from profit 2018				-6						-6
Grants from provision for gifts in 2019						-2				-2
Equity capital as of 31.12.2019	5,791	848	166	4,131	3,434	12	334	-45	300	14,972

Group

(NOK million)	Paid-up equity			Earned equity capital					Hybrid-capital	Minority intersets	Total equity capital
	Equity certificates	Premium fund	Other paid-up equity	Primary capital ¹⁾	Dividend equalisation funds ²⁾	Provision for gifts	Fund for unrealised gains	Other equity			
Equity capital as of 01.01.2018	5,359	547	165	3,636	2,008	20	281	853	400	62	13,331
OB Corr Parent Bank			1	15	23			-4			35
OB Corr. Subsidiary								-19			-19
OB Corr. In Group companies								-3			-3
Adjusted equity capital at 01.01.2018	5,359	547	166	3,651	2,031	20	281	826	400	62	13,343
ECs issued and transferred to owners	407	283									690
Profit after tax				477	998		-27	-39		5	1,414
Effects on creditspread at financial liabilities FVOCI				5	12						17
Effects on basiswap in hedge accounting				-12	-26						-38
Value change on loans measured at fair value				1	1						2
Actuarial gains after tax on pensions				-1	-1						-2
Other items in comprehensive income								-39			-39
associated companies and joint ventures								-3			-3
Transferred from new minority interest										42	42
Change revaluation reserve											0
Interest expense after tax for hybrid capital								-17			-17
Dividend paid				-204	-424					-6	-634
Donations distributed from profit 2017				-6							-6
Grants from provision for gifts in 2018						-5					-5
Equity capital as of 31.12.2018	5,766	830	166	3,912	2,589	15	253	728	400	102	14,762
Equity capital as of 01.01.2019	5,766	830	166	3,912	2,589	15	252	728	400	102	14,762
OB Corr Parent Bank											0
OB Corr. Subsidiary								0			0
OB Corr. In Group companies								-8			-8
Adjusted equity capital at 01.01.2019	5,766	830	166	3,912	2,589	15	252	719	400	102	14,753
Reclassification				-57	57						0
ECs issued and transferred to owners	26	18								13	57
Hybrid capital									-100		-100
Profit after tax				505	1,268		83	69		4	1,928
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk				-3	-7						-10
Fair value changes on hedge derivatives due to changes in the currency basis spread				1	3						4
Net fair value adjustments on loans at fair value through other comprehensive income				0	0						-1
Actuarial gains/losses on pensions				1	2						3
Share of other comprehensive income from associated companies and joint ventures								4			4
Effects directly in equity from associated companies and joint ventures								-6			-6
Interest expense after tax for hybrid capital								-15			-15
Dividend paid				-222	-477					-6	-705
Donations distributed from profit 2018				-6							-6
Grants from provision for gifts in 2019						-2					-2
Equity capital as of 31.12.2019	5,791	848	166	4,131	3,434	12	334	771	300	114	15,903

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

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

Cash flow statement

Parent Bank			Group	
31.12.2018	31.12.2019	(NOK million)	31.12.2019	31.12.2018
-7,806	-7,136	Change in gross lending to customers	-8,095	-8,479
2,716	3,171	Interest receipts from lending to customers	3,586	3,134
5,527	6,994	Change in deposits from customers	6,997	5,511
-619	-889	Interest payments on deposits from customers	-896	-622
527	259	Change in receivables and debt from credit institutions	941	1,151
115	158	Interest on receivables and debt to financial institutions	-7	5
-5,532	-2,762	Change in certificates and bonds	-2,762	-5,532
208	148	Interest receipts from commercial papers and bonds	148	208
849	835	Net commission receipts	1,354	1,286
-9	70	Capital gains from sale on trading	70	-9
-1,240	-1,236	Payments for operations	-1,792	-1,778
-314	-216	Taxes paid	-248	-355
-192	-20	Other accruals	-46	-236
-5,771	-623	Net change in liquidity from operations (A)	-751	-5,716
-41	-28	Investments in tangible fixed assets	-58	-67
0	12	Receipts from sale of tangible fixed assets	46	33
-335	-687	Change in long-term investments in equities	-687	-334
385	601	Dividends from long-term investments in equities	474	257
9	-101	Net cash flow from investments (B)	-225	-111
12,699	5,948	Debt raised by issuance of securities	5,948	12,699
400	400	Debt raised by subordinated loan capital	400	400
0	300	Equity raised by hybrid capital	300	0
-4,400	-4,150	Repayments of issued securities	-4,150	-4,400
-1,000	-200	Repayments of issued subordinated loan capital	-200	-1,000
0	-400	Repayments of hybrid capital	-400	0
687	37	Payments arising from issuance of equity capital certificates	37	687
-664	-645	Interest payments on securities issued	-645	-664
-37	-36	Interest payments on subordinated loans	-36	-37
0	-42	Lease payments	-35	0
-152	-238	Payments arising from placements in subsidiaries	13	8
-424	-477	Payment of dividend	-483	-430
-202	-220	Payment of customer dividend	-220	-202
-11	-4	Donations	-4	-11
6,895	274	Net cash flow from financing (C)	525	7,049
1,134	-451	CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	-451	1,222
824	1,958	Cash and cash equivalents at 1 January	1,958	736
1,958	1,507	Cash and cash equivalents at the end of the period	1,507	1,958
		Cash and cash equivalents at comprise:		
1,878	1,325	Cash and deposits with central banks	1,325	1,878
80	183	Deposits etc. at call with banks	183	80
1,958	1,507	Cash and cash equivalents at the end of the period	1,507	1,958

Notes to the accounts

Note 1 Accounting principles

1.1 Basis for preparation

The quarterly accounts for SpareBank 1 Østlandet cover the period 1 January - 31 December 2019. The quarterly accounts have been prepared in accordance with IAS 34 'Interim reporting'. These quarterly financial statements have been prepared in accordance with the current IFRS standards and IFRIC interpretations. The quarterly financial statements do not include all information required in full annual financial statements and should be read in conjunction with the financial statements for 2018. In this quarterly report, the Group has used the same accounting policies and methods of calculation as in the last financial statements with the following exceptions:

New standards and interpretations applied from 2019:

IFRS 16 Leases was implemented from 1 January 2019.

IFRS 16 Leases

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

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

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

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

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

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

In September 2019, the IASB made amendments to IFRS 9 and IFRS 7. These changes are mandatory from 2020, but can be implemented early in the 2019 financial statements. The Group has chosen to implement the changes early. The Group's choice to implement these changes early ensures hedging operations may continue unaffected by IBOR reforms. IBOR reforms are ongoing processes in which existing reference rates, used in claims, loans and derivative contracts, are replaced with alternative reference interest rates.

1.2 Important accounting estimates and discretionary assessments

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

IFRS 16 Leases

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

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

Customer dividends

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

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

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

The Ministry of Finance has given permission to use primary capital for customer dividends. The distribution of customer dividends is regulated by Section 10-17, fourth paragraph, of the Financial Institutions Act, which classifies customer dividends as an allocation of the profit for the year. The Bank has used this classification in its accounting, and has thus treated the payment as an equity transaction. The customer dividend payment gives a tax deduction of NOK 55 million for the 2019 income year. The tax deduction is recognised as a reduction in tax costs for 2019 at date of decision.

Note 2 Change in the composition of the Group

2019

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

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

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

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

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

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

A reallocation of shares in SpareBank 1 Kredittkort AS pursuant to the shareholder agreement resulted in the Group increasing its stake in the company from 20.5 per cent to 20.8 per cent with effect from 1 January 2019.

2018

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

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

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

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

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

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

Note 3 Segment information

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

Reviews:

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

31.12.2019	Retail market	Corporate market	SB1 FØ	EM1I	EM1OA	TheVIT	Other operations/ eliminations	Total
Income statement								
Net interest income	1,049	957	246	-1	1	-2	-84	2,166
Net commissions and other income	698	228	55	124	208	185	-109	1,388
Net income from financial assets and liabilities	0	0	0	0	0	0	735	735
Total operating expenses	888	429	100	116	204	192	1	1,930
Profit before losses by segment	859	756	201	7	5	-9	541	2,359
Impairment on loans and guarantees	1	-13	43	0	0	0	1	32
Pre-tax operating profit	857	768	158	7	5	-9	540	2,326
Tax expense	142	127	40	2	-2	-2	92	398
Profit/loss per segment after tax	715	641	118	5	7	-7	448	1,928
Balance sheet								
Gross lending to customers	64,281	34,028	8,824	0	0	0	-98	107,035
Impairments	-65	-186	-65	0	0	0	0	-316
Other assets	2,810	486	169	74	154	125	24,246	28,064
Total assets per segment	67,026	34,328	8,928	74	154	125	24,148	134,783
Deposits from and liabilities to customers	45,028	33,422	0	0	0	0	44	78,494
Other liabilities and equity	21,998	906	8,928	74	154	125	24,105	56,289
Total equity capital and liabilities per segment	67,026	34,328	8,928	74	154	125	24,148	134,783

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

Note 4 Capital adequacy

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

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

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

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

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

The current requirement for common equity tier 1 (CET1) capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totalling 8 per cent, of which the Bank's countercyclical capital buffer requirement was 2.5 per cent at 31 December 2019. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.8 per cent as at 31 December 2019. The total capital requirement for common equity tier 1 capital was thus 14.3 per cent at 31 December 2019. In addition to this, a further 1.5 per cent is covered by additional Tier 1 capital and 2 per cent is covered by Tier 2 capital.

Parent Bank			Group	
31.12.18	31.12.19		31.12.19	31.12.18
6,762	6,805	Paid-up equity	6,839	6,670
6,738	7,867	Earned equity capital	8,654	7,588
400	300	Hybrid capital	300	400
0	0	Minority interests	110	104
13,900	14,972	Total equity carried	15,903	14,762
		Common equity tier 1 capital		
-705	-955	Results for the accounting year not included	-955	-705
-400	-300	Hybrid capital	-300	-400
0	0	Minority interests that is not eligible as CET1 capital	-60	-58
20	25	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	25	20
-72	-67	Goodwill and other intangible assets	-420	-395
-238	-348	Positive value of expected losses under the IRB approach	-441	-311
0	-156	CET 1 instruments of financial sector entities where the institution does have a significant investement	-292	-326
-27	-29	Value adjustments due to the requirements for prudent valuation (AVA)	-33	-27
0	0	Other adjustments in Common Equity Tier 1	2	6
12,479	13,143	Common equity tier 1 capital	13,430	12,566
		Additional Tier 1 capital		
400	300	Hybrid capital	300	400
0	0	Instruments issued by consolidated entities that are given recognition in AT1 Capital	179	245
400	300	Tier 1 capital	479	645
		Supplementary capital in excess of Tier 1 capital		
1,100	1,300	Subordinated loan capital	1,300	1,100
0	0	Instruments issued by consolidated entities that are given recognition in T2 Capital	235	361
1,100	1,300	Total supplementary capital	1,535	1,461
13,979	14,743	Total eligible capital	15,444	14,672
		Credit exposures calculated using IRB-approach		
4,781	4,809	Corporates - SME	4,819	4,781
11,034	14,300	Corporates - Specialised Lending	14,980	11,034
1,411	1,783	Corporates - Other	1,815	1,411
1,223	1,162	SME exposure	1,381	1,424
16,886	19,179	Retail mortgage exposure	27,293	24,235
1,234	1,034	Other retail exposure	1,071	1,259
0	0	Equity exposures	3	0
36,569	42,267	Credit exposures calculated using IRB-approach	51,361	44,145
		Credit exposures calculated using the standardised approach		
12,106	13,831	Credit exposures calculated using the standardised approach	17,972	16,405
383	351	Counterparty credit risk	1,881	1,732
0	0	Market risk	0	0
3,433	5,356	Operational risk	6,659	5,222
1,849	0	Basel I floor adjustment	0	7,495
54,340	61,805	Risk-weighted assets	77,873	74,999
4,347	4,944	Capital requirements (8%)	6,230	6,000
978	1,112	Pillar 2 (1.8%)	1,402	1,350
		Buffer requirements		
1,359	1,545	Capital conservation buffer (2.5%)	1,947	1,875
1,087	1,545	Countercyclical capital buffer (2.5%, 2.0% previously)	1,947	1,500
1,630	1,854	Systemic risk buffer (3%)	2,336	2,250
4,076	4,944	Total buffer requirements for Common Equity (8%, 7.5% previously)	6,230	5,625
4,980	4,305	Available Common Equity (14.3%, 13.8% previously)	2,294	2,217
		Capital ratios		
23.0 %	21.3 %	CET 1 capital ratio	17.2 %	16.8 %
23.8 %	21.3 %	CET 1 capital ratio (excluding Basel 1-floor)	17.2 %	18.6 %
23.7 %	21.8 %	Tier 1 Capital ratio	17.9 %	17.6 %
25.7 %	23.9 %	Capital adequacy ratio	19.8 %	19.6 %
10.2 %	9.8 %	Leverage Ratio	7.2 %	7.5 %

Note 5 Loans to and receivables from customers

Parent Bank

Gross loans	31.12.2019				31.12.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December	85,386	5,403	371	91,160	78,682	4,203	470	83,355
<i>Transfers in (out) to Stage 1</i>	1,366	-1,358	-8	0	1,144	-1,109	-35	0
<i>Transfers in (out) to Stage 2</i>	-3,260	3,294	-34	0	-2,374	2,408	-34	0
<i>Transfers in (out) to Stage 3</i>	-53	-80	134	0	-70	-104	174	0
<i>Net increase/decrease existing loans</i>	-2,730	-293	-43	-3,066	-1,845	-10	-33	-1,888
<i>Purchases and originations</i>	46,174	1,632	57	47,864	43,787	1,549	71	45,407
<i>Derecognitions and maturities</i>	-35,768	-1,740	-145	-37,652	-33,939	-1,534	-214	-35,688
<i>Write-offs</i>	0	0	-9	-9	0	0	-26	-26
Ending Balance	91,115	6,858	323	98,296	85,386	5,403	371	91,160
<i>Loan and advances to customers at amortised cost</i>				31,621				27,786
<i>Loan and advances to customers at fair value</i>				66,675				63,374

Group

Gross loans	31.12.2019				31.12.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December	92,167	6,317	456	98,940	84,975	4,958	527	90,460
<i>Transfers in (out) to Stage 1</i>	1,595	-1,581	-13	0	1,347	-1,310	-38	0
<i>Transfers in (out) to Stage 2</i>	-3,772	3,816	-44	0	-2,846	2,885	-39	0
<i>Transfers in (out) to Stage 3</i>	-104	-130	233	0	-99	-139	238	0
<i>Net increase/decrease existing loans</i>	-3,803	-493	-61	-4,357	-2,940	-200	-47	-3,187
<i>Purchases and originations</i>	49,686	1,941	88	51,714	46,998	1,838	89	48,925
<i>Derecognitions and maturities</i>	-37,114	-1,945	-192	-39,251	-35,268	-1,715	-249	-37,232
<i>Write-offs</i>	0	0	-11	-11	0	0	-26	-26
Ending Balance	98,654	7,925	456	107,035	92,167	6,317	456	98,940
<i>Loan and advances to customers at amortised cost</i>				40,360				35,566
<i>Loan and advances to customers at fair value</i>				66,675				63,374

Parent Bank			Group	
31.12.2018	31.12.2019		31.12.2019	31.12.2018
251	22	Public sector	294	482
4,271	4,813	Primary industries	5,204	4,636
1,026	1,102	Paper and pulp industries	1,118	1,051
1,225	1,266	Other industry	1,508	1,472
3,135	3,947	Building and constructions	5,220	4,466
230	222	Power and water supply	386	397
1,003	1,154	Wholesale and retail trade	1,469	1,302
467	464	Hotel and restaurants	478	483
14,140	16,116	Real estate	16,291	14,277
4,588	5,132	Commercial services	5,716	5,172
496	488	Transport and communication	1,709	1,657
0	0	Other	0	0
30,834	34,726	Gross corporate loans by sector and industry	39,394	35,397
60,326	63,571	Private customers	67,641	63,544
91,160	98,296	Total gross loans by sector and industry	107,035	98,940
-238	-209	Loan loss allowance for loans at amortised cost	-271	-291
-43	-46	Fair value adjustments for loans at fair value through OCI	-46	-43
90,878	98,041	Total loans to customers	106,718	98,606
39,792	42,630	Loans transferred to SpareBank 1 Boligkreditt AS	42,630	39,792
1,433	1,022	Loans transferred to SpareBank 1 Næringskreditt AS	1,022	1,433
132,103	141,694	Total loans including loans transferred to covered bond companies	150,371	139,831

Note 6 Impairment on loans and liabilities

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

Parent Bank

31.12.2019

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

31.12.2018

	01.01.2018	Provision for credit losses	Net write-offs	31.12.2018
Provisions for loans at amortised cost, guarantees and unused credit facilities	273	17	-26	265
Provisions for loan losses at fair value over OCI	78	-8	-5	65
Total provisions for credit losses	351	10	-31	329
Presented as:				
Assets: Provisions for loan losses - decrease of assets	308	0	-26	282
Liabilities: Provisions for loan losses - increase of liabilities	23	5	-3	25
Eqty: Fair value adjustment of losses	20	2	0	22

Group

31.12.2019

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

31.12.2018

	01.01.2018	Provision for credit losses	Net write-offs	31.12.2018
Provisions for loans at amortised cost, guarantees and unused credit facilities	331	15	-26	320
Provisions for loan losses at fair value over OCI	78	-8	-5	65
Total provisions for credit losses	409	8	-31	385
Presented as:				
Assets: Provisions for loan losses - decrease of assets	366	-2	-26	337
Liabilities: Provisions for loan losses - increase of liabilities	23	5	-3	25
Eqty: Fair value adjustment of losses	20	2	0	22

Parent Bank

Provisions for credit losses *	31.12.2019				31.12.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December	111	136	83	329	101	117	133	351
<i>Provision for credit losses</i>								
<i>Transfers in (out) to Stage 1</i>	3	-3	0	0	31	-21	-10	0
<i>Transfers in (out) to Stage 2</i>	-46	48	-2	0	-6	18	-12	0
<i>Transfers in (out) to Stage 3</i>	-9	-7	16	0	0	-8	8	0
<i>Net remeasurement of loss provisions</i>	33	-49	2	-14	-46	35	31	20
<i>Purchases and originations</i>	56	24	1	81	63	33	10	107
<i>Derecognitions and maturities</i>	-33	-34	-19	-86	-32	-39	-51	-122
<i>Write-offs</i>	0	0	-11	-11	0	0	-26	-26
Ending Balance	115	115	69	299	111	136	83	329

Group

Provisions for credit losses *	31.12.2019				31.12.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December	127	162	96	385	116	144	149	409
<i>Provision for credit losses</i>								
<i>Transfers in (out) to Stage 1</i>	8	-8	0	0	37	-27	-11	-1
<i>Transfers in (out) to Stage 2</i>	-48	50	-2	0	-8	21	-12	0
<i>Transfers in (out) to Stage 3</i>	-9	-11	21	0	-1	-9	10	0
<i>Net remeasurement of loss provisions</i>	24	-42	8	-11	-54	36	36	18
<i>Purchases and originations</i>	66	31	4	101	72	41	11	125
<i>Derecognitions and maturities</i>	-35	-41	-27	-103	-36	-43	-61	-140
<i>Write-offs</i>	0	0	-11	-11	0	0	-26	-26
Ending Balance	131	142	87	360	127	162	96	385

* Provisions for loans, guarantees and unused credit facilities

Note 7 Net income from financial assets and liabilities

Parent Bank		Group	
31.12.2018	31.12.2019	31.12.2019	31.12.2018
13	19	19	13
13	19	19	13
372	582	519	198
-4	0		
0	-6		
369	576	519	198
-20	3	3	-20
-1	14	14	-1
-21	17	17	-21
35	-96	-96	35
-17	106	106	-17
17	10	10	17
15	82	82	15
-64	-18	-18	-64
11	36	36	11
73	16	16	73
47	55	55	47
80	197	197	80
461	792	735	291

Note 8 Financial derivatives

Parent Bank and Group

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

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

Note 9 Liquidity risk

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

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

Average time to maturity in the Bank's borrowing portfolio was 3.8 (3.8) years at the end of 2019. At the same date, total LCR was 162.2 (152.8) per cent.

Note 10 Financial instruments at fair value

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

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

Group				
31.12.2019	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
- Derivatives	0	878	0	878
- Certificates, bonds and fixes-income funds	0	17,252	0	17,252
- Fixed-rate loans to customers	0	0	6,765	6,765
- Equity instruments	331	45	299	675
- Other financial assets	0	0	0	0
- Mortgages	0	0	59,865	59,865
Total assets	331	18,175	66,929	85,435
Liabilities				
Financial liabilities at fair value				
- Derivatives	0	373	0	373
- Securities issued	0	4,036	0	4,036
Total liabilities	0	4,409	0	4,409
31.12.2018	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	819	0	819
- Bonds and certificates	0	14,446	0	14,446
- Fixed-rate loans to customers	0	0	6,471	6,471
- Equity instruments	268	47	279	594
- Equity instruments	0	0	4	4
- Other financial assets	0	0	56,859	56,859
Total assets	268	15,311	63,614	79,193
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	354	0	354
- Securities issued	0	4,831	0	4,831
Total liabilities	0	5,185	0	5,185

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

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

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

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

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

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

	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
31.12.2018-31.12.2019					
Opening balance	6,471	279	56,859	4	63,614
Investments in the period	1,608	2	30,858	0	32,468
Sales/redemption in the period	-1,297	0	-27,851	-4	-29,152
Gains/losses recognised through profit and loss	-18	18	-3	0	-3
Gains/losses recognised through other comprehensive income	0	0	1	0	1
Closing balance	6,765	299	59,865	0	66,929
Gains/losses for the period included in the profit for assets owned on the balance sheet day	-18	18	-3	0	-3

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

Specification of fair value, instruments classified in level 3:

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

	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
31.12.2018					
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,470	209	56,902	4	63,585
Fair value adjustment	1	71	-43	0	29
Closing balance	6,471	279	56,859	4	63,614

Sensitivity, instruments classified as level 3

The valuation of fixed-rate loans to customers is based on an agreed rate with the customer. The loans are discounted by the current yield curve plus a discretionary market premium. An increase in the discount rate by ten basis points would have resulted in a negative change in fair value of MNOK 17.

Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 55), Eksportfinans ASA (MNOK 73), SpareBank 1 Markets AS (MNOK 40) and VN Norge AS (MNOK 45). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass belonging to Oslo Kongressenter Folkets Hus BA (P/B 3.9). Based on an external valuation in connection with a demerger in 2012 and subsequent equity transactions, the value of Eksportfinans ASA is considered to be less than book value (P/B 0.85). The value of the shareholding in SpareBank 1 Markets are based on current issue pricing. The value of the shareholding in VN Norge (former Visa Norge FLI, transformed into a limited company medio 2018) are based on valuation of underlying assets, of witch preference shares in Visa Inc are most significant. Preference shares in Visa Inc will be converted into tradable shares no later than 2028. The valuation of this underlying asset is based on the share price of tradable Visa Inc stocks and the closing exchange rate (USDNOK) as well as agreed conversion factor for the preference shares. Net value is less deferred tax and a liquidity discount. The preference shares are priced by an external party.

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued bases on carrying amounts and expected credit losses. Mortgages that do not have a significantly higher credit risk than they did upon initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With the current assumptions on expected credit loss, the fair value adjustment amounts to MNOK -46. Change in fair value will mainly relate to estimates on probability of default (PD) and loss given default (LGD), both at portfolio level and for individual loans.

Note 11 Financial instruments and offsetting

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

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

SpareBank 1 Østlandet has three sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, agreements requiring provision of collateral is established. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As for financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Under ISDA the Bank has entered into credit supplementary agreements (CSA) with 18 institutional counterparties. The Bank has also entered into agreements on the clearing of derivatives transactions, transferring its exposure to a central counterparty (clearing house) that calculates the collateral requirements.

Reverse repurchase agreements are governed by GMRA agreements with counterparty. The Bank has five GMRA agreements.

The assets and liabilities below may be offset.

Parent Bank and Group	Amounts not presented on the balance sheet on a net basis					
	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
31.12.2019						
Derivatives as assets	878	0	878	-274	-550	54
Derivatives as liabilities	-373	0	-373	274	54	-45
31.12.2018						
Derivatives as assets	819	0	819	-264	-417	138
Derivatives as liabilities	-354	0	-354	264	16	-74

Note 12 Leases

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

Parent Bank	Group
2019 Right of use	2019
224 Right-of use asset at 01.01.2019	170
7 Additions	26
22 Adjustments of discount rates and options	8
38 Depreciation	35
214 Right-of use asset at 31.12.2019	169

2019 Lease liability	2019
224 Lease liability at 01.01.2019	170
7 Additions	26
22 Adjustments of discount rates and options	8
42 Lease payments in the period	39
4 Interest	4
216 Lease liability at 31.12.2019*	169

* In the parent bank, NOK 41 million of the lease obligation falls due within 12 months. Corresponding figures in the Group are NOK 35 million.

2019 Effects on earnings	2019
4 Interest expense	4
38 Depreciation	33
43 Total cost from lease liabilities	37

2019 Effect of IFRS 16	2019
-42 Reduced operating expenses under IAS 17	-35
43 Increase lease expense under IFRS 16	37
1 Change in profit before tax in the period	2

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

Note 13 Other assets

Parent Bank		Group	
31.12.2018	31.12.2019	31.12.2019	31.12.2018
273	273	273	273
37	33	34	39
94	70	144	149
0	0	0	0
295	144	336	581
699	520	787	1,041
Total other assets			

Note 14 Deposits from and liabilities to customers

Parent Bank		Group	
31.12.2018	31.12.2019	31.12.2019	31.12.2018
40,886	43,884	43,884	40,886
5,880	7,106	7,106	5,880
868	1,039	1,039	868
275	302	302	275
754	801	801	754
1,779	1,964	1,964	1,779
87	244	244	87
1,496	1,814	1,814	1,496
290	319	319	290
3,826	3,966	3,966	3,826
14,338	15,924	15,884	14,295
1,060	1,173	1,173	1,060
71,540	78,534	78,494	71,497
Total deposits by sector and industry			

Note 15 Debt securities issued

Parent Bank and Group

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

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

Note 16 Other debt and liabilities recognized in the balance sheet

Parent Bank		Group	
31.12.2018	31.12.2019	31.12.2019	31.12.2018
94	79	124	141
25	22	59	25
86	80	82	87
83	84	89	91
0	0	0	0
0	216	170	0
244	182	215	343
532	663	739	687
Total other debt and liabilities recognised in the balance sheet			

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

Note 17 Equity capital certificates and owner structure

Parent Bank	31.12.2019 ¹⁾	31.12.2018
Equity capital certificates	5,791	5,766
Dividend equalisation fund	2,772	2,112
Dividends	663	477
Premium fund	848	830
A. Equity capital certificate owners' capital	10,074	9,185
Primary capital	3,838	3,690
Dividends to customers	292	222
Other paid-up equity	166	166
B. Total primary capital	4,297	4,078
Fund for unrealised gains	334	252
Provision for gifts	12	15
Total other equity	347	267
Other equity	0	0
Hybrid capital	300	400
Total interest expense on hybrid capital	-45	-30
Total equity	14,972	13,900
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	70.1 %	69.3 %
Equity certificates issued	115,829,789	115,319,521
Equity Certificates with the right to dividend ²⁾	115,829,789	107,179,987
Average Equity certificates	115,800,431	115,319,521

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

²⁾ In January 2019, there was a subsequent offering, a repair issue to the Norwegian Confederation of Trade Unions (LO) and an employee offering, with a total of 510,268 equity certificates issued and which increased Equity capital certificate owners' capital by NOK 43 million.

20 largest owners of equity certificates:	No. Of EC's	Share in %
Sparebankstiftelsen Hedmark	60,404,892	52.15 %
Landsorganisasjonen i Norge Sentralt	11,121,637	9.60 %
Tredje AP-Fonden	2,418,126	2.09 %
Fellesforbundet	2,101,322	1.81 %
VPF Danske Invest Norske aksjer institusjon II	1,827,225	1.58 %
VPF Eika Egenkapitalbevis	1,621,218	1.40 %
VPF Eika Egenkapitalbevis	1,399,723	1.21 %
Norsk nærings og nytelsesmiddelarbeiderforbund	1,313,555	1.13 %
State Street Bank and Trust Comp	1,161,076	1.00 %
VPF Landkreditt Utbytte	1,000,000	0.86 %
Fidelity Pur.Trust:Fidelity Series	1,000,000	0.86 %
SpareBank 1 Østfold Akershus	839,880	0.73 %
Arctic Funds PLC	780,038	0.67 %
SpareBank 1 BV	779,523	0.67 %
State Street Bank and Trust Comp	765,177	0.66 %
VPF Danske Invest Norske aksjer institusjon I	757,345	0.65 %
DnB Nor Bank ASA	700,000	0.60 %
VPF Eika Spar	618,314	0.53 %
JP Morgan Chase Bank, N.A., London	545,030	0.47 %
SEB Nordenfond	544,910	0.47 %

Dividend policy

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

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

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

Note 18 Events occurring after the balance date

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

Profit/loss from the quarterly accounts

Group	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
(NOK million, excluding percentages)	2019	2019	2019	2019	2018	2018	2018	2018	2017
Interest income	1,023	981	910	875	896	864	844	811	820
Interest expense	438	427	390	367	352	340	333	316	318
Net interest income	584	554	520	508	544	524	511	495	501
Commission income	332	336	323	304	297	299	310	304	312
Commission expenses	37	40	36	30	32	23	27	23	27
Other operating income	37	54	78	67	48	40	51	42	29
Net commission and other operating income	333	350	364	341	313	316	334	323	315
Dividends from other than Group companies	0	0	6	12	0	0	0	12	0
Net profit from ownership interests	-1	44	131	346	57	58	54	30	77
Net profit from other financial assets and liabilities	12	59	61	65	-51	32	95	4	67
Net income from financial assets and liabilities	11	103	198	423	7	90	149	45	143
Total income	928	1,007	1,082	1,271	864	930	994	864	959
Personnel expenses	274	267	267	290	286	259	247	258	308
Depreciation	32	30	33	36	23	24	32	23	22
Other operating expenses	183	161	189	169	197	173	190	169	220
Total operating expenses	490	457	489	494	506	457	468	449	550
Operating profit before losses on loans and guarantees	439	550	593	777	358	473	525	414	409
Impairment on loans and guarantees	33	24	8	-33	11	12	7	5	-13
Pre-tax operating profit	406	526	585	810	347	461	518	409	422
Tax expense	114	116	114	54	25	99	102	96	85
Profit after tax	291	409	471	757	322	362	416	314	337
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
	2019	2019	2019	2019	2018	2018	2018	2018	2017
Profitability									
Return on equity capital ¹⁾	7.3 %	10.7 %	12.8 %	21.2 %	9.1 %	10.8 %	12.9 %	9.9 %	10.4 %
Net interest income ²⁾	1.71 %	1.64 %	1.62 %	1.65 %	1.76 %	1.73 %	1.75 %	1.81 %	1.85 %
Cost income ratio ³⁾	52.7 %	45.4 %	45.2 %	38.8 %	58.6 %	49.2 %	47.6 %	52.0 %	57.4 %
Balance sheet and ratios									
Gross loans to customers	107,035	104,037	101,668	98,744	98,940	98,259	96,040	92,818	90,460
Gross loans to customers including loans transferred to covered bond companies ¹⁾	150,688	147,310	144,337	141,079	140,165	138,153	135,495	132,433	129,535
Growth in loans during the last 12 months ¹⁾	8.2 %	5.9 %	5.9 %	6.4 %	9.4 %	10.5 %	9.7 %	9.3 %	9.1 %
Growth in loans including loans transferred to covered bond companies in the last 12 months ¹⁾	7.5 %	6.6 %	6.5 %	6.5 %	8.2 %	8.9 %	8.9 %	8.8 %	8.4 %
Growth in loans during the last quarter ¹⁾	2.9 %	2.3 %	3.0 %	-0.2 %	0.7 %	2.3 %	3.5 %	2.6 %	1.7 %
Growth in loans including loans transferred to covered bond companies in the last quarter ¹⁾	2.3 %	2.1 %	2.3 %	0.7 %	1.5 %	2.0 %	2.3 %	2.2 %	2.1 %
Deposits from customers	78,494	76,866	77,352	72,377	71,497	70,251	70,645	66,110	65,985
Deposit to loan ratio ¹⁾	73.3 %	73.9 %	76.1 %	73.3 %	72.3 %	71.5 %	71.2 %	71.2 %	72.9 %
Deposit to loan ratio including loans transferred to covered bond companies ¹⁾	52.1 %	52.2 %	53.6 %	51.3 %	51.0 %	50.9 %	52.1 %	49.9 %	50.9 %
Growth in deposits in the last 12 months	9.8 %	9.4 %	9.5 %	9.5 %	8.4 %	7.6 %	6.0 %	5.3 %	4.6 %
Growth in deposits in the last quarter	2.1 %	-0.6 %	6.9 %	1.2 %	1.8 %	-0.6 %	6.9 %	0.2 %	1.1 %
Average total assets	135,676	133,711	128,573	124,882	122,395	120,455	116,840	111,205	107,316
Total assets	134,783	136,568	130,854	126,292	123,472	121,319	119,592	114,088	108,321
Total assets including loans transferred to covered bond companies ¹⁾	178,436	179,841	173,522	168,626	164,696	161,212	159,047	153,703	147,396
Losses and commitments in default									
Losses on loans as a percentage of gross loans ¹⁾	0.1 %	0.1 %	0.0 %	-0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	-0.1 %
Financial strength									
Common equity Tier 1 capital ratio	17.2 %	16.7 %	16.7 %	16.9 %	16.8 %	15.9 %	16.1 %	16.2 %	16.8 %
Tier 1 capital ratio	17.9 %	17.7 %	17.3 %	17.5 %	17.6 %	16.7 %	16.9 %	17.0 %	17.7 %
Capital ratio	19.8 %	19.7 %	19.1 %	19.4 %	19.6 %	18.7 %	19.3 %	19.4 %	20.5 %
Net subordinated capital	15,444	15,685	14,982	14,676	14,672	14,077	14,288	14,028	14,138

1) See attachment Alternative performance measures.

2) Net interest income as a percentage of average total assets for the period.

3) Total operating costs as a percentage of total operating income (isolated for the quarter).

Alternative performance measures

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

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

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

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

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

Alternative performance measures	Definition and rationale
Growth in deposits in the last 12 months	$\frac{\text{Deposits from and liabilities to customers}}{\text{Deposits from and liabilities to customers 12 months ago}} - 1$
	This indicator provides information about the activity and growth of the depositing business which is an important part of financing the Bank's lending activity.
Losses on loans as a percentage of gross loans	$\frac{(\text{Losses on loans and guarantees}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$
	The indicator shows the impairment loss in relation to gross lending and provides relevant information about the company's impairment losses in relation to lending volume. This provides useful additional information to the recognised impairment losses as the cost is also viewed in the context of lending volume and is thus better suited for comparison with other banks.
Loans to and receivables from customers in stage 2, percentage of gross loans	$\frac{(\text{Loans to and receivables from customers in stage 2}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Loans to and receivables from customers in stage 3, percentage of gross loans	$\frac{(\text{Loans to and receivables from customers in stage 3}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Commitments in default as percentage of gross loans	$\frac{\text{Gross defaulted commitments for more than 90 days}}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Other doubtful commitments as percentage of gross loans	$\frac{\text{Gross doubtful commitments not in default}}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Net commitments in default and other doubtful commitments in percentage of gross loans	$\frac{\text{Net defaulted commitments} + \text{Net doubtful commitments}}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Loan loss impairment ratio for defaulted commitments	$\frac{\text{Individual write downs on defaulted commitments}}{\text{Gross defaulted commitments for more than 90 days}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Loan loss impairment ratio for doubtful commitments	$\frac{\text{Individual write downs on doubtful commitments}}{\text{Gross doubtful commitments not in default}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Equity ratio	$\frac{\text{Total equity capital}}{\text{Total assets}}$
	The indicator provides information about the company's unweighted solvency ratio.

Alternative performance measures	Definition and rationale
Book equity per EC	$\frac{(Total\ EC - Minority\ interests - Gifts - Hybrid\ capital) \times EC\ certificate\ ratio}{Number\ of\ Equity\ certificates\ issued}$ <p>The indicator provides information about the value of the book equity per equity certificate. This allows the reader to assess the reasonableness of the quoted price for the equity certificate. It is calculated as the equity certificate holders' share of the equity at the end of the period divided by the number of equity certificates.</p>
Price/Earnings per EC	$\frac{Listed\ price\ of\ EC}{Earnings\ per\ EC \times \left(\frac{Act}{Act}\right)}$ <p>The indicator provides information on earnings per equity certificate against the exchange price on the relevant date, helping to assess the reasonableness of the price for the equity certificate. It is calculated as the price per equity certificate divided by annualised earnings per equity certificate.</p>
Price/book equity	$\frac{Listed\ price\ of\ EC}{Book\ equity\ per\ EC}$ <p>The indicator provides information about the book value of the equity per equity certificate against the price at any given time. This allows the reader to assess the reasonableness of the quoted price for the equity certificate. It is calculated as the price per equity certificate divided by book equity per equity certificate (see definition of this measure above).</p>
Average LTV (Loan to value)	$\frac{Average\ amount\ on\ loans\ to\ customers}{Average\ market\ value\ of\ asset\ encumbrance}$ <p>The indicator provides information about the loan-to-value ratio in the lending portfolio and is relevant for assessing risk of loss in the lending portfolio.</p>
Loans transferred to covered bond (CB) companies	<p>Loans transferred to SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS and thus derecognised from the balance sheet</p> <p>Loans transferred to covered bond companies are subtracted from the balance sheet, but are included in the total lending business. The indicator is used in calculating other APMs.</p>
Act/Act	$\frac{Total\ number\ of\ days\ in\ the\ year\ (365\ or\ 366)}{Number\ of\ days\ so\ far\ this\ year}$ <p>Act/Act is used to annualise the results figures included in the indicators. Results figures are annualised in the indicators to make them comparable with figures for other periods.</p>
Notable items	<p>Identified costs considered to be non recurring</p> <p>The indicator is used to calculate the underlying banking activity, which is shown as a separate APM.</p>
Earnings per average equity certificate	$\frac{Majority\ interest\ of\ the\ Group's\ profit\ after\ tax \times ECC\ ratio}{Average\ number\ of\ ECC\ in\ the\ accounting\ period}$ <p>The indicator shows the equity capital certificate holders' share of profit after tax distributed by average number of equity capital certificates during the accounting period.</p>
Diluted earnings per average equity certificate	$\frac{Majority\ interest\ of\ the\ Group's\ profit\ after\ tax \times ECC\ ratio}{Average\ number\ of\ ECC\ in\ the\ accounting\ period + Number\ of\ ECC\ issued\ after\ the\ accounting\ period}$ <p>The indicator shows the equity capital certificate holders' share of profit after tax distributed by the sum of average number of equity capital certificates during the accounting period and the number of equity capital certificates issued after the accounting period.</p>

Financial calendar 2020

Friday 7 February 2020	7.30 AM	Preliminary annual accounts 2019
Thursday 5 March		Annual Report 2019
Thursday 26 March 2020		Supervisory Board Meeting
Friday 27 March 2020		Ex. Dividend
Tuesday 7 April 2020		Dividend payment date
Friday 8 May 2020	7.30 AM	1 st Quarter 2020
Wednesday 5 August	10.00 AM	2 nd Quarter 2020
Friday 30 October 2020	7.30 AM	3 rd Quarter 2020

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

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

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

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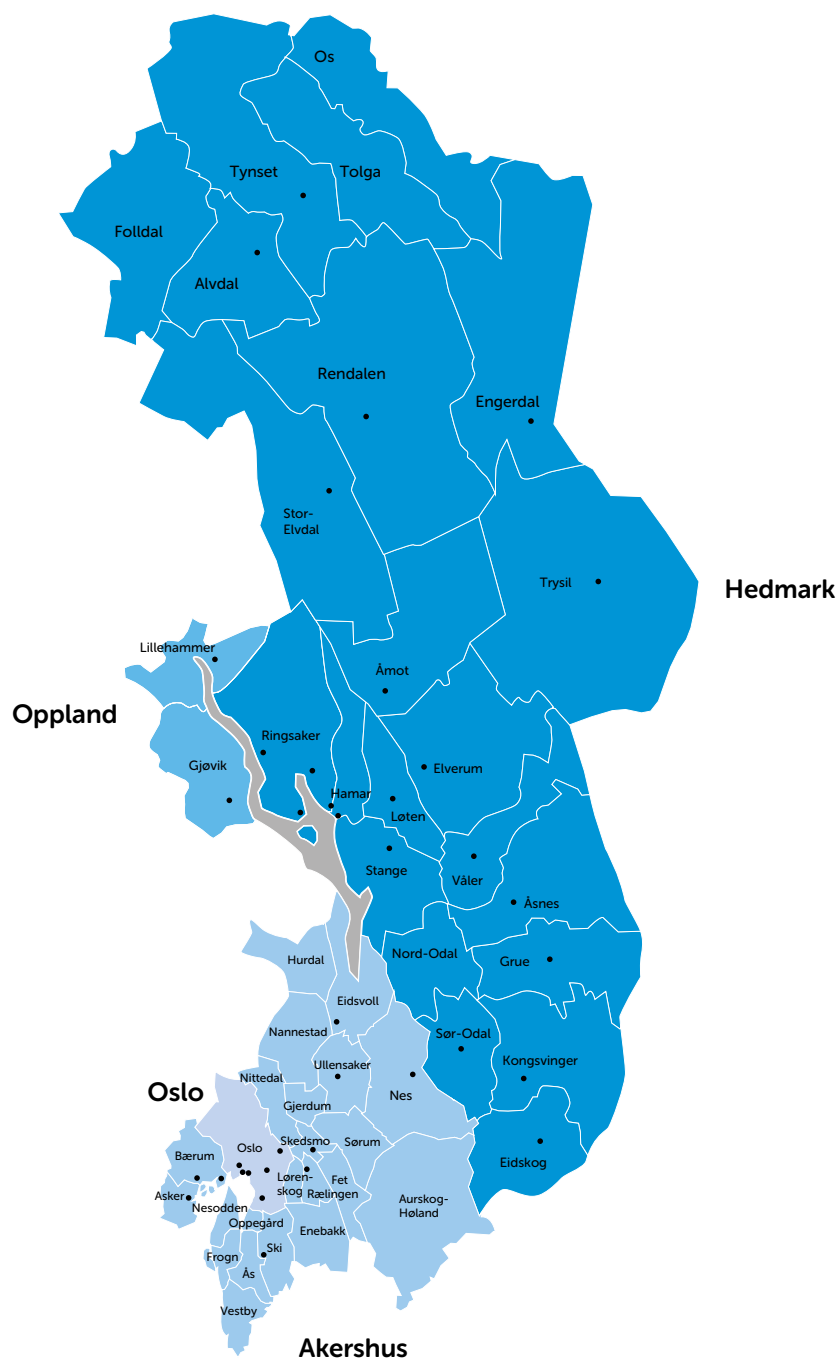
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