Annual Report
2018

SpareBank 1 ØSTLANDET

Contents

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Strong results for SpareBank 1 Østlandet in its first whole year of operation after the merger

SpareBank 1 Østlandet generated post-tax profits of NOK 1,414 million in 2018. This is a strong financial performance after the first full year of operation as a merged bank.

Since the merger with Bank 1 Oslo Akershus, the Bank has seen a steady increase in the number of customers, strong growth in lending and increased profitability. The growth is broad-based and the revenue from traditional banking activities is increasing. The result after our first full year of operation as a merged bank is very positive overall. Our subsidiaries are contributing to good customer experiences and to the Group's overall positive development.

The pace in the market place is high and we are becoming a bank with regional differences that call for a bespoke approach to the market and customers. This contributes to the development of our business. We have become a bigger and more interesting bank for our customers and owners and a more attractive workplace for our employees. In addition we have raised our profile with other stakeholders.

The merged bank has long traditions with a local presence both in the Inland Region and in Oslo and Akershus. We are continuing to consolidate and strengthen our regional position. At the same time, we are becoming more digital and, in collaboration with the SpareBank 1 Alliance, we are constantly working on changes, improvements and simplifications to our self-service solutions. The Bank's business model, with leading digital solutions combined with a well-developed network of branch offices in central hubs and towns, has proven to be a good driver for profitable growth.

The growth rate in 2018 implies that the Bank has increased its market share in line with its strategic objectives. We are constantly recruiting new customers and winning tender offers for key public-sector customers. This shows that we have teams that can collaborate well across sectors and deliver highly professional services. Our financial advisors and staff deliver good services to fulfill customers' and colleagues' needs every day.

Since sustainability was identified as a major pilar of the Bank's business strategy in 2017, we have intensified this focus. Both internally within the Bank and externally with customers, sustainability is becoming an integral part of our business. Green mortgages, assistance to farmers hit by climate change, discussion of climate risk at The Board of Directors and management level, inclusion of sustainability factors in risk assessments and investment decisions, a comprehensive training programme, and dialogue with customers about transition to sustainability, are among the main themes for the year. Dialogue with customers and the market is important, so the Leadership Conference in 2018 focused on sustainability. We have also run voluntary plastic clean-up campaigns with over 10,000 participants and presented a survey reporting on sustainability efforts in the businesses in our region. The Bank's motto for its sustainability program is 'Creating together - sustainability in everything we do'. The Bank is working to support the UN Sustainable Development Goals and has signed up to the 'Principles for Responsible Banking' from the UNEP Financial Initiative. Specific goals have been set for this work in 2019, and you can read more about this in the sustainability chapter.

At the regional level, most economic indicators are showing a positive trend. The region is experiencing positive growth in housing prices, solid credit growth and low unemployment, along with good profitability and great willingness to invest in the SMEs. SpareBank 1 Østlandet's expectations indicator for 2019 shows stable signs of optimism for individuals and for businesses. All in all, 2019 looks promising for the region and for the Bank.

I want to thank all my colleagues in the bank for their great efforts and contributions throughout this year. I also want to thank our customers and other partners for their work with us in the past year.

Richard Heiberg
CEO

Main figures Group

Group	2018		2017	
Summary (NOK million and per cent of average toal assets)	**Amount**	**Per cent [1]**	**Amount**	**Per cent [1]**
Net interest income	2 074	1,77 %	1 956	1,86 %
Net commissions and other (non-interest) income	1 286	1,10 %	1 263	1,20 %
Net income from financial assets and liabilities	291	0,25 %	277	0,26 %
Total income	**3 651**	**3,11 %**	**3 496**	**3,32 %**
Total operating expenses	**1 881**	**1,60 %**	**1 898**	**1,81 %**
Operating profit before losses on loans and guarantees	**1 770**	**1,51 %**	**1 598**	**1,52 %**
Losses on loans and guarantees	35	0,03 %	-20	-0,02 %
Pre-tax operating profit	**1 735**	**1,48 %**	**1 618**	**1,54 %**
Tax expense	321	0,27 %	356	0,34 %
Profit after tax	**1 414**	**1,20 %**	**1 263**	**1,20 %**
Interest on hybrid capital	17	0,01 %	13	0,01 %
Profit after tax incl. interest on hybrid capital	1 396	1,19 %	1 250	1,19 %
Profitability	**Amount/ Per cent**		**Amount/ Per cent**	
Return on equity capital [2]	10,5 %		10,2 %	
Cost-income-ratio [2]	51,5 %		54,3 %	
From the balance sheet				
Gross loans to customers	98 940		90 460	
Gross loans to customers including loans transferred to covered bond companies [2]	140 165		129 535	
Growth in loans during the last 12 months [2]	9,4 %		9,1 %	
Growth in loans including loans transferred to covered bond companies in the last 12 months [2]	8,2 %		8,4 %	
Deposits from customers	71 497		65 985	
Growth in deposits in the last 12 months [2]	8,4 %		4,6 %	
Deposit-to-loan-ratio [2]	72,3 %		72,9 %	
Deposit to loan ratio incl. loans transferred to covered bond companies [2]	51,0 %		50,9 %	
Average total assets	117 358		105 157	
Total assets	123 472		108 321	
Total assets including loans transferred to covered bond companies [2]	164 696		147 396	
Losses and commitments in default				
Losses on loans as a percentage of gross loans [2]	0,0 %		0,1 %	
Commitments in default, percentage of gross loans [2]	0,3 %		0,3 %	
Other doubtful commitments, percentage of gross loans [2]	0,1 %		0,3 %	
Net commitments in default and other doubtful commitments, percentage of gross loans [2]	0,4 %		0,4 %	
Solidity and liquidity				
CET 1 capital ratio	16,8 %		16,8 %	
Tier 1 capital ratio	17,6 %		17,7 %	
Capital adequacy ratio	19,6 %		20,5 %	
Total eligible capital	14 672		14 138	
Equity ratio [2]	12,0 %		12,3 %	
Leverage Ratio	7,5 %		7,1 %	
LCR [3]	152,8 %		114,0 %	
LCR in NOK [3]	164,5 %		113,0 %	
LCR i EUR [3]	123,3 %		N.A.	
Branches and staff				
Number of branches	37		38	
Number of fulltime equivalents	1 139		1 109	
Equit capital certificates				
Market price (NOK)	83,00		90,50	
Market capitalisation (NOK million)	9 572		9 700	
Book equity per EC [2]	85,83		81,14	
Earnings per EC, NOK [4]	8,46		7,92	
Price/Earnings per EC [2]	9,81		11,43	
Price/book equity [2]	0,97		1,12	

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

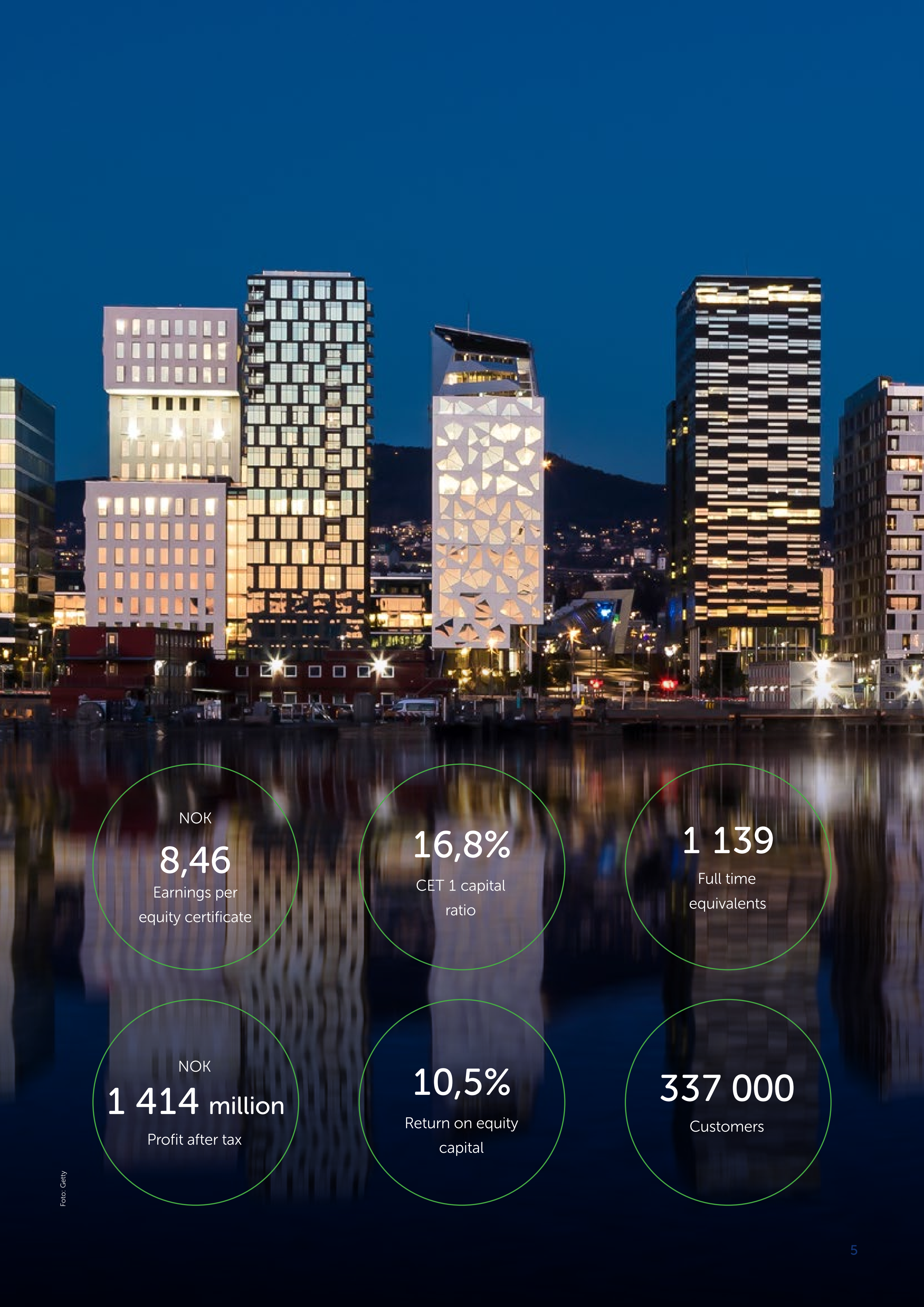


Foto: Getty

NOK
8,46
Earnings per equity certificate

16,8%
CET 1 capital ratio

1 139
Full time equivalents

NOK
1 414 million
Profit after tax

10,5%
Return on equity capital

337 000
Customers

About SpareBank 1 Østlandet

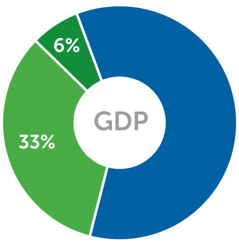
– a digital and a local bank

SpareBank 1 Østlandet is one of Norway's most robust regional financial groups with an almost 175-year, tradition-rich history in central Eastern Norway. The Bank is the only exchange-listed company in Hedmark, and is Norway's fourth largest savings bank.

Hedmark and Oppland

approx 390 000

inhabitants



Oslo and Akershus

approx 1,3 mill

inhabitants

SpareBank 1 Østlandet can trace its roots back to 1845 and has a unique competitive advantage thanks to its almost 175-year history and local knowledge. Funds from local granaries, forest commons, local authorities and private individuals were pooled to found the very first savings banks. The Bank came about through mergers with former independent savings banks in Hedmark, Oslo and Akershus, most recently with the merger of Sparebanken Hedmark and Bank 1 Oslo Akershus AS in 2017. The Bank also has branches in the towns on the shores of Mjøsa lake, Gjøvik and Lillehammer, since expanding northwards into Oppland in 2011.

SpareBank 1 Østlandet has customers across the country but its main areas of activity are in Hedmark, Oppland, Oslo and Akershus. The Bank's head office and executive management team are based in Hamar in the county of Hedmark. The Group offers a wide range of products within loans, deposits, insurance, pensions, payment services, real estate, accounting services, leasing and financing. The organisation includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo og Akershus AS, SpareBank 1 Finans Østlandet AS and Regnskapshuset with TheVIT AS.

A cornerstone of local communities

SpareBank 1 Østlandet is a cornerstone of many local communities with its numerous branches close to where people live. The Bank enjoys a high market share in Hedmark and is aiming to strengthen its position in the fastest growing market in Norway, Oslo and Akershus. The company takes responsibility for sustainable growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Bank helps people build, live and work in the various local communities outside the big cities as well.

An innovative bank

SpareBank 1 Østlandet is innovative and is constantly striving to develop customer-friendly solutions. The Bank was the first in Europe to launch an online bank in 1996 and has since pioneered several services within mobile phone payment solutions. Today, it is a modern and digitalised bank that retains a local profile. 1,100 capable employees across the Group work on development, dissemination and advice within products and services for its customers every day.

Strong local roots mean that both people and companies are close to where decisions are taken. The Bank is experiencing good customer growth after other competitors have withdrawn from parts of its market area.

About the region

Hedmark and Oppland

With around 390,000 residents, the people of Hedmark and Oppland account for about 8 per cent of Norway's population and more than 6 per cent of GNP. The counties' population centres are spread out and are home to a variety of industries. They also make up Norway's largest agricultural and forestry region. Most people work in manufacturing, building and construction, and the public sector. Hedmark has a wide variety of scenery ranging from farmland in the south to vast forests in the east and mountains in the north. Large swathes of these mountains are protected. Norway's largest lake, Mjøsa, the country's largest freshwater island, Helgøya, Norway's longest river, Glomma, and Norway's highest mountain, Galdhøpiggen (2,469 metres above sea level), are important elements of the cultural landscape.

Oslo and Akershus

About a quarter of Norway's population, around 1.3 million people, live in the capital region. The region delivers more than 33 per cent of GNP. Population growth is high and increased densification is expected in the coming years. Norway's most important decision-making centres, including national authorities, are located here. Oslo and Akershus also has Europe's second highest level of education and is home to more than half of Norway's R&D environments, many of which are linked to companies and expert environments at the major hospitals and universities.

Overall, knowledge-based industries and services are the most important industries in the capital region after public sector services. Akershus is called Oslo's green belt thanks to its fjord and forest, lakes and countryside, and small and medium-sized towns. The hills in and around Oslo are also covered in large tracts of forest.
You can read more on sparebank1.no.

Vision

Creating together – long-term value for society and our customers, owners and employees.

The Bank's vision, 'Creating together', makes the point that the Bank's results are achieved in partnership with those around us.

Business concept

SpareBank 1 Østlandet offers financial, real estate and accounting services to private individuals, business and the public sector. We contribute to sustainable growth and development for society and our customers, owners and employees.

Values

- Proficient
- Nearby
- Engaged

What our values mean to us

Proficient

- We understand the expectations and needs of the market, customers and owners.
- We deliver solutions of the right quality at the right time.
- We stay up-to-date, prepare and are at the cutting edge of developments.
- We make it easy for customers to choose solutions that are good for their finances.
- We offer the Group's wide range of products and collaborate for the benefit of our customers, owners, employees and the society of which we are a part.

Nearby

- We create good customer experiences.
- We are accessible and offer relevant solutions via the customer's preferred channel.
- We understand and deliver in line with the customers' individuaal needs.
- We communicate simply, understandably and clearly.

Engaged

- We are visible and take the relevant measures for our customers, colleagues and partners.
- We produce commitment, good motivation and good results.
- We work together to achieve a good working environment, involve people and play on each other's strengths for the benefit of the customers and the Group.
- We fulfil our corporate social responsibility and contribute to sustainability, growth and development.

The Sustainable Development Goals are the world's collective work plan for a sustainable future.

Sustainability report for 2018

Sustainability at SpareBank 1 Østlandet is about highlighting what the Bank is already doing and has been doing for a long time, but also about completely rethinking the way we do business.

1. 175 years of sustainable support for societies

The Bank has its roots in many small savings banks with strong local profiles, which have been important social actors in the areas where they were established. The Bank's social role is firmly based on strong values. For us, much of the work on sustainability is therefore a natural continuation of the Bank's profile over nearly 175 years.

At the same time, the Bank needs to think in new ways. In 10 to 30 years, we will have contributed to a sustainable transformation in our market area. Like everybody else, the Bank needs to contribute to the transformation to a low-emission society and achieving the United Nations sustainability goals by 2030. In the coming years there will surely be customers the bank will have to refuse to finance. There will be businesses the bank needs to help over into the new economy. We will gain new partners, and continually adapt our investments so that they contribute to the sustainable transformation.

Sustainability is about nature and the environment, people and the economy. In these areas, we will contribute to a future for coming generations, free from exploitation of people, social dumping and human rights violations, without destroying the nature that sustains us all, with a viable economy where no one appropriates resources at the expense of others. This is a vision, but it is a vision the Bank shares with a whole world, not least through the Sustainable Development Goals .

2. How we manage sustainability

In advance of the current strategy period, 2018 – 2021, efforts within corporate social responsibility, ethics, economic crime, responsible banking and investments was gathered together under the umbrella of sustainability. Group management has a firm commitment to this work.

In the strategy for 2018 – 2021, sustainability was highlighted as one of six main goals:

By 2021 we should have established ourselves as a bank with a distinct sustainability profile.

To further professionalise the work, the Bank hired a sustainability and social responsibility manager in the autumn of 2018. All departments of the Bank are involved, but with a dedicated manager for this area the work has gained in intensity and structure.

Defining the scope and building management commitment

In the spring of 2018, the Bank conducted several workshops with a broad range of internal participants to define the strategic goal within sustainability. The Bank's management team then took the work further and adopted values, ambitions, goals and targets for efforts in the 2018 – 2021 strategy period.

The Bank's ambition is to significantly enhance our positive impact while reducing our negative effect on people, the environment and society.

In 2018, Group management adopted two main goals with subsidiary targets for sustainability:

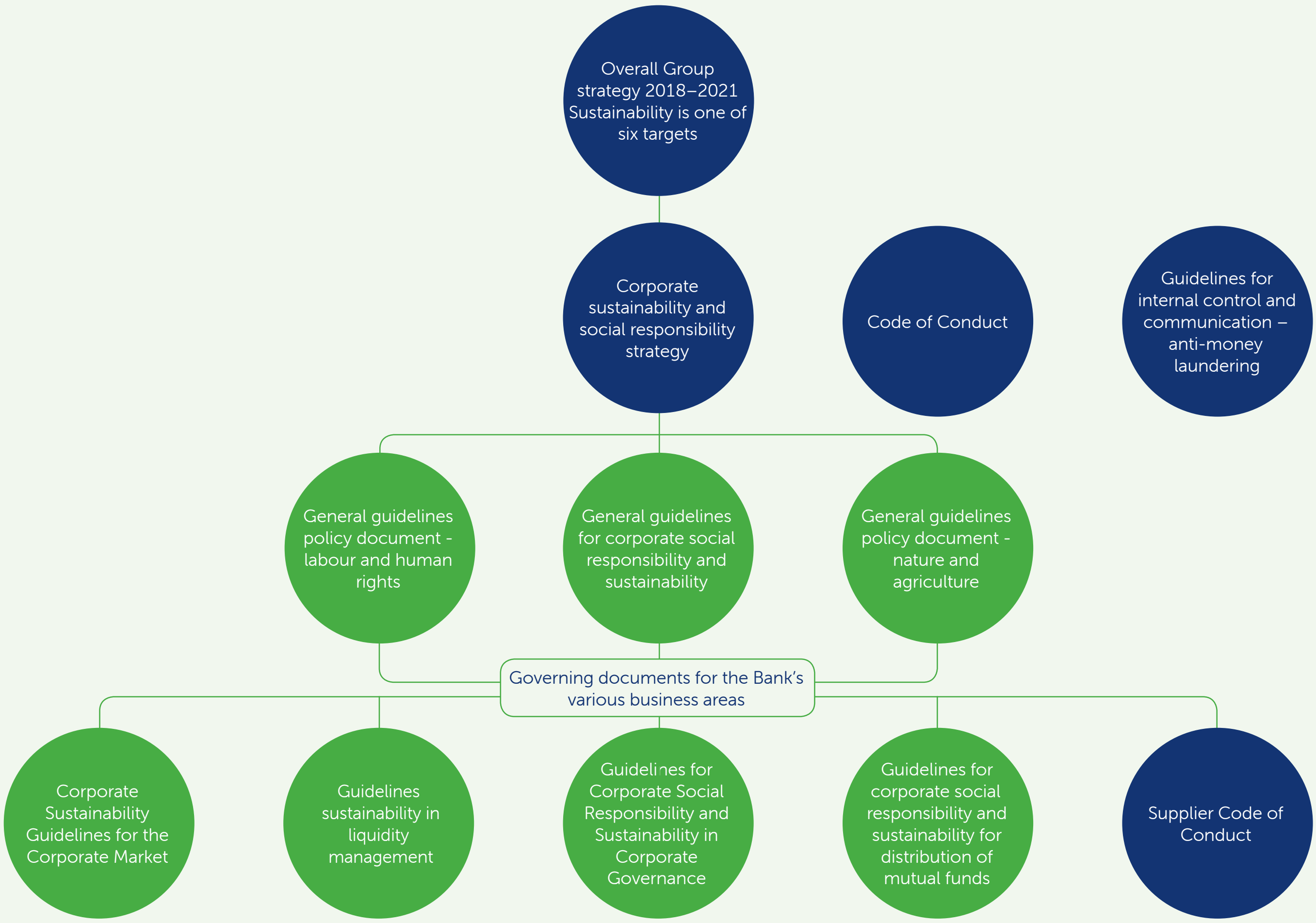
- We are drivers for sustainable development in our market area.
  - We actively support the customer's sustainability efforts and promote sustainable innovation externally.
  - We offer sustainable products and services, and promote sustainable innovation in-house.
  - We initiate and support good sustainability activities.

- We consider sustainability in big and small decisions, making it an integral part of our business.
  - All employees are aware of our commitment to sustainability.
  - Sustainability is a part of our work processes.
  - We strive for openness and transparency in our work.

The main focus of the work is the Bank's core business in the retail and corporate markets and asset management, but all of the Bank's business areas are part of the initiative. Steering committees and working groups have been established and designated persons appointed in all relevant fields.

Ambition:
To significantly enhance our positive impact while reducing our negative effect on people, the environment and society.

Sustainability in the governing documents for the SpareBank 1 Østlandet Group



The figure shows an overview of governing documents that lay down guidelines for the sustainability work in SpareBank 1 Østlandet.
Documents in **blue** circles were adopted earlier. Documents in **green** circles were adopted by the Board and/or Group management in 2018.

Updated guidelines and policies

Good guidelines are one of the prerequisites for good sustainability work. The Board adopted general guidelines for corporate social responsibility and sustainability in June, which were further enhanced in November. Guidelines were also adopted in key areas for the company such as agriculture and nature, as well as labour rights and human rights.

The Bank also published its internal control and communication policies in line with the rules in the Anti-Money Laundering Act. The Code of Conduct was updated in August 2018, and together these documents form a practical guide to the sustainability work and show the way the Bank wants to go. The sustainability strategy will also be revised in 2019.

All major business areas developed their own guidelines for corporate social responsibility and sustainability in 2018. The guidelines also explain how the work is to be incorporated into the specific business area. Documents were compiled for:

- The corporate market (responsible lending).
- Corporate governance
- Liquidity management (responsible investments).
- Distribution of mutual funds (responsible products and funds).

These guidelines add to the requirements for suppliers already adopted by the Bank. Sustainability has also been incorporated into central policies within the Bank, such as the credit policy, risk assessment processes, and so on. These documents are continuously updated as needed, and our guidelines will be enhanced in 2019 too.

All major business areas developed their own guidelines for corporate social responsibility and sustainability in 2018.

Our material sustainability issues

The Bank conducted a materiality analysis in 2017, through a comprehensive stakeholder dialogue. The analysis identified areas of opportunity where the Bank can reinforce its positive influence, and risk areas where the Bank ought to reduce its negative impact within sustainability. The most significant issues from the analysis are:

- Responsible lending
- Fighting economic crime
- Requirements for financial suppliers of mutual funds.
- Work on ethics and anti-corruption
- Ethical marketing of products and services.

The stakeholders also considered the following topics to be important: Privacy, negative screening, new products and green innovation, positive screening and active ownership. This provides the basis for setting the Bank's priorities within sustainability, and the issues that concern the stakeholders are central to this report.

Materiality analysis produced with various internal and external stakeholders

IMPORTANCE TO EXTERNAL STAKEHOLDERS	Important	More important	Most important
Most important	Active ownership	Data protection Negative screening New products and green innovation Positive screening	Economic crime Requirements for providers of financial services Ethics and anti-corruption Responsible lending Ethical marketing of products and services
More important	Energy consumption and savings Stakeholder engagement	Local business development Supply chain follow-up Diversity and gender equality Customer dialogue and satisfaction	Good banking services
Important	Waste management Measures for those who fall outside Paper consumption Greenhouse gas emissions (CO^2) Water consumption	Innovation and digitalisation Employee development HSE Sponsorships and contributions to the local community	

IMPORTANCE TO SPAREBANK 1 ØSTLANDET

Organisations and initiatives we support

UN sustainable development goals

The United Nations sustainable development goals are the world's collective work plan for a sustainable future. SpareBank 1 Østlandet is working to support these sustainability goals. All parts of the organisation must think sustainability when making minor and major decisions. In a series of sustainability workshops within Group management and at different levels in the organisation in the autumn of 2018, the Bank worked to define the sustainability goals that the business has a positive and negative impact on. The Bank has a particularly big influence on sustainability goals 4, 8, 9, 12, 13, 15 and 16 (see figure). 17 is a method goal, and gives an indication of how we will work.

Some are internal goals, which the Bank itself can work to attain. For the external goals, the Bank needs to cooperate with customers and society in general to achieve them through the resources in its possession. Some goals are both internal and external.

Goal 15 Life on land

External: Actively support our agricultural customer's work and innovation to ensure sustainable management and efficient use of natural resources.

Goal 17 Partnership for the goals

The Bank expressly aims to collaborate with customers, suppliers, organisations, authorities and other stakeholders to meet the sustainability goals. Collaboration is essential to achieving sustainable development.

Goal 16 Peace, justice and strong institutions

Internal: Responsible business management, work against economic crime, corruption and money laundering. Openness and transparency in our work.

External: Promoting work against economic crime among our customers. Anti-money laundering and anti-corruption initiatives.

Goal 13 Climate action

Internal: Reduce own greenhouse gas emissions and energy consumption in our buildings. Have Eco-Lighthouse certification.

External: Loans and investments that promote emission reductions. Initiate and support good sustainability activities.

Goal 4 Quality education

Internal: The trainee program and courses on sustainability issues; all employees should be aware of the commitment to sustainability in SpareBank 1 Østlandet.

External: Responsible finance training. The Bank collaborates with and supports educational institutions in our market area.

Goal 12 Responsible production and consumption

External: Actively support customers' work for sustainable production and lifestyles. Initiate and support good sustainability activities.

Goal 9 Industry, innovation and infrastructure

Internal: Develop sustainable products and services and promote sustainable innovation internally.

Remote: Support customers' sustainability initiatives and promote sustainable innovation externally. Offer sustainable products and services.

Goal 8 Decent work and economic growth

Internal: Work for proper working conditions for all employees in SpareBank 1 Østlandet with gender equality and an inclusive working life. Work for economic growth.

External: Undertake education in responsible finance for different groups in the community. In addition, the Bank is a partner and contributor to educational institutions in our market area.

You can find reasons for selecting sustainability goals and secondary goals on our website: https://www.sparebank1.no/nb/ostlandet/om-oss/samfunnsansvar/

Global Compact

SpareBank 1 Østlandet is affiliated to the world's greatest initiative for corporate social responsibility, the UN Global Compact. The Bank's sustainability manager is deputy chair of the board of the newly established Norwegian Global Compact Network. In Norway, it is mainly large companies that are included in this UN-led initiative. We believe that many small and medium-sized enterprises can use the Global Compact as a way into sustainability work. That is why the Bank hopes to use its term in office to disseminate information, especially to smaller economic operators. The GRI indec on our web pages show ghow we deliver on the Global Compact's 10 principles.

The Principles For Responsible Banking

The UN Environment Programme (UNEP) has a partnership with the financial sector called the **United Nations Environment Programme – Finance Initiative** (UNEP FI). In November 2018, UNEP launched the "Principles for Responsible Banking", which were drawn up in collaboration with 28 banks around the world. The principles are intended to enable the banking industry to take a leading role in achieving the sustainability goals and implementing the Paris Agreement. The principles are out for consultation and should be adopted in the autumn of 2019.

Although the principles have not been finally adopted, SpareBank 1 Østlandet has endorsed them pending final acceptance when the agreed version is available. We believe there is great benefit in the fincial sector internationally pulling in the same direction in the sustainability work, and we will play our part in the global effort. The principles also sit well with the Bank's approach to sustainability.

OECD Guidelines for multinational enterprises

The OECD's guidelines for multinational enterprises are recommendations from the OECD countries to all sectors of the economy, including finance. Norwegian authorities are required to promote the guidelines. They are in line with other responsible business guidelines, such as the UN Global Compact and the UN Guiding Principles for Business and Human Rights.

The guidelines deal with a great many of the sustainability issues and recommend due diligence assessments as a way of reducing the risk of breaches. SpareBank 1 Østlandet works to comply with the guidelines and actively uses the new due diligence guidelines in this work.

We are part of a global effort

Global Reporting Initiative (GRI)

In Norway, it is a statutory requirement for large companies to report on their work with corporate social responsibility. SpareBank 1 Østlandet follows the Global Reporting Initiative, the leading international standard for sustainability reporting. In the GRI standard, the key principle is materiality. A company must both work with and report on the matters that are **most material** to the impact of the business on people, the environment and society. SpareBank 1 Østlandet carried out a materiality analysis in the autumn of 2017 and reports according to the key issues from this analysis. GRI reporting is an integral part of the Bank's annual report.

3. Stakeholder dialogue and collaboration

Dialogue and collaboration with stakeholders (see stakeholder chart) are essential if the Bank is to achieve its sustainability ambitions. Among the most important stakeholders are customers, owners, employees, authorities, investors and organisations, all of which are increasingly interested in how SpareBank 1 Østlandet fulfils its social responsibility and delivers on sustainability.

In 2018, the Bank had meetings with stakeholders in different fields and on many different topics. Dialogue and collaboration make us better. This is why sustainability goal 17 on partnerships is central to the Bank's sustainability work up to 2021.

Customer dialogue

To analyse customers' and other respondents' views of the Bank, regular customer and market surveys are carried out. Based on these, the Bank can prioritise the right measures to improve services, products, and financial and non-financial results.

The largest and most important survey in 2018 was the customer relationship study that the SpareBank 1 banks run every second year. The results show that SpareBank 1 Østlandet has succeeded in maintaining strong customer relationships after the merger of Sparebanken Hedmark and SpareBank 1 Oslo Akershus in 2017. SpareBank 1 Østlandet also scores higher on customer relationships than the average for the SpareBank 1 Alliance, in both the retail and the corporate markets, and still has the strongest customer relationships of all the regional savings banks. A separate survey shows that 93 per cent of customers are aware of the Bank's customer dividend and value it highly..

The Bank has also initiated a good dialogue with corporate customers on sustainability and how the Bank can contribute to the sustainable transformation in its market area. More on this in the section *Responsible lending* page 17.

Dialogue with the industry and other organisations

The bank has a dialogue with several organisations that have professional weight in important areas for us, including a number of stakeholder organisations and research groups in environmental and climatic work, human rights, labour rights and economic crime. Their expert input will help the Bank to operationalise its policies.

We also have a good dialogue with foreign banks and the other Norwegian banks, including through Finans Norge. SpareBank 1 Østlandet is represented in several networking groups, including one that aims to implement the roadmap for green competitiveness in the fincial sector.

Since 2016 the Bank has been assessed by the Norwegian Consumer Council and 'The Future in our Hands' through their 'Ethical bank guide' ranking. Although SpareBank 1 Østlandet disagrees with some of the approaches in the assessment, it has been important to establish a good dialogue with the actors behind the survey. The Bank has systematically reviewed the methodological framework and used it to improve its own policies. We have also had several meetings where we have received and given input, including a meeting where the Consumer Council and 'The future in our hands' met the heads of all key business areas in the Bank. It was a useful dialogue for both parties.

Many of the Bank's stakeholders are concerned with the enormous challenge posed by plastics in the ocean and nature, but measures for domestic waterways are often forgotten. The 'Plastdugnaden' campaign in 2018 mobilised thousands of people from clubs, associations and school classes in our market area to help clean up their local lakes and rivers. Among others, the Bank collaborated with Friends of the Earth Norway, Hold Norge Rent ('Keep Norway clean'), local waste disposal companies, the Norwegian waterways association, Hamar Nature School and Sparebankstiftelsen Hedmark on a shared environmental issue in the region. (See more about the 'Plastdugnaden' in the chapter *Keeping our own house in order*, p. 28.)

See also the schematic overview of our stakeholder dialogue.

Roadmap for green competitiveness in the financial sector

By 2030, the financial sector has set itself the goal of reaching more ambitious environmental and climate targets. The roadmap was launched on 6 June 2018 and was drawn up by Finance Norway in collaboration with the industry itself. It provides 12 industry-specific and seven general recommendations for measures to be taken by 2030. It is up to the individual financial institutions to implement the roadmap based on their own strategies.

SpareBank 1 Østlandet has referred to the roadmap in guidelines, we have picked up the roadmap goal of employee training and had several workshops where we started practical steps to implement the individual goals. The Bank will prioritise the work on the roadmap and invite collaboration in the industry to reach more of the goals.

Stakeholder dialogue 2018

The Bank has an established process for identifying and involving stakeholders and integrating their input into its operations. Below is an overview of significant parts of the Bank's dialogue with stakeholders in 2018.

Stakeholders	Arena for dialogue	Most important topics for stakeholders	Measures associated with topics
Customers.	Customer relationship survey. Measurement of customer dividend.	• The Bank has maintained a good relationship with customers after the rebranding and the merger between Sparebanken Hedmark and Bank 1 Oslo Akershus. • The customers greatly appreciate the arrangement. • Recognition of the new name SpareBank 1 Østlandet is increasing.	Consolidate the Bank's position through various measures in the market.
	'Direct Bank' (customer service centre for retail and corporate customers within day-to-day banking services, credit and insurance). Customer communication in the online bank.	• Day-to-day banking: Share savings accounts, switching BSU accounts, Bank ID related questions, account movements, card transactions, cardholder complaints, appointments. • Insurance: Billing questions, insurance conditions and traffic insurance fees.	Ongoing communication and answers to the different issues.
	The Bank's channels in social media.	• Faults/downtime in services such as online/mobile banking, ATMs etc. • Operational problems in online/mobile banking login problems/Bank ID. • Interest rate changes on loans/deposits. • Sponsorship/gifts. • Customer complaints, e.g. service/operation. • New and old banknotes. • Apple Pay, Google Pay etc. • Share savings accounts. • Branch opening hours. • Insurance – submitting claims (mostly travel).	Ongoing communication and answers to the different issues.
Employees.	• Organisational surveys of employee satisfaction • Sustainability workshops in different departments and regions. • Cooperation and working environment committees. • Regular dialogue with trade unions.	• Extensive employee involvement • Findings from customer relationship survey.. • The department's positive and negative impact on people, environment, society. UN sustainable development goals.	• Results were reviewed and followed up at the department level. • Marketing plans with actions and activities. • Due diligence assessments and implementation of sustainability in different parts of the business.
Owners.	• Information meetings, investor presentations, themed presentations. • Supervisory board meetings. • Stock exchange reports and quarterly reports. • Websites	• Share issues. • Quarterly results. • Credit quality. • Profitability. • Yield from the SPOL security.	• A number of information initiatives aimed directly at owners, customers and others, to enable them to purchase equity certificates in the Bank.
Suppliers. (both to the Bank and to the Alliance)		E-mail and meetings.	Systematisation of work with suppliers. Making our requirements clearer. Collaborating on follow-up.
Other SpareBank 1 banks and in the joint committee, e.g. within procurement and asset management/funds.	E-mail discussion groups, physical meetings and online meetings in established sustainability forums.	• Sustainability guidelines. • Implementation within the various departments, requirements for credit and implementation of the requirements in electronic lending processes. • Initiatives to address the problem of plastic from artificial pitches. • Climate risk • Ethics and sustainability in fund management. • Ethics and sustainability in procurement.	• Establishment of working group within fund management to strengthen the work. Managed from the Alliance. • Training of the joint procurement committee in the use of due diligence as a method of monitoring suppliers. • The Forum for Sustainability raises issues of general interest in the Alliance and asks for specific actions.
Authorities.	Contact with the Ministry of Finance, Financial Supervisory Authority of Norway, Norwegian Data Protection Authority.	• Operations • GDPR (General Data Protection Regulation). • New Norwegian Anti-Money Laundering Act.	Obtaining credentials and up-to-date information about customers.
Competitors.	Physical meetings, networking groups and telephone meetings in Norway and abroad.	Common challenges and opportunities in the development of banking and sustainable finance.	Exchanging good experiences, frameworks and solutions for sustainable finance.

	Various forums with other banks as a member of Finance Norway, within a number of areas that the industry as a whole is concerned about.	• Roadmap for green competitiveness in the fincial sector. • UNEP Principles for Sustainable Banking • EU – related to the regulatory package on sustainable finance and revision of the capital adequacy rules.	Cooperation on the roadmap and other joint initiatives.
Society in general	Dialogue with interest groups for the environment and climate, human rights and corruption, as well as research institutions.	The Bank's work on sustainability, mainly in the core business.	Professional input from organisations to sustainability work, preparation of guide-lines and operationalisation of the work.
		Guidelines and policies for responsible investments, responsible lending and relationships with fund providers.	E.g. responding to the Ethical bank guide survey, updating web pages, preparing internal guidelines.
	The Board of the newly-esta-blished Norwegian network for the UN Global Compact (companies and organisations).	Disseminating information on the Global Compact's 10 principles for responsible business. Establishing the Norwegian network.	Establishing the network, adopting strategy and hiring the managing director.
	• Various corporate networks • The 'DN Gaselle' scheme (for fast-growing companies) • Educational institutions in the market area	• Sustainability, business development. • Focus on growth companies. • Education, innovation.	• The Bank co-hosts seminars and conferences. • The Bank collaborates with and supports educational institutions with funding.
Sparebankstiftelsen Hedmark, the waterways association for Mjøsa, waste disposal companies, Friends of the Earth Norway, 'Keep Norway clean', Hamar Nature School and many schools, clubs and associations.	'Plastdugnaden', a volunteer clean-up campaign on lakes and rivers in the market area.	Environmental protection and the problem of plastics in nature.	Carried out a clean-up campaign for lakes and rivers in our market area during the spring and autumn of 2018.
Young entrepreneurship, secondary schools.	Secondary schools in the market area.	Promoting knowledge of economics among young people.	• New curriculum in personal finance with AR technology. Creating a new Sustainability award for young entrepre-neurs.
Sports clubs, teams and associ-ations	Various forums	The Bank as a local supporter, contri-butor and inspiration.	• Byttehelgen ('exchange weekend', to buy and sell used skiing gear) • Information seminars and other events

Stakeholder chart for SpareBank 1 Østlandet

Data on how customers and other stakeholders view the Group is regularly obtained through various forms of dialogue stakeholders. Based on these, the Bank can give priority to the right measures to improve both financial and non-financial results. The Bank's various stakeholders are outlined below.

- **Employees:** Parent Bank, subsidiaries, elected representatives, safety officers, pensioners' association.
- **Customers:** Retail customers, corporate customers, public sector customers, entrepreneurs.
- **Owners:** Sparebankstiftelsen Hedmark, equity certificate holders.
- **Subsidiaries:** EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, SpareBank 1 TheVIT AS (70 per cent owned by SpareBank 1 Østlandet), Youngstorget 5 AS, Vato AS, SpareBank 1 Finans Østlandet (95 per cent owned by SpareBank 1 Østlandet).
- **Associated companies and joint ventures:** SpareBank 1 Gruppen AS, SpareBank 1 Banksamarbeidet DA, SpareBank 1 Kredittkort AS, Torggata 22 AS, SMB Lab AS, Betr AS, SpareBank 1 Betaling AS, SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS. The Bank also has investments in SpareBank 1 Markets AS and Totens Sparebank, among others.
- **Authorities:** Municipalities, regional boards, county councils, county governors, Norwegian government, courts system, Norwegian parliament, Financial Supervisory Authority of Norway, Norges Bank, Norwegian Competition Authority, Consumer Ombudsman.
- **Capital markets:** Equity certificate investors, foreign capital, other banks and brokerage houses.
- **Suppliers:** Various product suppliers and service providers within IT, operati-ons, market, auditing, consultancy, personnel, HSE, money transport, security, energy, tradesmen, and others.
- **Competitors:** Local, national, international actors.
- **Sponsorships:** Teams, organisations and clubs.
- **Partners:** SpareBank 1 Alliance, central and local actors.
- **Grant recipients:** Recipients of grants from the Art Fund, talent stipends and other donations for non-profit purposes.
- **Special interest groups:** Finance Norway, the Consumer Council, 'The Future in our Hands', the Norwegian Confederation of Trade Unions (LO), the Confederation of Norwegian Enterprise (NHO), Trainee Innlandet, Vikinglauget, Amnesty and the Rainforest Foundation.
- **Society, opinion, public actors:** Non-customers, potential customers, the Norwegian Financial Services Complaints Board (FinKN), opinion, politicians, university colleges, universities, emergency response: police/medical/fire.
- **Media:** Local free newspapers, local newspapers, regional media, national media, Norwegian Broadcasting Corporation, national and local, NTB.
- **Social media:** Social media opinions.
- **Rating agencies and analysts:** Moody's Analysts.
- **Oslo Stock Exchange**

SpareBank 1 Østlandet does not provide loans to businesses which:

- Extract or generate power based on coal or oil sands.
- Use timber obtained from organisations that perform illegal logging, sell illegally felled timber or engage in deforestation and/or destroy tropical rainforests, remove primary forest or protected forests (High Conservation Value Forests).
- Are involved in any way in the development, testing, production, storage or transportation of controversial weapons, or components intended exclusively for controversial weapons, including cluster bombs, anti-personnel mines, nuclear weapons, chemical weapons and biological weapons.
- Manufacture tobacco products or components explicitly intended for such products.
- Produce pornographic material.
- Have not fulfilled our requirements to documentation of the real rights holders and the origin of funds necessary for establishing a customer relationship.

We currently do not lend to businesses that engage in the production of fossil fuels. Nor do we have any ambition to do so.

4. Responsible banking

Sustainability in core business

All of the Bank's business areas are part of the sustainability effort. But to maintain credibility in our sustainability work, the main focus has to be on the core business, which for the Bank is:

- Lending money to private and corporate customers.
- Managing customers' deposits.
- Offering fund products that customers can invest in (capital markets).

Responsible lending

Through lending to both the retail and corporate markets, the Bank can be a driving force for sustainable development. This is also one of the most important topics in the Bank's materiality analysis.

Corporate market

The corporate market accounts for about a quarter of the Bank's lending, but this is where the greatest opportunities and risks are to be found in relation to sustainability. In 2018, the Bank adopted new guidelines for corporate social responsibility and sustainability for the corporate market. These defined the sectors the Bank should not give loans to, and clearly describe our expectations of our customers.

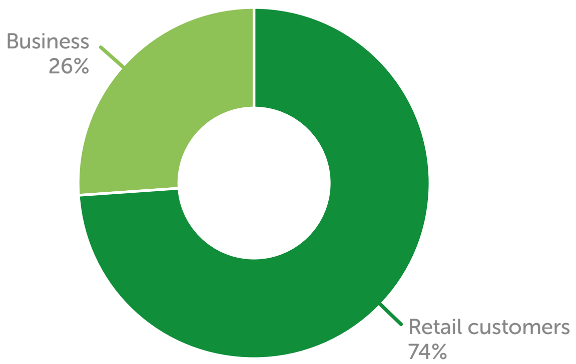
Since the guidelines were adopted in the summer of 2018, the corporate market has worked to operationalise them. Through due diligence checks, the Bank identifies which industries and customers are at high risk of negative impact. The Bank uses the methodological framework in the OECD's Due Diligence Guidance, which was launched in 2018. The Bank has developed due diligence checks in the two biggest sectors - agriculture and real estate. Advisors with special expertise in these industries participate in the work, and the Bank uses the industry's own roadmap for green competitiveness in the work.

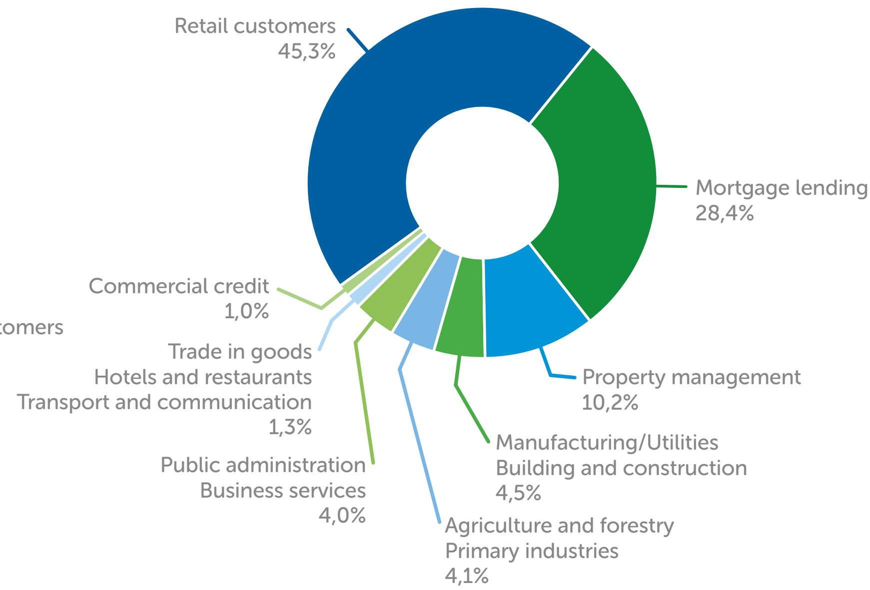
The due diligence checks will be carried out in a pilot period in the first half of 2019. The pilot also involves getting feedback from customers, industry organisations and experts on the due diligence process. Are they able to identify general and industry-specific risks, such as climate risk, in an effective way? In the second half of 2019, the Bank plans to pilot them in the retail sector, followed by other industries in the fourth quarter. This work delivers on UN sustainability goals 12 and 15.

If a customer comes out as a medium or high risk, the advisor should request measures to reduce risk and make improvements, and suggest partnerships for the customer to achieve improvements. The Bank's business advisors are trained so that they can advise customers on risk mitigation.

If a customer has not implemented adequate risk mitigation measures, the matter will be escalated to the sustainability steering group in the corporate

Loan portfolio
Lending to customers per sector (percentage)





New green product in 2018
'Green Mortgages'

marketing department and possibly to the Bank's ethics committee for review. If the Bank considers that risk mitigation measures are insufficient or will not be implemented, the loan application will be refused. In this way, the Bank will use its influence to raise standards in these industries.

The Bank's other focus on the corporate market is about strengthening our positive influence. Here too, we have chosen our two largest industries as pilot sectors, and selected two trial regions, agriculture in Hedmark and real estate in Oslo and Akershus. Towards the end of 2018, the dialogue and cooperation with these industries began. The goal is to find out how the bank can best contribute to sustainable restructuring.

Based on dialogue and cooperation, the Bank will develop processes and products in 2019 and 2020 to help meet the goal of 'Contributing to innovation and realignment in other industries' in the 'Roadmap for green competitiveness in the fincial sector'. Here too, the Bank refers to sustainability goals 12 and 15, but goal 17 on partnerships and goal 9 on innovation for sustainable change provide further inspiration and direction in these efforts.

Retail market (RM)

In 2018, the retail market focused on the development and sale of a new 'Green mortgage' product. (See separate section *on Green products and sustainable innovation*.) A separate sustainability manager has been appointed in the division. Sustainability training and the development of an individual strategy have also been in focus.

Sustainability workshops were held for three regions in 2018. The aim of the training is for advisors to feel confident when discussing sustainability with our customers. Sustainable consumption and finances are already an important part of our consultations. As a responsible bank, it is also natural to talk about risks and changes in society, such as climate risk, that could affect customers.

The goal for the retail market in 2019 is to look further into the development of products and processes that will help customers to make sustainable choices. Internal training will also be expanded. This will allow the Bank to provide even better advice to customers and so contribute to the sustainable transformation.

Favourable roughage loans to farmers exposed to drought

The exceptionally dry weather meant that many of the Bank's agricultural customers had a rough summer and autumn. Lack of rainfall led to low yields and a shortage of winter feed. SpareBank 1 Østlandet therefore introduced an emergency scheme whereby the Bank could quickly provide cheap financing to purchase feed for sheep and cattle. Since its formation in 1845, the Bank has had a long tradition serving the primary industries. The farmers have been part of this and have helped to built up the solid equity in the Bank through the good times. So it was natural for the Bank to support the primary industries during the drought. 53 feed loans were granted for a total of NOK 10.3 million.

Climate and climate risk

Far more important than its own climate footprint is the way in which the Bank can influence and motivate customers and suppliers to reduce *their* climate footprint and so contribute to sustainability goal 13 and the Paris Agreement. The section headed 'A responsible banking provider' on page 17 describes how the environment and climate are becoming an increasingly large part of the Bank's dialogue with customers and suppliers. In particular, the topic of climate risk is now high on the agenda.

Task Force On Climate-Related Financial Disclosures (tcfd)

Climate change poses a risk to society, businesses and banks. In 2015, the Financial Stability Board (FSB) set up the 'Task force on climate-related financial disclosures' (TCFD). The aim was to understand how businesses can better understand and describe climate risks and opportunities, and how they can report on them. The TCFD delivered its recommendations in 2017 in four areas: Governance, strategy, risk management, goals and methods. SpareBank 1 Østlandet has started the work of documenting climate risk. In the autumn of 2018, the subject was discussed at both Group management and Board level. The aim is to implement the work on climate risk in the Bank in 2019.

Climate risk is particularly prominent in three areas where the fincial sector plays an important role:

1. **Physical risk**, costs related to physical damage caused by climate change, such as flood and subsidence damage to buildings and infrastructure, and failing crops.
2. **Transitional risk**, economic risks associated with the transition to a low-emission society, such as new laws or regulations that restrict the use of natural resources, or putting a price on pollution.
3. **Liability risk**, claims for compensation aimed for example at businesses that have failed to take the necessary decisions to reduce negative climate impact.

SpareBank 1 Østlandet has started to incorporate climate risk into the credit process. This is not just climate work, but also good banking practice. As a responsible bank, it is important to inform customers of future risks that could affect both the community and individual customers. See overview below: The Bank's status and ambitions for climate risk, incorporated into the TCFD framework.

Governance	Strategy	Risk management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses strategy, and financial planning.	Disclose how the organization identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.
a) Describe the board's oversight of climate-related risks and opportunities: The Board has put climate risk on the agenda and will address the topic further in 2019.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term: The Bank started on this work in 2018. We find that we are exposed to climate risk mainly through lending to the corporate market. We have started discussions on climate risk with our two largest sectors, agriculture and real estate. The goal is to identify risks and enter into dialogue with customers on these. The aim is also to implement risk-mitigation measures and to be a driver for sustainable transformation in these industries. This will be the main focus for 2019. (See section on 'Responsible lending', p. 17 and 18)	a) Describe the organization's processes for identifying and assessing climate-related risks: SpareBank 1 Østlandet has entered into partnership with the CICERO Center for International Climate Research on a research project on climate risk assessment in companies. The project will further develop a world-leading methodology for climate risk assessment of financial products. The project starts in 2019.	a) Disclose the metrics by the organization to assess climate-related risks and opportunities, in line with it's strategy and risk management process: To be produced in 2019 and 2020.
b) Describe management's role in assessing and managing climate-related risks and opportunities: The responsibility for incorporating climate risk will lie in the Risk and Compliance department, in collaboration with the sustainability manager and the corporate market. Group management wants to be close to this work and will address the topic at several meetings in 2019.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning: This work will be started in 2019. The approach to climate risk in subsidiaries and portfolios will also be assessed and handled, e.g. non-life insurance and fund portfolios.	b) Describe the organization's processes for managing climate-related risks: Once the methodology is ready, it will be incorporated into the Bank's risk, investment and credit assessments.	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks: See the Bank's climate accounts, page 30. See also the section 'Keeping our own house in order – the Bank's environmental work', page 27
	c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization's businesses, strategy and financial planning: To be produced in 2019 and 2020.	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management: Once the methodology is ready, this will be incorporated into the Bank's risk, investment and credit assessments.	c) Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against targets: To be produced in 2019 and 2020.

Green products and sustainable innovation

Green mortgages

SpareBank 1 Østlandet launched green mortgages for the retail market in the winter of 2018. These are loans for energy-saving measures in homes and holiday houses, whether the customer is building from scratch, renovating or switching to energy sources with less impact on the environment. The loans are subject to more favourable interest rates than ordinary home loans. The interest rate is 0 per cent on loans up to NOK 250 000 in the first year, and 1.8 per cent on the rest of the loan amount, up to NOK 1 million. To determine what is 'green', the Bank uses Enova's definition.

In 2018, the Bank entered into a cooperation agreement with the environmentally-friendly development project for the district of Ydalir in Elverum, one of seven new districts forming a Zero Emission Neighbourhood (ZEN). The homes must satisfy strict requirements concerning environmental standards. SpareBank 1 Østlandet is contributing by offering homebuyers in Ydalir a favourable green mortgage with the same conditions as above.

By the end of 2018, the Bank had lent NOK 8.15 million in green mortgages. This amounted to 0.008 per cent of the total mortgage portfolio. In 2019, the goal is for each bank region to sell at least 10 green mortgages to upgrade used homes. All regions except Østerdalen should also sell at least 5 loans for new builds. In Østerdalen, the target for the number of green mortgages for new builds has been increased to at least 10 because of the new residential area of Ydalir in Elverum.

Services for children and young people

By helping children and young people with products and solutions that make it easy to save, the Bank is helping to produce a generation of financially responsible consumers. This work therefore delivers on sustainability targets 4 and 12. The children's package Spink was launched in 2018. The Spink mobile app gives children an overview of what they are spending money on, as well as seeing their own savings accounts and learning to save with savings targets. The traditional annual savings bank week was also run, focusing on learning and the joy of saving. The Bank also updated its teaching programme on finance matters for young people in 2018; see chapter on training on page 26.

Payment solution for refugees and others without a Norwegian bank account

Refugees and asylum seekers without a Norwegian bank account also need access to financial services. SpareBank 1 Østlandet offers the 'municipal payment card' product. This is a payment solution for users of social services, such as asylum-seekers or others without a Norwegian bank account. The Bank works with refugee reception centres and individual NAV offices on this. In 2019, the Bank will be working on the concept for selected vulnerable customer groups.

Smart car insurance

The 'Smart car insurance' solution rewards motorists who drive safely and thereby reduce the risk of injuries and accidents on Norwegian roads. The insurance is based on new technology to monitor how the car is being driven. Data is collected via a smart plug in the car's diagnostic

Listed the world's first green mortgage bond on the Oslo Stock Exchange

Green mortgage bonds are loans to finance environmental work.

By issuing green bonds, SpareBank 1 aims to help meet the growing demand from investors for investments in environmentally sustainable projects.

In February 2018, SpareBank 1 Boligkreditt launched the world's first green mortgage bond on the Oslo Stock Exchange. This is a green bond with preferential rights in energy-efficient housing. SpareBank 1 Østlandet has transferred a large mortgage portfolio with energy-efficient housing to SpareBank 1 Boligkreditt, which will help to create the basis for the green bond.

SpareBank 1 Boligkreditt's green bond was certified by the Climate Bond Initiative in June 2018. In September, it also received the Green Bond rating from the rating agency Moody's.

port and transmitted via Bluetooth to the Spinn app, which has been developed in-house. Drivers can obtain direct feedback via the app about their driving behaviour as they go, or later in the app diary. If the driver drives with flow a good driving score is achieved.

Requirements for fund providers

SpareBank 1 Østlandet does not run its own fund management, but distributes securities funds from other fund managers. The Bank also has an indirect holding in ODIN Forvaltning.

In October 2018, the Board adopted the Bank's new corporate social responsibility and sustainability guidelines for the distribution of mutual funds The capital markets banking manager is working with the sustainability manager to implement the guidelines. The Savings and Investments Committee for the SpareBank 1 Alliance is also working on common requirements for suppliers to all of the SpareBank 1 banks.

When selecting the investment fund managers and approving funds, the Bank requires the management company that which we enter into a distribution agreement with to have guidelines and policies to show that they have ESG requirements for the companies they invest in. They must provide documentation on how investments are followed up on (screening etc.) Alternatively, the Bank will carry out screening through third parties. Because the Bank does not manage funds itself, it cannot directly control the ownership of individual companies.

Our fund providers should at least have signed up to the UN Principles for Responsible Investment.

The guidelines for corporate social responsibility and sustainability for distribution of investment funds should ensure that the funds we actively offer to customers are in line with the Bank's guidelines. We will also make sure to have product approval processes and follow-up, including periodic product audits. Besides financial criteria, these also include ESG criteria. Finally, SpareBank 1 Østlandet wishes to offer funds with a good sustainability profile to its customers. The Bank therefore has ambitions to expand the product portfolio in this area in 2019. SpareBank 1 Østlandet currently offers the green equity funds DnB Grønt Norden and DnB Miljøinvest on its trading platform.

All employees who give advice to customers or otherwise deal with fund management must know the Bank's principles and familiarise themselves with the guidelines once a year. Over the course of 2019, the Bank will do more to raise sustainability issues with customers.

ODIN Forvaltning is affected both as a supplier and as a subsidiary of the SpareBank 1 Group. The company has a comprehensive sustainability policy which is integrated into its investment process. It has signed the UN Principles for Responsible Investment and carries out screenings with data from Sustainalytics.

Responsible and active ownership

As shareholder and unit-holder, SpareBank 1 Østlandet manages approximately NOK 7 billion in assets. These investments encompass around 50 companies that range from strategically important subsidiaries and Alliance companies to pure financial investments. The Bank has four subsidiaries: EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus, SpareBank 1 Finans Østlandet AS and TheVit AS.

The Bank's investments outside of subsidiaries and other Group companies total approx. NOK 550 million and make up around 8 per cent of its total investments. This includes an estimated 90 per cent investment in companies with a strategic affiliation, the largest of which are:

- Totens Sparebank (NOK 180 million).
- Visa (NOK 150 million).
- Eksportfinans (NOK 70 million).
- SpareBank 1 Markets (NOK 40 million).
- Oslo Kongressenter Folkets Hus (NOK 55 million).

In companies owned by banks in the SpareBank 1 Alliance, the banks have different sized holdings. See our ownership stake in note 41.

The work on corporate social responsibility and sustainability in corporate governance is an integral part of established processes. All employees who are involved in corporate governance shall be aware of the Bank's principles, guidelines and expectations.

In 2018, the Bank, via Group management, ran business reviews with three of our four subsidiaries. The review of the last subsidiary was completed in early 2019. In all of the reviews, social responsibility and sustainability were clearly on the agenda.

The size of the individual holding and the degree of influence govern resource usage. The Bank gives the highest priority to work with companies where we have a significant influence.

ESG stands for 'Environmental, Social and Governance'.

Responsible ownership is practised in several channels:

- Board members appointed by the Bank must have the expertise necessary to assess risks linked to corporate social responsibility and sustainability. The Bank is represented on the boards of subsidiaries and other Group companies where we have considerable influence.
- In general meetings and other shareholder meetings, our representation helps to promote the Bank's objectives and guidelines for sustainability and social responsibility.
- Through annual business reviews in companies where the Bank has a significant influence, we will push corporate governance in a more sustainable direction. As owner, we expect the four subsidiary companies to implement SpareBank 1 Østlandet's strategy for corporate social responsibility and sustainability.

As shareholder and unit-holder, SpareBank 1 Østlandet manages approximately NOK 7 billion in assets.

If the Bank becomes aware that any of our companies is acting contrary to our principles and expectations, we will enter into dialogue to effect improvements. If the dialogue does not produce the necessary improvements, the Bank will ask for the matter to be addressed by the company's Board. Alternatively, the matter may be raised for consideration by the company's general meeting; or As a last resort, the Bank is prepared to discontinue ownership.

Responsible investments in liquidity management

As part of its liquidity management, SpareBank 1 Østlandet has a portfolio of liquid securities with a high credit quality. The composition and size of the portfolio corresponds to the governing documents approved by the Board for the area of liquidity and statutory requirements for liquidity management.

In September 2018, the Board adopted guidelines for the area. A system was established to assess the risk of the liquidity portfolio conflicting with the Bank's guidelines, and to minimise this risk. The finance manager is responsible for operationalising the Group's liquidity management.

The Bank has made a general assessment of risk, and the portfolio is considered to have low risk overall. Assessments are also made to determine which issues are the most relevant to the overall risk profile.

To minimise the risk, due diligence is carried out in advance of new investment decisions in a separate risk management tool. Since the guidelines were adopted by the Board in September 2018, 100 per cent of the total portfolio has been evaluated. No violations of the Bank's guidelines for responsible investment were identified. 0.15 per cent of the portfolio is in the medium/high risk category.

When investments are made via external managers, the Bank must communicate the guidelines and request confirmation that the management does not conflict with the Bank's strategy and guidelines for corporate social responsibility and sustainability To keep track of the portfolio holdings and risk, it runs periodic checks on the entire portfolio (at least once a year).

Should such checks identify breaches of the Bank's guidelines, the investment must be assessed by the Bank's ethics committee. This assessment may result in the Bank selling the security immediately, entering into dialogue with the issuer on improvement measures and then considering whether to sell the security, or retaining the security in the expectation that improvement measures will be sufficiently effective. In such cases the security and issuer will nonetheless subsequently be subject to closer monitoring.

In 2018 the risk assessment resulted in Danske Bank being categorised as an issuer in conflict with our corporate social responsibility and sustainability guidelines on the basis of a major money laundering case. As a result, SpareBank 1 Østlandet took the initiative to discuss with Danske Bank which measures had been taken. The dialogue with Danske Bank has been helpful, and we have been assured that risk reduction measures have been taken. SpareBank 1 Østlandet will follow up with the issuer through periodic reviews of the portfolio.

Ethical marketing

The fincial sector deals in products and services which are absolutely crucial to business and society, but can be hard to understand. Understandable and responsible marketing of products and services is therefore important. The topic also figures prominently in our materiality analysis.

The department uses the general guidelines on sustainability and social responsibility, as well as the Bank's Code of Conduct, as a compass:

- All of the Bank's sponsorship agreements include sustainability in the project being sponsored.
- in all marketing, we use digital channels and platforms rather than paper and posters.
- When the Bank supports events we enter into dialogue on sustainability in the solutions.
- When we purchase promotional items, suppliers and products must be thoroughly checked for sustainability.
- The Bank has developed clear rules for campaigns and sales of credit cards to young people. We have also developed a communication programme in which we talk about the correct use of credit cards in the different situations young people come up against.

There were no reported breaches of the provisions and guidelines for market communications, product labelling and product information in 2018.

Procurement and requirements for suppliers

SpareBank 1 Østlandet makes some purchases itself, while larger agreements are concluded by SpareBank 1 Banksamarbeidet DA on behalf of the SpareBank 1 Alliance. All in all, this a substantial procurement volume, and we are conscious of our responsibility when we approach the supplier market. All contracts include an annex laying down requirements relating to human rights, working conditions and the environment. Many of the requirements in the social responsibility annex are industry-specific. That is because different industries face different challenges in their supplier chains.

The Bank is aware that there are major challenges in many supplier chains. In their own business and supply chain, suppliers are expected to comply with international conventions and national laws, including provisions on matters such as pay, working hours and HSE (health, safety and the environment), as well as anti-corruption.

The Bank has been good at publicising its policies and requirements, but could be better at systematically monitoring the suppliers and the requirements in the agreements through due diligence assessments. This work continues in 2019. Most of the work has to be done by our suppliers and their sub-contractors, but the Bank has to set requirements, and monitor and support the work.

5. Economic crime and anti-corruption

Target 16.4 under sustainability goal 16 states that, by 2030, we should significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime. Together with the rest of the fincial sector, SpareBank 1 Østlandet is playing an important role in achieving that goal.

Efforts to combat money laundering

In 2018, the Bank implemented the new Norwegian Anti-Money Laundering Act, which brings in a more risk-based approach to transaction controls. Banks are legally required by the Anti-Money Laundering Act (both old and new) to obtain and check identification documents when establishing ordinary customer relationships. An ongoing customer control is also imposed, which includes requirements for a valid identification document for the customer. SpareBank 1 Østlandet started extensive anti-money laundering efforts in 2018, and this will continue into 2019.

Work against economic crime

Sustainability target 16.5 reads as follows: “Substantially reduce corruption and bribery in all their forms”. SpareBank 1 Østlandet is seeing a steady increase in the number of fraud cases, where customers are scammed or targeted by fraudsters. Typical examples are the Nigerian scam and fraud via Finn.no. What the Bank is doing to combat economic crime:

- Measures are being taken to reduce the risk of economic crime on the basis of a risk assessment.
- The Bank reports suspicious customer transactions and runs customer checks.
- The Security department follows up and helps customers who contact us about fraud.
- Where customers commit fraud or are themselves defrauded, the Bank follows up even if it is the injured party. There is great social benefit in detecting and putting a stop to these cases.
- Norwegian banks are cooperating to expose and deal with threats linked to cybercrime. The banks in the SpareBank 1 Alliance have also established a joint IRT (Incident Response Team) to ensure good handling of crises and adverse events.
- The Bank works with public agencies such as the Tax Administration, police and Norwegian Tax Administration (NAV) in cases of, for example, benefit fraud, tax evasion and labour market crime.

The Bank’s work against corruption

In the annual ‘ethics week’, the Bank’s employees have to confirm that they have read the Code of Conduct, which has separate chapters on fitness and corruption. Employees must also report all gifts, paid positions, ownership interests and other matters that could affect their fitness for the job. The personal reporting of other positions and ownership interests is checked against the Brønnøysund register. The Bank also follows its own routines and runs spot-checks as part of the company’s fraud prevention efforts.

The Bank previously used an external audit form to conduct a relationship analysis to document directors’ and senior managers’ relationships with customers, suppliers and others. This will be repeated in 2019. The bank has not identified any corruption cases among employees in 2018.

In the autumn of 2018, we carried out a risk analysis within the theme of internal fraud. Corruption risk is an important element in this, and several scenarios concerned corruption. The analysis was carried out as a series of workshops with managers and employees in central departments of the bank. The purpose was to discuss changes in the risk picture and risk assessments, as well as identify the need for procedural changes and measures.

GDPR

The GDPR is the EU's General Data Protection Regulation, which was introduced in Norway from 20 July 2018.

Privacy/GDPR

The Bank appointed a separate privacy representative in 2018 and has carried out several training measures on GDPR during the year, including during ethics week. All employees have been provided with information, and a mandatory online course has been run for all employees. A separate policy/privacy statement has also been adopted within the Bank.

SpareBank 1 Østlandet mainly uses personal data for customer management and invoicing and to fulfil our obligations to carry out assignments and service agreements, such as payment transactions to and from customers' accounts. The retention period is normally up to ten years after entry of the data.

For the introduction of the GDPR, the Bank has made the wording of our consent forms clearer to comply with the Regulation.

SpareBank 1 Østlandet manages significant assets for customers. Unfortunately this also creates opportunities for fraud and other crime. The Bank has a duty to take measures to prevent and detect fraud, crime and terrorist acts. We process personal data for the purpose of preventing, detecting, solving and handling fraud and other criminal offences.

The information may be collected from and disclosed to other banks and financial institutions, the police and other public authorities. Under the Anti-Money Laundering Act, the Bank is also required to report suspicious information and transactions to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) and the Financial Intelligence Unit (EFE). The retention period will then be at least five years after entry of the data. The Bank has not received any complaints about breaches of privacy or loss of customer data in 2018.

6. Training

As a dedicated and responsible corporate citizen, SpareBank 1 Østlandet has invested in education and training internally for many years. This also applies in the wider society, including finance training for children and young people, customers and others. This makes sustainability goal 4 one of the Bank's internal and external targets.

Training of employees

The fincial sector and the banking market are changing fast. In the face of new technology, customer behaviour, competition from new players, new regulatory requirements and changing threats, internal training is essential if we are to be well-equipped to run the bank of the future.

The Bank carries out extensive training and competence development for all employees. In connection with employee interviews at the beginning of the year, all employees receive a development plan in which training and development are planned based on the Bank's strategy and requirements for the employee's role. Development measures are dependent on the role and can consist of credits-based courses at the bachelor's and master's level, e-learning, nano-education, consultant school, video presentations, profession and product days, sales development as well as internal and external workshops.

The Bank uses videoconferencing equipment for training purposes at all locations. There are regular general videoconferences on technical topics such as financing, payments, savings and pensions, non-life insurance and personal insurance, digitalisation and self-service. The Bank also has its own management academy in which all new managers complete a one-year introduction programme.

Trainee scheme

Attracting talented people is considered to be the biggest challenge facing Nordic businesses in the coming years. The competition for qualified staff is tough. As a member of Trainee Innlandet, the Bank is part of a corporate network which helps to strengthen our position in the battle for talent. The trainee programme has more than 200 applicants every year. In 2019, goals for the Bank include bringing in a sustainability trainee.

In 2018, the Bank expanded the information on the web pages about external alerts.

The Bank encourages input, alerts and whistle-blowing

SpareBank 1 Østlandet has internal guidelines for alerts and has set up its own warning system for this. The Bank expects employees to inform their immediate manager of events or activities that breach laws, regulations or other public rules. This also applies to violations of internal policies or other matters that could damage the company. The management needs to know about such matters so it can provide the necessary feedback, fix errors or damage as soon as possible, and react to improper behaviour.

In 2018, the Bank expanded the information on the web pages about external alerts. There are several places on the web pages where customers and other stakeholders can provide feedback and information on matters that the Bank ought to know about, including the sustainability pages.

No reports or cases of corruption were recorded in 2018. The word 'alert' could make many people set the bar quite high before they inform the Bank of suspected wrongdoing. To lower the threshold, the Bank issued a clear appeal in 2018 for people to contact us with input to our work on ethics, social responsibility and sustainability.

Training in sustainability and ethics

Sustainability is a major strategic goal for the Bank, and training in this area was intensified in 2018. Through internal and external gatherings and conferences, everybody from Group management to customer advisers has been updated on various sustainability topics.

Sustainability workshops

During 2018, 14 internal sustainability workshops were conducted, attended by which a total of 188 employees. The workshops include an introduction to the subject of sustainability and the underlying issues, what sustainability means for a bank and what it means for the individual department. The workshops also contain the first part of a due diligence assessment. Work on the UN sustainability goals was also part of the workshops in 2018.

Ethics Week - implementation of Code of Conduct

Alert routines and #metoo were the central themes of the Bank's Ethics Week in April. Ethical dilemmas and challenges were discussed and reflected on in the individual departments. The week also featured lectures, e-learning programmes on ethics, and an ethics game. Between 75 and 90 per cent of the employees have taken all the nano-learning modules on ethics. Employees have also received information on the Bank's Code of Conduct, and everyone has to sign each year to confirm that they have read and understood the content.

'Arbeidslivets Klimauke'

In the autumn of 2018, SpareBank 1 Østlandet, decided to participate in 'Arbeidslivets Klimauke', a climate-awareness initiative supported by employers and unions in Norway. The aim of the week is to help businesses become more climate-aware by putting climate and the environment on the agenda and lowering the threshold for implementing climate action. The Bank is taking part in 'Arbeidslivets Klimauke' for the first time in February 2019. The week will be filled with information and activities that will give the Bank's employees a fresh understanding of climate, climate risk and opportunities.

Cooperation with educational institutions

Cooperation with NTNU on finance and digitalisation

Before Christmas 2018, the Bank entered into a three-year cooperation agreement with the Norwegian University of Science and Technology, NTNU. The agreement covers student collaboration, cyber security, digitalisation in finance, big data analysis and machine learning, sustainability and development of a dedicated professional unit within industrial economics and technology management. Through cooperation with NTNU, the Bank aims to enhance its own expertise by drawing on relevant disciplines within strategically important areas for the Bank. For its part, NTNU wants to develop research-based competence aimed at the banking and fincial sector.

Cooperation on the sciences at the Inland Norway University of Applied Sciences

For the last three years, the Bank has supported a science initiative at the Inland Norway University of Applied Sciences (formerly Hedmark University College), Hamar campus, to the tune of NOK 1.2 million. The background to the initiative was a lack of interest in and knowledge of the sciences in Norwegian primary and secondary schools.

Substantial donation to higher education from the Foundation

In 2017, Sparebankstiftelsen Hedmark, which distributes funds from the Bank's surplus profits, approved donations of up to NOK 42.3 million to the Inland Norway University of Applied Sciences. The support will help ensure that the institution becomes a full university by 2020. The donation was granted over three years. The Foundation has also approved a donation of up to NOK 12 million to strengthen higher education in the Kongsvinger region.

The Economic Barometer - a source of useful information about our society

The Bank provides facts and insights through konjunkturbarometer1.no which can stimulate growth and development in the region. Business reports and analyses bring news stories to people's attention and highlight the region's collective resources. This means the Bank can be a source of socially useful information for both private and public players. In 2018, the main theme of the Economic Barometer was environmental and climate work in the business world in Eastern Norway. (Se article on page 42.)

14

internal sustainability workshops with 188 participants in 2018

Raising awareness through courses and conferences

The Bank arranges many external courses and conferences during the year, both alone and in partnership with others. These are important forums for picking up new knowledge and for networking for business, public-sector actors and others. In September, sustainability was the main theme of the Bank's annual Leadership Conference, which brought together some 300 resource persons and business leaders.

Over
5 000
pupils received financial education from the bank in 2018

Training in consumer finance

For several years the Bank has had its own travelling teacher who has taught thousands of students about personal finance. A new virtual training programme started in November 2018. A total of 300 students were given lessons using tablets and AR technology, while 4 819 received finance training in the 'old' way during the year.

For a number of years, the Bank has provided good consumer financial advice in a radio series on NRK. In 2018, topics were on everything from resale and reuse, student finance and the sharing economy to insurance and preventive measures.

Challenges and objectives for 2019

Internal skills training

The Bank is continuing its sustainability workshops in 2019. The goal is for all employees to understand what sustainability is, and what it means for the Bank and its business area.

The Bank is focusing on digitalisation and is running a training programme for our staff in collaboration with NTNU Gjøvik. The Bank is also working with the Inland Norway University of Applied Sciences on project management training, as well as training in process management. Vocational training for employees in the retail and corporate markets is also on the schedule for 2019.

A new system of staff appraisals is being introduced and should identify development needs. Then the Bank can launch various training initiatives.

7. Keeping our own house in order

An attractive and engaged employer

SpareBank 1 Østlandet wants to be an attractive and engaged employer with capable staff. The Bank tries to facilitate a good balance between work, home and leisure. Two staff surveys were conducted in 2018 with good results; here are some key findings:

- Employees and managers are engaged with their jobs.
- Employees are keen to look for new and better solutions for customers and themselves.
- Capability and cooperation between departments and divisions are good.
- The level of stress is low, given the recent merger.
- The culture is characterised by openness, fairness and security.

The Group aims to be an inclusive workplace for employees of all ages and at all stages of life. SpareBank 1 Østlandet is working on initiatives to promote health and encourages its employees to be physically active. The Bank is an inclusive employer and works systematically on preventing and following up on sick leave. It makes arrangements for employees who need changes to their work environment and tasks because of illness, reduced capacity for work or other factors. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank takes on employees who need training and work experience. Sickness absence at the Bank was 4 per cent in 2018.

Advisor school

In the idyllic surroundings of Staur Gård by Mjøsa lake, almost 200 employees took professional training in 10 sessions in 2018. The Advisor School is an important initiative to adapt the advice we give to customer needs at all times. The initiative is intended to build up the brand of *'A bank with good digital solutions and human relationships'*. The Bank believes that advisors who are good supporters to customers will be a sought-after service in an increasingly digital world.

Employee rights, equal opportunities and diversity

SpareBank 1 Østlandet respects and observes international labour and human rights in its activities. A policy document adopted in 2018 lists some of the key conventions, frameworks and guidelines that the Bank respects and follows. Separate guidelines for the Bank's various business areas describe how the content is being operationalised. Where necessary, further information is provided in guides, procedural descriptions and checklists.

The Company strives to avoid discrimination in all situations and wants to recruit a workforce that reflects our society, irrespective of cultural background, ethnicity, religion and gender. No cases of discrimination were reported in 2018.

The Bank strives to achieve a good balance between the sexes at all levels of the organisation. The proportion of management positions with staff responsibilities held by women was 39 per cent in 2018. Analyses of various job categories show that the average pay among female employees in the Bank is between 90 and 98 per cent of male employees' pay. The analyses are not adjusted for any structural factors such as age, seniority, level of education, etc. Overall, the financial industry has far larger reported pay differences and is now focusing particularly heavily on this, both at an industry level and in the individual undertakings.

In the local pay settlement in the autumn of 2017, a special inequality pot of 0.5 per cent of a total budget of 1.5 per cent was set aside by the Bank which was primarily intended to be used to equalise any unintentional pay differences linked to gender. 70 per cent of this was distributed to women and 30 per cent to men.

Ethics

Objective

The Group's employees and Board members should be known for their high ethical standards and their competence, honesty, fairness and ability to inspire confidence. The Bank accepts no actions that could be perceived as bribery, corruption or attempts to improperly influence decision-making processes. Our conduct and decisions must be based on the Bank's strategy and corporate social responsibility and sustainability goals. Within all business areas, value must be created in line with good consultancy practice and within a framework that does not require individual employees to breach the Code of Conduct in order to meet financial targets. The needs and interests of customers must be safeguarded through good, professional and honest customer management that ensures that customers themselves are able to take conscious, well-informed choices.

Code of Conduct

SpareBank 1 Østlandet's guidelines should help to ensure that the employees fulfil their duty of confidentiality, avoid conduct that could harm the Bank's reputation, remain impartial and deal with conflicts of interest. The Code of Conduct also describes how employees should act in relation to gifts, customers and hospitality, and in other situations. The Code of Conduct is revised regularly, and managers and employees are invited to provide their input, most recently in 2018.

Breaching the Group's Code of Conduct may have consequences for your employment relationship and conditions of employment.

Responsibilities

The individual employee has a personal responsibility to comply with applicable laws and regulations, and is responsible for maintaining his or her integrity and complying with the Group's Code of Conduct. How managers behave has a crucial influence on the ethical standards in their own organisation. Every manager is responsible for putting ethics on the agenda. Managers at all levels are also responsible for informing new employees about the content of the Code of Conduct.

The objective is for all employees to be open and conscious in their day-to-day activities and to ensure there is an opening for discussion of ethical issues, so that everyone has the opportunity to put forward their own opinions. Exchanges of opinion and participation help to improve results and make good decisions.

The percentage of woman in managerial positions with personnel responsibilities in the Bank is

39 %

The Bank's environmental work

The Bank's approach to environmental and climate challenges is twofold. On the one hand, SpareBank 1 Østlandet aims reduce its own impact on the environment and the climate. On the other hand, the Bank tries to help customers and suppliers in fields ranging from office supplies to mutual funds to do the same.

To reduce its own environmental and climate impact, the Bank has chosen to certify itself through the Eco-Lighthouse scheme. Here the Bank is in the middle of a re-certification process. Following the merger between Sparebanken Hedmark and Bank 1 Oslo Akershus in 2017, several offices are to be incorporated that were not certified previously.

The Bank also prepares annual energy and climate accounts in accordance with the international 'Corporate Accounting and Reporting Standard' developed by the Greenhouse Gas Protocol Initiative (the GHG protocol). The climate accounts cover greenhouse gas emissions from consumption due to things like travel, waste management, and energy use. The Bank uses the figures to reduce its own negative impact on the climate.

The climate accounts for 2018 are not directly comparable with previous years, because of the merger with Bank 1 Oslo Akershus in 2017. This resulted in a 21.8 per cent increase in the Bank's greenhouse gas emissions. That is equivalent to 99 tonnes of CO^2 equivalents. The increase is mainly due to the fact that more buildings, both owned and rented, in Oslo and Akershus are included in these climate accounts than in the previous reporting year.

Digitalisation – easier for customers, prevents crime and reduces paper consumption

The Bank is constantly working on digitalisation and efficiency improvements, both for itself and for its customers. Mortgages on the web, mobile banking, Vipps, video conferences, text messaging services and electronic distribution of letters, news and publications are measures that reduce transport needs and paper consumption.

Digitalisation also prevents crime involving counterfeit documents used as a basis for granting loans. This is why the work is linked to sustainability goal 16, target 16.5, which is about achieving a significant reduction in all forms of corruption and bribery.

Through digitalisation, systems can be simplified and customers can become more autonomous. Here are some examples:

- **E-signature.** The Bank is constantly working to increase the proportion of customers signing documents electronically.

- **Digital borrowing tracks for both the personal and corporate markets.** Collaboration with the public sector on a solution to allow their systems to be integrated with the Banks' solutions.

- **'Digital interaction, public and private (DSOP).** The tax administration, the police and NAV collect different account information for follow-up checks. This is done in connection with colle-ction cases or to determine whether checks need to be implemented. The goal is fully automated collection of the data. SpareBank 1 Østlandet is involved in a pilot project that started in 2018.

The challenge for the Bank is to provide equally good services to customer groups who do not have high digital competence.

8. The savings bank and the local community

With a combination of good, easy-to-use digital solutions and a local presence, the Bank is an important cog in society in different regions and communities. In 2018, we renovated and re-opened offices in several locations, including Otnes in Rendalen which was robbed in 2017. With profitable long-term operations, the Bank influences social development locally and regionally. The fact that the Bank has been financially strong over time is important to both retail and corporate customers and the society of which we are part. The Bank is also a large and important taxpayer, both directly, and also through being an employer for its 1100 tax-paying staff.

Local business development

An important part of the Bank's social contribution is to finance good projects that stimulate growth and development in jobs, which in turn contributes to local prosperity. Having a solid source of capital in the region provides security and a close proximity to the decision-making process.

Through its core business, SpareBank 1 Østlandet covers many important needs in the community, including savings, financing, payment processing, insurance, damage prevention, asset and investment management. The fact that the Bank runs its core business with long-term and sustainable perspective is its most important contribution to local economic development. The Bank also contributes to economic development through active collaboration across the business, research and academic worlds.

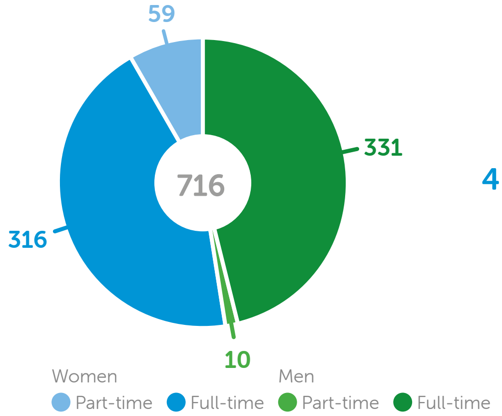
NOK 202 million paid in customer dividends

Based on the results for 2017, SpareBank 1 Østlandet paid customer dividends for the first time in April 2018. In doing so, the Bank made history. Never before has a Norwegian bank paid dividends to its customers. The scheme means that both retail and corporate customers automatically receive dividends based on the Bank's profits and the customer's borrowing and deposits throughout the year. Sharing the profits with customers in this way is in line with SpareBank 1 Østlandet's fundamental values as a savings bank. (See article on page 40.)

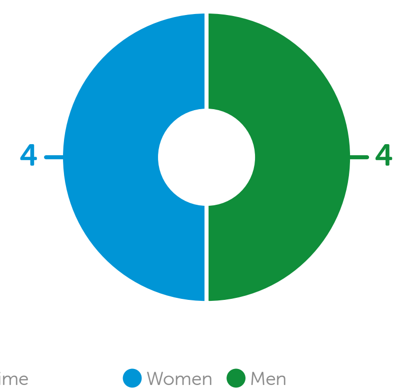
"Plastdugnaden"

Plastic waste and microplastics are a growing social problem. The Bank therefore invited people to clean up lakes and rivers together with bodies like 'Keep Norway clean', Friends of the Earth Norway and local waste disposal companies. SpareBank 1 Østlandet and Sparebankstiftelsen Hedmark provided up to NOK 2 million in support for schools, clubs and associations that participated in the action. A total of 15 tonnes of waste was picked up. (See article on page 43.)

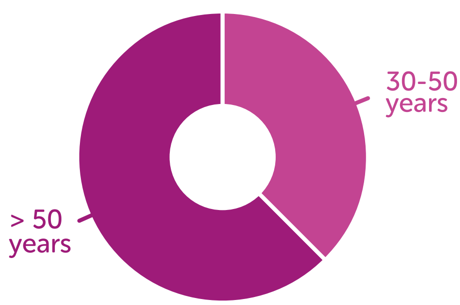
Number of employees by gender, full-time and part-time



Gender distribution in the Board



Age composition in the board



Sponsorship and donations to non-profit organisations

As a savings bank with local roots, we have a long traditions of giving back part of our profit to local communities, including support for clubs and associations. Through Sparebankstiftelsen Hedmark and through sponsorship, we give something back to the local communities by supporting both elite and grassroots sports. Football, handball, cross-country skiing and ice hockey are examples of sports where the Bank sponsors both the elite and grassroots levels.

Through the SpareBank 1 Alliance, the Bank is the main sponsor of the Norwegian Ski Federation. The agreement with the national cross-country team was renewed during the 2018 national championships at Gåsbu near Hamar. SpareBank 1 Østlandet was the main sponsor during the event.

From 2017, Sparebankstiftelsen Hedmark took over the processing of all applications for donations. The Foundation is SpareBank 1 Østlandet's biggest owner and hands out funds from the Bank's profits to local clubs and associations. Read more about Sparebankstiftelsen Hedmark and view the list of donations on the website www.sparebankstiftelsenhedmark.no

Although most donations now go through the Foundation, SpareBank 1 Østlandet still provides some makes some individual donations for charitable purposes. In 2018, the biggest donations were NOK 200,000 to the TV campaign for the Church City Mission and NOK 100,000 as a Christmas gift to Médecins sans Frontières. A total of NOK 100,000 was also given to good causes at Christmas through support for various 'Spleis' projects.

Record number of grants to young people

SpareBank 1 Østlandet's grant scheme had its fifth birthday in 2018, and the Bank ran a special motivation day and talent party in Hamar Kulturhus in September. A total of 90 recipients each received grants of NOK 25,000 or 50,000. The grant scheme is intended to encourage young athletes and artists to develop their talent and commitment through training, education and expressing their creativity. The aim of the grant is to build pride, produce good role models and highlight potential ways of developing talent.

The Bank handed out NOK 1.5 million in sports grants, while Sparebanken Hedmark's art fund handed out NOK 1 million in arts grants to rising stars from Hedmark.

Sparebanken Hedmark's art fund

Three works of art were completed the last year and presented as gifts to Eidskog municipality, Tynset municipality as well as the Inland Norway University of Applied Sciences at Evenstad. Other works were given to Strandgateparken in Hamar. Two new projects were approved that will be given to Løten municipality and Stange municipality. In 2018, the Bank's art fund received NOK 2 million from Sparebankstiftelsen Hedmark. NOK 1 million was awarded in grants to 30 young artists in painting and sculpture (as described in the section above).

Challenge and goal for 2019

The Bank has an ambition to create and launch its own sustainability fund during 2019. We look forward to presenting this in the autumn of 2019.

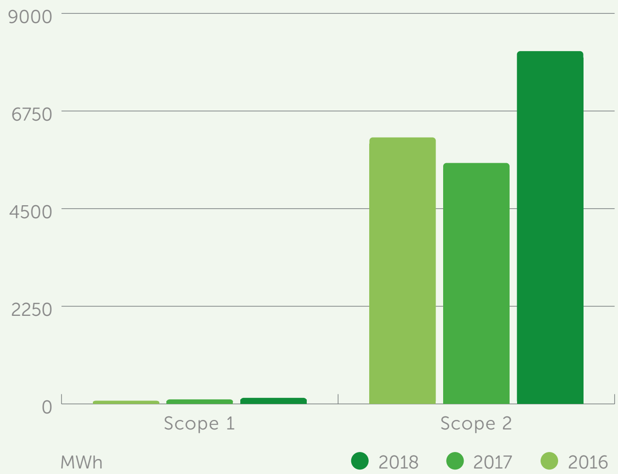
Energy and climate accounts 2018

The climate accounts for 2018 are not directly comparable with previous years, because of the merger with Bank 1 Oslo Akershus in 2017. This resulted in a 21.8 per cent increase in the Bank's greenhouse gas emissions. That is equivalent to 99 tonnes of CO^2 equivalents. The increase is mainly due to the fact that more buildings, both owned and rented, in Oslo and Akershus are included in these climate accounts than in the previous reporting year.

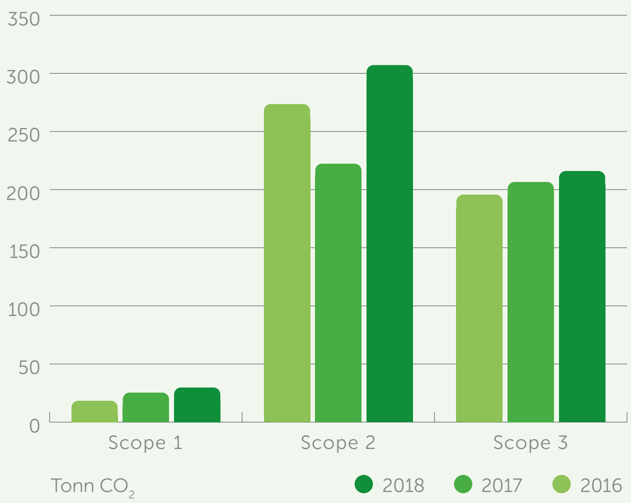
Energy and climate indicators	2018	Change 17/18	2017	2016
Total kWh/m² *	182.2	8.3%	168.3	186.1
Total energy consumption, Scope 1+2 (MWh)	8,252.5	45.9%	5,657.1	6,215.6
Total emissions (S1+S2+S3) (tCO²e)	552.9	21.7%	454.3	487.7
Total (s1+2+3) tCO²e/FTE	0.77	19.8%	0.64	1.1
Total (s1+2+3) tCO²e/turnover	0.2	-12.5%	0.17	0.3
MWh/ÅV (Scope 1+2)	11.53	45.9%	8.02	
FTEs, Parent Bank	716	1.56%	705	462

*) Energy consumption in own and rented offices

Annual energy consumption (MWh) Scope 1 og 2



Annual greenhouse gas emissions per scope



Reporting in accordance with the Greenhouse Gas Protocol

Scope 1: Direct emissions
Includes direct emissions from sources owned or controlled by the company, including the company's own cars or vehicles, or from processing or the transport of employees.

Scope 2: Indirect emissions
Emissions from purchased energy, mainly electricity and/or district heating.

Scope 3: Indirect emissions
Includes other indirect emissions. The emissions are a result of the company's activities, but emitted from sources not controlled by the company.

Energy and climate accounts 2018

The purpose of this report is to show the overview of the organisation's greenhouse gas emissions (GHG emissions), as an integral part of a superior climate strategy. Climate accounts are an important tool in the efforts to identify specific measures to reduce its energy consumption and associated GHG emissions. This annual report enables the organisation to measure key figures and thus evaluate itself over time.

The report includes all registered emissions in the SpareBank 1 Østlandet Group.

The information used in a climate accounting originates from external and internal sources, and is converted to tonnes of CO^2equivalents. The analysis is based oh the international 'Corporate Accounting and Reporting Standard' developed by the Greenhouse Gas Protocol Initiative (the GHG protocol). This is the most commonly used method worldwide for measuring greenhouse gas emissions. ISO Standard 14064-I is based on this.

Social accounts 2018

			2018	2017
Finances				
	Consolidated profit before tax (NOK millions)		1 735	1,618
	Consolidated total assets (NOK millions)		123 472	108 321
	Consolidated return on equity after tax		10.5 per cent	10.2 per cent
	Consolidated core equity tier 1 ratio		16.8 per cent	16.8 per cent
Strategy				
	Group strategy		Strategy implemented according to plan.	Strategy implemented according to plan.
	Development of CSR strategy		Started revising strategy.	Strategy revised and approved by the Board
Employees (formerly community/social issues)				
1	No. of FTEs, incl. subsidiaries	Number	1 139	1 109
2	No. of FTEs, Parent Bank	Number	716	705
3	Sick leave*	%	4 per cent.	4.0 per cent
4	Percentage of women*	%	53 per cent	53 per cent
5	Percentage of women in managerial positions*	%	39 per cent	39 per cent
6	Average age*	Number	48	47.7
8	Average period of service *	Number	16 years	16.4
9	Number recruited, internally*	Number	12	15
10	Number recruited, externally*	Number	35	15
11	Turnover *	%	2 per cent	2 per cent
	Employee satisfaction, organisational survey *		Two surveys conducted in spring and autumn 2018 with good results.	Status surveys concerning the merger process conducted with good results.
	Annual review and confirmation that Code of Conduct has been read and understood		Completed	Completed
	Figures for Parent Bank			
Donations | Social accounts				
1	Amount awarded to art and culture	.	121 500	1 997 665
2	Amount awarded to sport	.	135 000	2 090 085
3	Amount awarded to humanitarian work	.	60 000	331 400
4	Other	.	2 000	782 600
Endowment Fund | Social accounts				
1	Amount awarded to art and culture	.	950 000	5 606 000
2	Amount awarded to sport and physical activity	.	1 157 959	4 900 012
3	Amount awarded to education and research	.	425 000	1 575 000
4	Amount awarded to humanitarian work/other	.	522 500	500 000
Sparebanken Hedmark's art fund*	Amount awarded to art and culture	.	2 890 000	1 025 000
**In 2018, the Bank's art fund received NOK 2 million from Sparebankstiftelsen Hedmark.*				
Economic development | Social accounts				
Economic development	Amount awarded to innovative action		Sparebankstiftelsen Hedmark has taken over the allocation of funds for innovative action.	0
Environment | Social accounts				
1	No. of branches with Eco-Lighthouse certification	Number	24 (19 offices and 5 satellite offices)	24
2	No. of videoconferencing rooms	Number	0	46 (Everyone have Skype and video access for personal PCs.)

Corporate governance

Corporate governance in SpareBank 1 Østlandet includes those values, aims and overall principles that provide the basis for how the company is managed and governed, and creates the foundation for long-term value creation in the best interests of equity certificate holders, customers and other stakeholders.

There are no significant deviations between the Norwegian Code of Practice for Corporate Governance and compliance with the Code of Practice at SpareBank 1 Østlandet.

On an annual basis, SpareBank 1 Østlandet evalutes the principles for corporate governance and how these are implemented in the company. SpareBank 1 Østlandet provides a comprehensive report on the principles and practice for corporate governance in accordance with the Accounting Act § 3-3b and the Norwegian Code of Practice for Corporate Governance.

Norwegian Code of Practice for Corporate Governance

The document below accounts for how SpareBank 1 Østlandet complies with the 15 topics in the Norwegian Code of Practice for Corporate Governance of 30 October 2014.

1. Report on corporate governance

There are no significant deviations between the Code of Practice and compliance with the Code of Practice at SpareBank 1 Østlandet.

SpareBank 1 Østlandet has adopted its own corporate governance policy, and will further develop this policy within the framework of applicable laws and in keeping with recommendations emanating from influential sources.

Through its corporate governance policy the company aims to assure sound management of its assets and to give added assurance that its stated goals and strategies will be attained and realised. Good corporate governance in SpareBank 1 Østlandet encompasses the values, goals and overarching policies by which the company is governed and controlled with a view to securing the interests of owners, customers and other stakeholder groups. The company adheres to the "Norwegian Code of Practice for Corporate Governance" to the extent appropriate to savings banks with equity certificates. Any deviations from the code are accounted for in the below text.

The company has given special emphasis to:

- a structure assuring targeted and independent management and control
- systems assuring monitoring and accountability
- effective risk management
- full information and effective communication
- equal treatment of EC holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards.

Staff in SpareBank 1 Østlandet shall have high ethical standards as a defining feature. To this end they must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed in circumstances when employees are identified with the company. The ethical rules of SpareBank 1 Østlandet deal inter alia with legal (in)capacity; relationships to customers, suppliers and competitors, as well as relevant financial circumstances of the individual. This body of rules applies to members of the Board of Directors as well as all permanent and temporary employees. Securities trading and own trading in financial instruments are regulated by internal guidelines.

The company's ethical rules are available on the company's webpages.

SpareBank 1 Østlandet wishes to contribute to sustainable social development through responsible business operations. Among other things, this implies safeguarding ethics, environmental and social developments. Thus, SpareBank 1 Østlandet has developed its own strategy for social responsibility (CSR).

Corporate social responsibility is an integral aspect of the company's operations, and it is expressed through strategies, measures and activities that the company plans and implements, and through the way resources are managed and through dialogue with employees, owners, customers, local communities and other stakeholders.

The company has its own web pages on corporate social responsibility. Moreover, the annual report contains a dedicated chapter on corporate social responsibility

Deviations from point 1 of the Code of Practice: None.

2. Operations

SpareBank 1 Østlandet is an independent financial services group in the SpareBank 1 Alliance. «Creating together» is the vision of the company. According to the Articles of Association of SpareBank 1 Østlandet, the objective of the company is to promote savings by receiving deposits from an unspecified group of depositors, to provide financial services to the public, business community and public sector, and to manage the funds controlled by the bank in a prudent manner in accordance with statutory rules that apply to savings banks at any given time. The company can perform regular banking operations and banking services in accordance with legislation in force at any and all times. The Articles of Association are available on the bank's website.

The company 's business idea is to provide financial advice to personal customers, companies and the public sector in the primary market area, which includes the Inland counties, Oslo and Akershus counties, so that customers can realise their ambitions through investments, savings, payment and insurance of life and values. In addition, the company shall provide real estate brokerage, leasing and accountancy services. Based on positive customer experiences and competent employees, we will contribute to growth and development of the society of which we are a part.

The company's ambitions and main strategies shall be set out in the annual report.

Deviations from point 2 of the Code of Practice: None.

3. EC capital and dividends

The Board of Directors (the "Board") continuously assesses the capital situation in light of the company's goals, strategy and desired risk profile. SpareBank 1 Østlandet has a long-term target for the CET-1 capital ratio of 16 per cent.

For detailed information on capital adequacy, see the relevant note in the annual report. For a further account of the rules governing capital adequacy and the principles on which SpareBank 1 Østlandet bases its assessment of its capital needs, see the company's Pillar 3 report, which is available on the company's webpages.

Dividends

At all times, the company shall have a clear and predictable dividend policy, determined by the Board. The dividend policy provides the basis for those dividend proposals that the Board puts forward to the Supervisory Board. The dividend policy is made publicly available on the company's webpages.

Each year, the Supervisory Board decides on the share of profits after taxes which will be distributed as dividends to ECC owners and the ownerless capital, proportionally in accordance with their relative share of the company's equity. The share of profits belonging to the ownerless capital is normally paid to the company's customers as annual customer dividends. The customer dividend prevents a dilution of the ECC holders' ownership stake in the company. The share of the profits belonging to the ECC owners is split between dividends and the equalisation fund.

Deficits

In case of losses in the income statement, a proportional transfer of funds from the primary capital, including the endowment fund, and the equity share capital that exceeds the equity share capital, including the equalization fund, shall cover these. Losses not covered in this manner are covered by a proportional transfer of funds from the share premium reserve and the compensation fund, and thereafter by a reduction in the equity share capital as stipulated in the Articles of Association.

Purchases of own equity certificates

The Board has been granted authorisation to purchase the bank's own equity certificates for up to 10 per cent of the bank's equity certificate capital. Each equity certificate should be purchased for a price between NOK 50 and 150. The Board is free to decide how the acquisition, pledging, or disposal of equity certificate takes place. The authorisation can among other things be used for the acquisition of equity certificates that can then be acquired by the company's employees in connection with listing on the stock exchange. The authorisation is valid until the 2018 meeting of the Supervisory Board, although not after 30 June 2018.

Capital increases

The Board holds the authority to increase the equity certificate capital pursuant to section 10-10 (2) of the Norwegian Financial Institutions Act, see also the Financial Institutions Act section 10-14 (2).

The equity certificate capital can in one or more rounds be raised up to an amount equivalent to 10 per cent of the bank's equity certificate capital. The nominal value per equity certificate is NOK 50. The equity certificate holders' preferential rights can be waived. The authorisation can be used to strengthen the bank's equity if necessary, issue equity certificates as payment when acquiring businesses consistent with the purpose of the bank, or in connection with the sale of equity certificates to employees and/or employee representatives. The authorisation includes the increase of equity certificate capital against receipts of other assets than cash or the right to confer on the bank specific duties pursuant to section 10-2 of the Norwegian Financial Institutions Act, but not a decision to merge as outlined in section 13-5 of the Norwegian Financial Institutions Act. The authorisation replaces earlier authorisations to increase the equity certificate capital and is valid until the 2018 meeting of the Supervisory Board, although not after 30 June 2018.

At all times, the company shall have a clear and predictable dividend policy, determined by the Board.

Deviations from point 3 of the Code of Practice: None.

4. Non-discrimination of shareholders and transactions with related parties

SpareBank 1 Østlandet has one class of ECs. Through the Articles of Association, and in the work of the Board and the management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an identical voting right. Owners who hold more than 10 per cent of issued equity certificates have the right to representation in the equity certificate holders' election committee. The company abides by provisions of the Financial Institutions Act 2015 regulating holdings and voting rights insofar as these provisions apply to savings banks with equity certificates.

In the event of an increase of capital, existing EC holders have pre-emptive rights unless special circumstances call for deviations from this rule. Any such deviation will be explained. SpareBank 1 Østlandet will at irregular intervals have the opportunity to launch private placements towards employees with the purpose of strengthening employees' ownership of the company and interest in the company's capital instrument. After the listing on Oslo Børs, any exercise of the Board's authorisation to acquire treasury certificates shall be by trading on the securities market via the Oslo Stock Exchange.

The company's equity certificate is quoted on the Oslo Stock Exchange under the SPOL ticker symbol.

Transactions with related parties

Under instructions in force for the Board, a Board member is barred from participating in the consideration of, or decision in, any matter whose significance to him/herself or to any related party is such that the member is to be regarded as having, directly or indirectly, a particular personal or financial interest in that matter. The same follows from the company's ethical guidelines. Each Board member is obliged to personally verify that he or she is not disqualified from participating in the treatment of a matter.

In the beginning of each of its meetings, the Board considers whether or not any member is disqualified from participating in the treatment of a matter.

Any agreement between the company and a Board member or the company CEO must be approved by the Board, as must any agreement between the company and a third party in which a Board member, related parties or the group CEO has a particular interest. Board members are required to disclose on their own initiative any interest the individual or related party concerned may have. Unless the Board member itself opts to stay out of the consideration of or decision in a matter, the Board directors shall decide whether or not the Board member shall stay out. In the assessment, all forms of personal, financial or other interests of the Board member shall be considered as well as the need for public trust in the Board's decisions and the company's operations. The Board's assessments of legal (in)capacity must be duly recorded.

Deviations from point 4 of the Code of Practice: None.

5. Free transferability

The company's equity certificate is quoted on the Oslo Stock Exchange under the SPOL ticker symbol and is freely transferable. The Articles of Association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None.

6. General meeting

At the outset, a savings bank is a 'self-owned' institution. Its governance structure and the composition of its governing bodies differ from those of public limited liability companies; see the Financial Institutions Act 2015 chapter 8 about which governing bodies a savings bank is required to have.

Supervisory Board

The company's highest body is the Supervisory Board comprising EC holders, depositors, employees and representatives of the public authorities. The EC holders have 12 members in the Supervisory Board, while depositors, employees and public sector representatives have 14, 10 and 4 members.

The Supervisory Board shall see to it that the bank operates in line with its mission and in conformity with law, its Articles of Association and decisions of the Supervisory Board.

According to law, elected members shall in aggregate reflect the savings bank's customer structure and other interest groups as well as its social function. In a savings bank that has issued freely transferable equity capital certificates, at least one fifth and no more than two fifths of the members of the Supervisory Board can be elected by the EC holders.

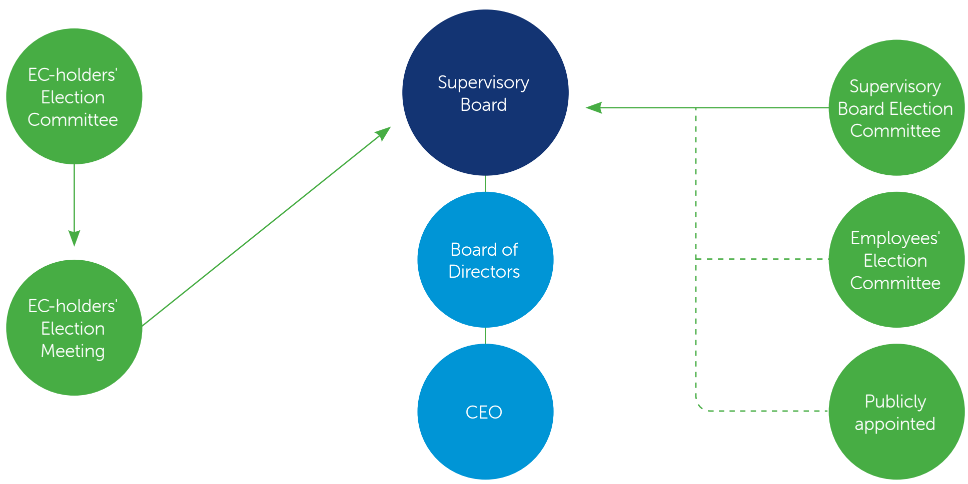
The Supervisory Board approves the company's annual accounts, gives authority to the Board for subordinated loan issues and equity capital increases, as well electing members to the company's Board and the election committee. Moreover, the Supervisory Board determines the remuneration of these governing bodies.

The members of the Board, the company CEO and the auditor are also summoned to meetings of the Supervisory Board. They may participate in the proceedings but are not entitled to vote. The Supervisory Board chair or, in the latter's absence, the deputy chair presides over the meeting.

If a member of the Supervisory Board is not able to attend the meeting, a deputy member will be summoned. EC holders cannot be represented at meetings by proxy or counsel.

Notice of meetings of the Supervisory Board is sent to its members and is available on the bank's

Governing bodies in SpareBank 1 Østlandet



website at least 21 days ahead of the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed to enable the members of the Supervisory Board to take a position on the matters to be considered. Minutes of the meetings of the Supervisory Board are also made available on the bank's website.

A list of Supervisory Board members can be found on the company's web pages.

EC holders' election meeting

Annually, an election meeting for EC holders are held where representatives to the Supervisory Board are elected and information is provided about the company's financial situation. EC holders are invited to the election meeting at least 14 days prior to the meeting. The invitation includes the election committee's nomination for members to the Supervisory Board as well as other relevant material.

Those registered as owners of ECs in the VPS register is entitled to vote. Each EC gives the right to one vote. Whoever has a right to vote can be elected. All EC holders can participated in the meeting and voting by proxy is possible.

The election meeting is chaired by the chair of the Supervisory Board. Voting happens in writing unless all participants agree that voting can be conducted differently.

Deviations from point 6 of the Code of Practice: Where the composition of the company's bodies is concerned, SpareBank 1 Østlandet abides by laws and provisions that regulate financial institutions. These deviations are not deemed to entail any real difference in relation to the Code of Practice.

7. Election Committee

In accordance with the Articles of Association of SpareBank 1 Østlandet, election committees for depositors and for EC holders have been established. In addition, employees have an election board for their representatives.

Election committee for the Supervisory Board

The Supervisory Board elects an election committee among members of the Supervisory Board. This election committee shall consist of 5 members and 5 substitute members. The election committee consists of one representative from each of the EC holders, publicly appointed representatives, and the employees as well as two representatives from the depositors, as well as substitute members from each group. The representative of the EC holders in the election committee shall be a member of the election committee for the EC holders.

In its proposals, the election committee emphasises a composition based on competence and gender. The task of the committee is to prepare elections for the chair and deputy chair of the Supervisory Board, the chair, deputy chair, other members and substitute members of the Board of Directors as well as members and substitute members of the election committee for the Supervisory Board. The committee is also tasked with reviewing and suggesting changes where relevant in the fees for members of the respective bodies.

The election committee prepares the depositors' election of members and substitute members to the Supervisory Board. The election itself happens digitally by depositors. The proposal of the election committee shall be presented at the latest two weeks before the depositors' election takes place.

Election committee for EC holders

The election committee prepares the EC holders' elections of members and substitute members to the Supervisory Board. Elections are held at the election meeting of the EC holders.

In addition, the committee shall prepare elections of members and substitute members to the election committee for the EC holders. Members to the committee are elected by and among the 12 members of the EC holders that are represented in the Supervisory Board. The election committee shall have four to six members and the same number of substitute members.

Election committee for the employees

Elections of employees as members of the supervisory board are done by and among the employees of the company.

The Board appoints the election committee, consisting of four members. The committee is composed of three members proposed by the employees and one member proposed by the management of the company.

Deviations from point 7 of the Code of Practice: All members of the election committee for the Supervisory Board are elected from the groups represented on the Supervisory Board, in accordance with the Articles of Association. At this time expanding the committee by one member from outside the supervisory board has not been considered.

8. Supervisory board and Board of Directors, composition and independence

See point 6 for information about the Supervisory Board. The Board consists of eight regularly attending members and six substitute members, of which the substitute member of the Norwegian Confederation of Trade Unions (LO) attends regularly.

The Board is appointed by the Supervisory Board based on the nomination of the election committee with the exception of Board members and substitute members who are elected by employees. Moreover, one member and one substitute member shall represent LO.
Four of the Board's eight members are women. The chief executive is not a member of the Board. A regularly attending substitute member of LO also attends Board meetings. None of the board members elected by the Supervisory Board have any employment or contractor relationship with the company beyond their position as an elected officer. The election committee has assessed the independence of Board members.

Board members are appointed for two years at a time. The chair and deputy chair are appointed by

The Board meets at last

11

times each year.

SpareBank 1 Østlandet aims to maintain a moderate to low risk profile.

the Supervisory Board in special elections and for two years at a time. Substitute members are appointed for one year at a time.

The composition of the Board is based on expertise, capacity and diversity. The individual Board member's background is also described in the annual report and on the company's website.

The election committee shall ensure that the composition of the Board is such that members' qualifications fulfil the criteria of the Financial Institutions Act 2015 on suitability.

The Board meets at least 11 times each year, and the members' attendance at meetings of the Board is described in the annual report.

Deviations from point 8 of the Code of Practice: None.

9. Work of the Board of Directors

Board instructions regulate the Board's work and procedures, and annual plans are prepared for the work of the Board. The Board manages the company's operations in compliance with laws, Articles of Association and resolutions of the Supervisory Board.

The Board is responsible for ensuring that the assets at the company's disposal are managed in a safe and appropriate manner. The Board is also required to ensure that accounting and asset management are subject to satisfactory control. In addition, the Board adopts the companys's strategy, budget and market and organisational objectives. The Board appoints and dismisses the company CEO.

Board members must not participate in discussions or decisions concerning cases of particular importance for the individual itself or related parties. Board members shall on their own initiative inform about any interests the individual itself or related parties have in decisions of the Board. The Board decides whether or not the individual board member needs to withdraw from proceedings in the case.

The Board receives regular reports on profit performance, market developments, management, personnel and organisational developments, as well as developments regarding the company's risk exposure. The Board conducts an annual evaluation of its work with respects to how it functions, case proceedings, meeting structure, and the prioritisation of tasks, giving a basis for changes and measures to be implemented. In addition, the competence of the Board is evaluated.

Audit and Risk committees

The Board has establised an Audit Committee and a Risk Committee, consisting of three to four members from the Board. Members are appointed for a period of two years. The Audit and Risk committees are preparatory and advisory working committees to the Board, with the aim of making assessments of selected issues, thereby improving the considerations of the Board. The Board establishes instructions for the committees.

The tasks of the Audit Committee are pursuant to the Financial Institutions Act (2015) section 8-19.

The Audit committee shall prepare the Board's follow-up of the financial reporting process, as well as expressing an opinion on the choice of auditor. The committee shall have continuous contact with the bank's appointed auditor concerning the auditing of the annual accounts, and evaluate and monitor the independence of the auditor, including the extent to which services other than auditing provided by the auditor or firm of public accountants pose a threat to their independence.

The Risk Committee's tasks are pursuant to the Financial Institutions Act (2015) section 13-6 (4).

The Risk Committee shall prepare for consideration matters relating to the Board's monitoring and management of overall risk, and assess the extent to which management and control arrangements have been adapted to the company's relative risk level. The committee shall monitor the internal control systems, including the company's internal auditing and ethical guidelines.

Remuneration committee

The Board has establised a Remuneration Committee which shall be a preparatory body to assist the Board in setting the terms and conditions of employment for the CEO of SpareBank 1 Østlandet as well as the main principles and strategy for compensation of the company's senior management.

The committee consists of three members from the Board, with each appointed for one-year terms. One of the members shall be an employee representative. The Board appoints the chair and establishes the mandate of the Remuneration Committee. The committee shall be a preparatory body to the Board in matters relating to the design and practice of guidelines and framework for the company's compensation policy. The company's compensation policy is intended to promote sound management and control of the company's risk, discourage excessive risk taking, encourage a long-term perspective, contribute to avoidance of conflicts of interest and be in compliance with applicable law and regulations.

The tasks of the remuneration committee are pursuant to the Financial Institutions Act (2015) section 15-4 (2).

Deviations from point 9 of the Code of Practice: None.

10. Risk management and internal control

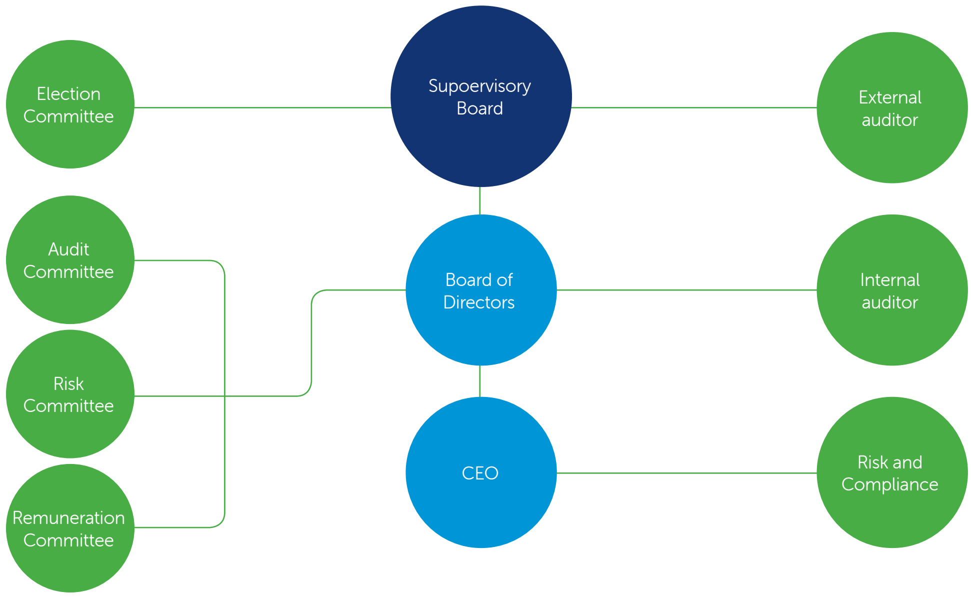
Sound risk and capital management are central to SpareBank 1 Østlandet in terms of long-term value creation. Internal control aims to ensure efficient operation and proper management of risks of significance for the attainment of business goals.

The company's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital management and capital calculation. The report is available on the company's webpages.

SpareBank 1 Østlandet aims to maintain a moderate to low risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the company's financial position. The

company's risk profile is established through policy documents for different risk areas and quantified through targets for inter alia rating, return on equity return, and regulatory capital adequacy.
The Board reviews the company's development in the main risk areas on a quarterly basis and reviews the internal control system on an annual basis. The Board has the main responsibility for setting limits to and monitoring the company's risk exposure. The company's risks are measured and reported in accordance with the principles and policy adopted by the Board. Risk management at SpareBank 1

Risk management and internal control bodies in SpareBank 1 Østlandet



Østlandet underpins the company's strategic development and goal attainment, and shall ensure financial stability and sound asset management.

The department for Risk management and compliance reports to the Board and the company management on a quarterly basis.

Internal control in relation to financial reporting
The department for Finance is headed by the finance director (CFO) and is organised independently of the business areas.

The unit attends to financial reporting at both parent-bank and group level, and sees to it that reports are made in accordance with applicable legislation, accounting standards and the company's accounting policies. The CFO reports directly to the group CEO. Each quarter the external auditor conducts a limited audit of the company's interim financial statements. A full audit is conducted of the company's annual financial statements.

Internal audit

The internal audit function is a tool used by the Board and the administration to oversee that the risk management process is targeted, effective and functions as intended. Internal audit services are delivered by EY and these services cover the parent bank and subsidiaries subject to risk management and internal control regulations.

The internal audit function reports semi-annually to the Board, which adopts annual plans and budgets for the internal audit function. The internal audit's reports and recommendations are reviewed and improvements implemented on a continuous basis.

Ethics and whistleblowing

Ethical guidelines have been drawn up for the company, and ethics is a standard topic at seminars for all new staff members. In addition, the company organises a week of ethics, where all employees participate in discussions focussed on relevant ethics topics. This helps to ensure that the company's values and ethical guidelines are properly communicated and made known throughout the organisation. Clear guidelines have been established for internal communication should an employee learn about matters that conflict with external or internal rules or other matters that could harm the company's reputation or financial situation. Ethical guidelines are available on the company's webpages.

Deviations from point 10 of the Code of Practice: None.

11. Remuneration to the Board of Directors

The Board members' fees that are recommended by the election committee and adopted by the Supervisory Board are not performance-related and no options are issued to the Board members. The Board's chair is remunerated separately, and members participating in Board committees receive additional remuneration for doing so. None of the Board members appointed by the Supervisory Board perform tasks for the company beyond serving on the Board of Directors. Further information on compensation to the Board and Board committees is shown in note 23 in the annual report.

Deviations from point 11 of the Code of Practice: None.

The Sparebanken Hedmark Sparebankstiftelse will at all times own at least 50 per cent of the banks equity capital certificates.

12. Remuneration to senior employees

The company has established a remuneration policy that is in accordance with the company's overarching objectives, risk tolerance and long-term interests. The policy has been adopted by the Board and presented to the Supervisory Board. The policy is designed to promote and incentivise good management and control of the company's risks, to counter excessive or undesired risk-taking, to pre-empt conflicts of interest and to be in accordance with applicable law and regulations. The company's remuneration policy has special rules for senior management, for other staff and elected officers with tasks of particular relevance to the company's risk exposure and for staff and elected officers with control tasks. See also the requirements in the Regulation on remuneration schemes at financial institutions, investment firms and fund management companies.

The Board has appointed a remuneration committee which acts as a preparatory body for the Board in cases relating to the compensation of the company CEO. The committee also recommends to the Board guidelines for remuneration to senior management. The Board establishes the mandate for the remuneration committee. See also the account of the Board's remuneration committee under point 9.

A description of the remuneration scheme and the remuneration of the CEO and other senior management is provided in note 23 to the annual report.

Deviations from point 12 of the Code of Practice: None.

13. Information and communication

The company's information policy is based on an active dialogue with various stakeholders with a focus on openness, predictability and transparency. The open information practices shall conform to ethical guidelines and the Financial Institutions Act (2015) section 9-6 and 9-7, limited by the current non-disclosure rules at any given time.

Correct, relevant and timely information about the company's development and results shall build trust towards investors. SpareBank 1 Østlandet has a website for investor relations. The financial calendar, annual and interim reports, presentation material and company announcements are all made available on the investor relations pages. All price-sensitive information shall be published in both Norwegian and English.

In addition to the investor relations webpages and company announcements, information will be provided to the market through regular presentations to partners, lenders, and investors. All reporting is based on openness and equal treatment of financial market participants. The Board has adopted an IR-policy which is available on the company's webpages.

Deviations from point 13 of the Code of Practice: None.

14. Take-overs

SpareBank 1 Østlandet is a partly 'self-owned' institution which cannot be taken over by others through acquisition without consideration of the matter by the company's governing bodies. In addition, the Sparebanken Hedmark Sparebankstiftelse (the foundation) will at all times own at least 50 per cent of the ECs, as laid out in the foundation's articles of association. A savings bank's ownership structure is regulated by law, and approval from the Norwegian Financial Supervisory Authority must be granted for ownership stakes higher than 10 per cent of the equity certificate capital. An overview of the largest EC holders in SpareBank 1 Østlandet can be found on the company's web pages.

Deviations from point 14 of the Code of Practice: Statutory limit on equity holdings.

15. External auditor

An external auditor is appointed by the Supervisory Board upon the recommendation of the Audit committee and nomination by the Board. The auditor is identical for all companies in the group. The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. Each year, the external auditor presents a plan for the audit work to the Audit committee. The external auditor attends meetings of the Board at which the annual accounts are reviewed as well as meetings of the Audit committee where the accounts are reviewed.

The Board holds at least one meeting each year with the external auditor without the company CEO or others from the company staff being present. Guidelines have been established for the day-to day management team's right to utilise the external auditor for non-audit services. Any such services from the external auditor must at all times be within the scope of the Auditors Act section 4-5. The Supervisory Board decides on the remuneration of the external auditor for the audit and any other services.

The external auditor provides the Audit committee with a description of the main elements of the audit for the previous accounting year, including whether any significant weaknesses have been identified in the bank's internal control related to financial reporting processes and including suggestions for improvement. In addition, the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the company over the course of the accounting year.

Deviations from point 15 of the Code of Practice: None.

Foto: Getty

A look back at 2018

NOK 202 million paid in customer dividends

SpareBank 1 Østlandet made history in 2018 when the Bank became the first in Norway to share its profit by paying customer dividends. The scheme was very well received by customers.

The Bank launched the new idea of customer dividends towards the end of 2016, after the Financial Supervisory Authority of Norway had given the green light to the plans. Many people in Norway will be familiar with customer dividends or profit-sharing from cooperatives, insurance companies and grocery chains, but until now no bank has received approval from the authorities to distribute profits to customers.

SpareBank 1 Østlandet's vision is 'Creating together', and sharing out customer dividends is in line with our fundamental values as a savings bank. Instead of keeping the money or making donations, the Bank will be sharing the profits with its customers. The scheme means that both retail and corporate customers automatically receive dividends based on the Bank's profits and their own loans and deposits.

The supervisory board, the Bank's supreme governing body, will take a view each year on how much should be paid in customer dividends. The dividends will be distributed based on an annual evaluation of the Bank's profitability, financial soundness and market expectations amongst other things. According to the Norwegian Directorate of Taxes, the scheme is taxable both for private individuals and companies.

The qualifying period started on 1 April 2017. Just over a year later, on 20 April 2018, a major milestone in the history of the Bank was reached when the customer dividend was paid for the very first time, based on the results for 2017. The response from customers was very good. Many happy customers showed up when customer dividends day was celebrated with cake in the Bank's premises. The Bank also received good feedback through social media and other channels.

In discussions with customer, the Bank has found that many people are satisfied with the additional discount that the customer dividend means in practice. The Bank has steady customer growth and the customer dividend has often been the deciding reason why customers choose SpareBank 1 Østlandet on both the loan and the deposit side.

Each customer can receive dividends on up to NOK 2 million in loans and NOK 2 million in deposits. The maximum amount for customers with a full entitlement through 2017 on both loans and deposits was NOK 7,896. People with joint loans (co-borrowers/co-debtors) received customer dividends on loans up to NOK 2 million for the qualifying year 2017. The amount for co-debtors will be raised to NOK 4 million for the qualifying year 2018. Customer dividends were not issued for savings in funds or shares, or for insurance policies.

High rate of innovation in the Bank

SpareBank 1 Østlandet is firmly convinced that customers' expectations of tomorrow's bank are best met by working closely with customers and partners. 2018 brought many innovations.

SpareBank 1 Østlandet has established a dedicated environment for innovation and development, where the main focus is on customer-oriented innovation. The innovation environment in the Bank is genuinely interested in the link between real customer problems and a solution-oriented foundation in new technology.

The Bank has ongoing projects in areas such as VR/AR, artificial intelligence, robotisation, voice control and open banking. In a few words, this last is where bank data is made available to authorised third-parties through APIs (application program interfaces). These make it possible to build applications and services that exchange information with the Bank.

Broad involvement

The Bank's main focus is open innovation, i.e. value creation together with others. Partnerships have been established with academic institutions and several innovation environments in the region, as well as in the European FinTech arena. This will strengthen the Bank's innovation potential and provide customers with the best solutions. SpareBank 1 Østlandet ran its own innovation week in the autumn of 2018, with great commitment and a lot of good ideas from the Bank's employees. The ideas gathering produced 140 ideas, four of which went on to the Group management for a winner to be selected. The aim of the innovation process was to motivate employees to develop ideas that could help differentiate the Bank in the marketplace.

Robotisation and chatbot

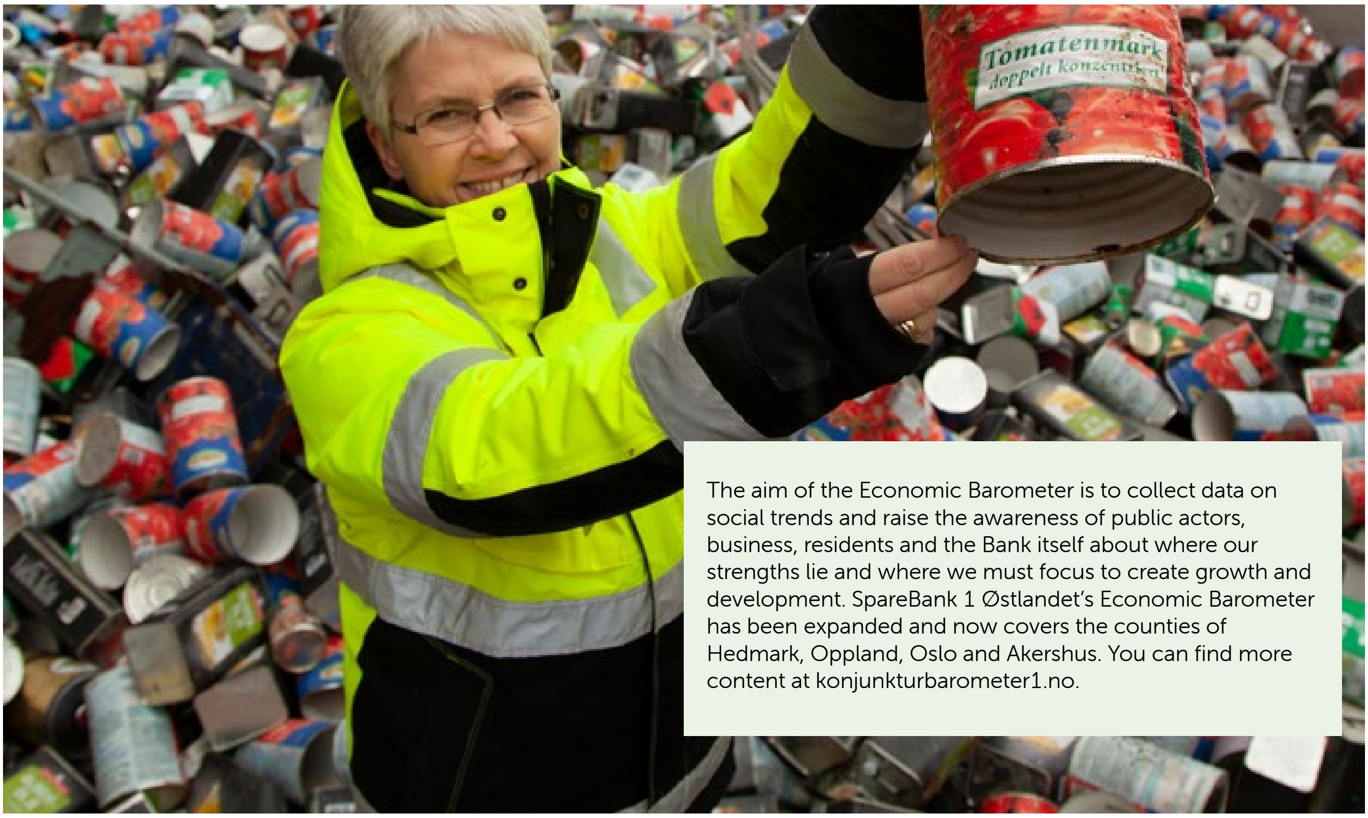
In 2018, SpareBank 1 Østlandet established a dedicated academic environment for robotisation, focusing on automating manual customer and work processes. A chatbot service based on AI technology was also established, to strengthen the Bank's service offerings 24/365. The chatbot went into production in the spring of 2018 and was named Ida. Chatbot Ida handles around 20,000 inquiries from retail market customers each month. Here people get help around the clock. For example, customers travelling in other time zones can obtain guidance and support after the Bank's customer centre closes at midnight.

The Bank expects the number of customer inquiries to the chatbot to increase as the solution evolves and is extended to the corporate market at the beginning of 2019. We are working to further develop this robotisation in close cooperation with other banks in the SpareBank 1 Alliance. The goal is to make banking easy for customers and employees.

Finance training with new AR technology

There is a great need to increase financial understanding among young people. For several years now, the Bank's own travelling finance teacher has been packing the car with traditional booklets and posters, but that time has now passed. Because day-to-day finances have gone digital, new ways are needed to make the lessons fun, understandable and 'tangible'. Together with EON Reality and students at the Inland Norway University of Applied Sciences, the Bank has therefore developed a new virtual curriculum in personal finance.

The presentation has been 'gamified' with a finance module in AR, where students play their way through a virtual adult world. With tablets and markers on the desktop, students are thrown into a virtual adult world where the purchase of an expensive car can quickly leave them with no money for food. Teacher Jesper Foss taught the course for the first time at Brumunddal Middle School in November.



The aim of the Economic Barometer is to collect data on social trends and raise the awareness of public actors, business, residents and the Bank itself about where our strengths lie and where we must focus to create growth and development. SpareBank 1 Østlandet's Economic Barometer has been expanded and now covers the counties of Hedmark, Oppland, Oslo and Akershus. You can find more content at konjunkturbarometer1.no.

Climate and environment in the Economic Barometer 2018

Where does the regional economy stand in relation to climate and environmental targets? To get an answer to this question, the Bank conducted a survey of nearly 600 companies in Eastern Norway in the summer of 2018.

The Economic Barometer is a knowledge database covering developments in the Bank's market area. In 2018, the Bank wanted to find out how far business has progressed towards a greener society.

We asked questions like: Do the companies consider environmental and climate work to be strategically important? Do they have internal reporting routines in this area? Do they carry out their own environmental initiatives? If so, what are the most important drivers? Has climate change contributed to innovation in their own business?

The survey carried out by Østlandsforskning and Kantar TNS for the Economic Barometer adds to our understanding of how companies in the region are working on environmental changes. The results give grounds for cautious optimism. Business is in the process of adapting. Here are some key findings:

- Six out of ten business leaders say that environmental and climate work are strategically important.
- Nine out of ten companies have conducted environmental initiatives over the last three-year period.
- One in three companies have carried out innovation in their own business due to climate change.
- About half of the companies have established reporting routines and strategic plans for their environmental work.
- Customers and the market are the biggest drivers for corporate environmental engagement. Almost half of the companies say customers are the stakeholder group that has the greatest impact on whether the company considers climate and environmental work to be strategically important.
- Among the largest enterprises with over 100 employees, 84 per cent say that they consider the environment and climate to be strategically important, against 55 per cent for enterprises with fewer than 20 employees.
- Agricultural businesses come out best in several areas of the survey. A total of 83 per cent of agricultural and forestry firms consider environmental and climate work to be strategically important.
- Better waste management is the environmental measure that most companies (78 per cent) have implemented.

The survey reveals a huge gap between the most proactive environmental enterprises and companies that do not give a high priority to environmental initiatives. A large proportion of business leaders say they are intending to set a target for more sustainable business operations, and a clear majority of enterprises have carried out environmental measures over the last three-year period. However, the survey also suggests that some enterprises, particularly smaller ones, have done little to adopt environmental targets. Firms that are not subjected to great demands from customers have a low implementation rate when it comes to environmental initiatives.

A clear majority of companies see environmental and climate issues as part of their corporate responsibility, and it is reasonable to assume that the measures taken produce positive gains. By and large, the survey shows that we are moving towards a greener economy.

'Plastdugnaden' – a large-scale clean up campaign on inland waterways

Plastics in nature are a growing environmental problem that SpareBank 1 Østlandet has become involved in. Through the 'Plastdugnaden 2018' campaign, the Bank encouraged schools, clubs and associations to pick up plastic and other rubbish along waterways in their communities. The take-up exceeded all expectations.

At the global and national level, there is a lot of focus on plastic waste in the ocean, a growing social problem that can be fatal to fish, birds and marine mammals. The Bank has chosen to focus on removing plastic waste from inland waterways through a community effort. It is important to contribute locally to addressing a global challenge, and for everyone to help by volunteering to plastic and other rubbish from the environment before it ends up in rivers and lakes.

Together with Sparebankstiftelsen Hedmark, the Bank allocated NOK 2 million to volunteer groups from schools, clubs and associations in the market area of Hedmark, Oppland, Oslo and Akershus. School classes received NOK 2,000 each in support, while teams and associations received NOK 150 per sack of waste collected.

Two campaigns were run during the year. The spring campaign was linked to the national beach clearing week in early May. Together with local waste disposal companies and organisations like 'Keep Norway clean', Friends of the Earth Norway, and the waterways association for Mjøsa, the Bank mobilised a large-scale volunteer effort to clean up around Norway's largest lake and its feeder rivers. The campaign received wide coverage in both local and national media.

'Plastdugnaden' continued with a two-day campaign in mid-September related to the national clearing week 'Keep the autumn clean'. This time the campaign was extended to cover the Bank's whole market area in four counties in Eastern Norway.

The involvement in and support for the Plastdugnaden exceeded all expectations. Several thousand 'plastic agents' of all ages rolled up their sleeves and joined in the clearing work. 35 clubs and associations and around 290 school classes from some 60 schools were in action. The result was a total of 15 tonnes of waste collected and more than NOK 850,000 paid in support. As an added bonus, ten participants received NOK 10,000 each from a prize draw.

The Bank received a lot of good feedback on the campaign from various quarters, not least from teachers who chose to use the 'Plastdugnaden' in their lessons. The pupils found a lot of plastic items and other junk that do not belong in nature. Some schools used the clearing work by watercourses as part of the 'Practical environmental protection' topic in their science lessons, while others used the results in maths teaching.

The campaign made many local environments cleaner, and club and class accounts a little bit richer. The hope is that the campaign will have raised awareness and inspired people to continue to pick up plastic and other rubbish when they are out and about, even outside the campaign periods.

A look back at 2018

Q1 Q2

Launch of green mortgages with 0 per cent interest on parts of the loan

On 1 March, SpareBank 1 Østlandet started offering green mortgages for environmentally friendly and energy-saving measures in new and old homes and holiday cottages. The loan gives customers a very favourable interest rate if they choose environmentally friendly solutions, whether they are building new homes, renovating or switching to more environmentally friendly energy sources. For the first year there is NOK 0 in interest on up to NOK 250,000 of the loan.

Sponsorship agreement signed at national skiing championships

SpareBank 1 Østlandet was the main business partner during the national skiing championships at Gåsbu near Hamar in January. There, CEO Richard Heiberg signed a renewed principal sponsor agreement with the Norwegian Ski Federation, on behalf of the SpareBank 1 Alliance. With 14 regional banks and SpareBank 1 Forsikring behind it, the Ski Federation has a partner with ambitions to develop elite and grassroots cross-country skiing all over the nation.

Olympic party in February

During the Winter Olympics in Pyeongchang in South Korea, the Bank held 'People's Olympics' in local branches. Olympic breakfasts and Olympic lunches were served to customers. At Youngstorget in the middle of Oslo the Bank organised an Olympic party together with SpareBank 1 Forsikring. The event welcomed over 60,000 visitors and was nominated for 'Event of the year' in the 'Sponsor- og Eventprisen 2019' and HSMAI's 'Eventpris 2019' awards.

TheVIT established

In May, SpareBank 1 Østlandet and TheVIT (the Value Innovation Team) established a joint holding company which owns 100 per cent of the shares in SpareBank 1 Regnskapshuset Østlandet and TheVIT AS. The merged company is a full-service supplier within payroll, accounting, finance, HR, business intelligence, consulting and business development. Flexible solutions give customers access to a finance department with expertise, capacity and bespoke business management information normally reserved for larger businesses. With this, SpareBank 1 Østlandet has gained a powerful new unit equipped for a market and an economy undergoing rapid change.

New offices at Tingnes and Otnes

In June, the branch at Tingnes in Ringsaker was re-opened after refurbishment. The office is located in natural surroundings on the Nes peninsula in the middle of Mjøsa, with great views of Norway's largest lake. In December, the Bank moved into new, modern premises at Otnes in Rendalen. The office shares its home with a grocery store in the village. Many customers like to see people face to face and talk to an advisor when they need assistance from the Bank. This is confirmed by surveys that show that customers want both good digital services and local branches.

Q3 Q4

Record number of grants to young people

In August, some 90 young talents from Hedmark, Oppland, Oslo and Akershus received SpareBank 1 Østlandet grants. A total of NOK 2.5 million was awarded in grants. The purpose of the grant is to help young people in individual sports, art and culture to develop their talents. This is the fifth consecutive year in which the Bank has handed out the grants, and the whole fifth anniversary party was broadcast directly on the bank's Facebook page.

SpareBank 1 Østlandet raised its interest rates

In September, Norges Bank raised its base rate by 0.25 percentage points. The Bank followed suit and increased the interest on most deposits and loans by 0.25 percentage points. Young people got the Bank's best deposit rate (BSU), and 'Mortgages for young people' went up by only 0.20 percentage points. Environment and sustainability are important to the Bank, and the interest on green mortgages remained unchanged.

Focus on innovation in 'Tenkeboksen' (the 'Think Box')

In September, SpareBank 1 Østlandet and the IT company Kong Arthur AS opened TENKEBOKSEN® in Brumunddal, a creative workshop for businesses that want to think outside the box. The innovation lab is a meeting place for businesses from various industries aiming to use business development and creative processes to define the products and services of the future. SpareBank 1 Østlandet chose to cooperate with Kong Arthur because the Bank itself needs a workshop where the business can be challenged by other actors in innovation and development. Like other companies, the Bank has to adapt quickly to new user behaviour and increased competition from challengers both large and small. Input from outside and collaboration between industries are necessary to succeed.

Several municipalities switched their bank to SpareBank 1 Østlandet

Skedsmo municipality chose SpareBank 1 Østlandet after being with the same bank for more than 40 years. The combination of price, good solutions and good service was crucial reason why the Bank won the tendering procedure. Elverum municipality also changed its bank to SpareBank 1 Østlandet in the fourth quarter. In 2018 the Bank also signed new framework agreements with the municipalities of Løten and Kongsvinger.

Private placement with two subsequent issues

In November, the Bank announced plans for a private placement with two subsequent issues and an employee issue in SpareBank 1 Østlandet. The private placement was offered to larger shareholders on 9 November 2018, with a qualifying amount of at least EUR 100,000. A further private placement and staff issue were conducted in January 2019. The Bank has had good lending growth over time and expects good growth opportunities in the future. To sustain the Bank's solidity and exploit profitable growth opportunities, the Bank therefore wanted to increase its equity through share issues.

Milestone of NOK 100 billion in lending

Good autumn months with high levels of activity helped the Bank's retail market division to pass NOK 100 billion in lending in December. This is an important confirmation that more customers have chosen SpareBank 1 Østlandet and fewer have moved to our competitors.

Report of the Board of Directors

SpareBank 1 Østlandet achieved a consolidated profit after tax of NOK 1,414 million in 2018, an increase from NOK 1,263 million in 2017. The return on equity was 10.5 per cent and the Board proposes a dividend payout rate of 50 per cent of the consolidated profit after minority interests for owners and customers. The Board of Directors is very satisfied with the result for 2018.

SpareBank 1 Østlandet is Norway's fourth largest regional savings bank. It is the largest regional financial institution headquartered in the Inland Region.

A common equity tier 1 ratio of 16.8 per cent made SpareBank 1 Østlandet Norway's most robust regional savings bank at the end of the year.

The Group's composition and market area

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

SpareBank 1 Østlandet owns 12.4 per cent of SpareBank 1 Gruppen AS, 18.0 per cent of SpareBank 1 Banksamarbeidet DA, 20.5 per cent of SpareBank 1 Kredittkort AS, 20.0 per cent of SMB Lab AS, 20.0 per cent of Betr AS, and 18.7 per cent of SpareBank 1 Betaling AS. The Bank also owns 21.6 per cent of SpareBank 1 Boligkreditt AS and 13.3 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above mentioned companies are recognised in the Bank's consolidated financial statements in proportion to the Bank's stakes.

SpareBank 1 Østlandet's head office is in Hamar and it has 37 branches: 21 in Hedmark, two in Oppland, five in Oslo and nine in Akershus. Furthermore, SpareBank 1 Østlandet VIT AS with its subsidiaries has 13 branch offices, of which six are located in Hedmark, two in Oppland, two in Oslo, two in Akershus and one in Østfold.

SpareBank 1 Østlandet's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. SpareBank 1 Østlandet is the leading financial institution in Hedmark where the Bank has a market share of around 50 per cent. In the other counties, the bank is a challenger with market shares in the retail market of between 4 per cent and 11 per cent and between 2 per cent and 8 per cent in the corporate market. The mission of the Group is to be a full-service provider of financial products and services. Besides loans, deposits, leasing and payment settlement services, this also includes most savings and investment services, as well as life and non-life insurance, credit cards and various collection services through jointly owned companies in the SpareBank 1 Alliance. The Group also provides real estate brokering and accounting services.

The Group distributes its products and services via a number of channels. The Group has a clear local presence thanks to its substantial network of branches that offer personal advice. The Group also offers a wide range of services in other channels, whereby customers have access to the Group's various services via direct banking by telephone, chat and video, as well as online banking and mobile phone solutions.

The Group's development

The Group's total lending to retail and corporate customers grew by 8.2 per cent in 2018. This includes loans transferred to the covered bond companies. Retail lending grew by 7.9 per cent, while corporate lending grew by 12.1 per cent.

EiendomsMegler 1 Hedmark Eiendom AS' market share was 32,0 per cent in 2018, compared to 30.2 per cent for 2017. EiendomsMegler 1 Oslo Akershus AS' market share was 8.7 per cent in 2018, compared to 8.3 per cent for 2017.

The Group's most important customer groups are the retail market, small and medium-sized enterprises, and the organisation market, in which the trade union movement is especially important.

Changes in customer behaviour and the increasing automation of work processes are creating both opportunities and an expectation that the bank's products and services will be available in all channels. The bank is therefore making considerable investments, through the SpareBank 1 Alliance and its own organisation, in the development of future-oriented system solutions for self-service and efficient customer advisory services.

CONSOLIDATED RESULTS FOR 2018

The annual accounts are presented subject to the going concern assumption, and the Board of Directors confirms that the basis for continued operations is present.

The following figures are consolidated figures. Figures in brackets concern 2017.
The consolidated profit after tax for 2018 was NOK 1,414 (1,263) million. The return on equity was 10.5 (10.2) per cent.

The Board of the Directors

Siri J. Strømmevold
(b. 1961), Chair of the Board, lives in Tynset.

Strømmevold is a qualified computer engineer and has extensive experience from the oil industry, including Mobil Expl., Statoil, and Saga Petroleum. Is currently the general manager of Tynset Bokhandel. She was elected to the Board in 2006. Chair of the Board since 2012.

Nina Cecilie Lier
(b. 1972), Board member, Deputy Chairman, lives in Brumunddal.

Lier is a qualified business economist and has worked for PriceWaterhouseCoopers and Oppland Central Hospital, among others. She is currently the CFO of Sykehuset Innlandet HF. Board member since 2010. Deputy Chair of the Board since 2016.

Guro Nina Vestvik
(b. 1967), Board member, lives in Hamar.

Vestvik holds a bachelor's degree in Business and Administration and a bachelor's degree in organization and management. She has worked for Gjensidige and Moelven Industrier and as a project manager for the city region programme in Elverum-Regionen Næringsutvikling. She is currently an urban developer with Hamar municipality. Board member since 2016.

Morten Herud
(b. 1959), Board member, lives in Eidskog.

Herud holds a degree in business economics. He has worked in finance and industry, and is a senior consultant with Sør Hedmark næringshage. Herud was elected to the Board in 2013.

Erik Garaas
(b. 1950), Board member, lives in Oslo.

Garaas graduated in economics (Cand. Oecon.) and has worked for employers such as Statistics Norway, the Ministry of Finance, Gjensidige and DNB, primarily within finance and capital management. He was elected to the Board in 2013.

Espen Bjørklund Larsen
(b. 1976), Board member, lives in Elverum.

Larsen holds a university college candidate degree in economics and administration, took a 1-year advanced course in innovations, and also graduated as an Executive Master of Management from BI Norwegian.

Hans-Christian Gabrielsen
(b. 1967), Board member, lives in Slemmestad.

Gabrielsen is a qualified process operator and also holds qualifications within management and organisation. He has worked for Tofte Industrier and Fellesforbundet. He is currently the President of the Norwegian Confederation of Trade Unions (LO). Member of the board since 2016.

Vibeke Hanvold Larsen
(b. 1977), Board member, lives in Ottestad.

Larsen holds a Bachelor of Business and is also a market economist. She has worked for Coop Prix and Santander. She currently works as a full-time union representative. She became a board member in 2016 and is a Bank employee representative.

Specification of the consolidated profit after tax in NOK millions:	2018	2017
Parent Bank's profit after tax	1 447	1 102
Dividends received from subsidiaries/ associated companies	-372	-266
Share of profit from:		
SpareBank 1 Gruppen AS	184	222
Bank 1 Oslo Akershus AS (Q1-17)		119
SpareBank 1 Boligkreditt AS	-8	-44
SpareBank 1 Næringskreditt AS	3	1
EiendomsMegler 1 Hedmark Eiendom AS	8	10
EiendomsMegler 1 Oslo Akershus - Group	3	-12
SpareBank 1 Finans Østlandet AS	139	118
SpareBank 1 Østlandet VIT - Group [1]	-9	-3
SpareBank 1 Kredittkort AS	27	17
SpareBank 1 Betaling AS	-12	-7
Other associated companies/joint ventures	3	5
Consolidated profit after tax	**1 414**	**1 263**

1) Figures for 2017 are for SpareBank 1 Regnskapshuset Østlandet AS only.

Net interest income

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

Net commissions and other operating income

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

NOK million	2018	2017
Net money transfer fees	133	139
Commissions revenues from insurance and savings	196	197
Commissions revenues from covered bonds companies	365	377
Commission revenues from credit cards	66	62
Real estate broker commision	321	297
Accounting services	164	149
Other income	42	43
Net commissions and other (non interest) income	**1 286**	**1 263**

For more detailed information about the various profit centres in the Group, see Note 4 “Segment information”.

Net income from financial assets and liabilities

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

NOK million	2018	2017
Dividends from other than Group companies	13	11
Net profit from ownership interests	198	194
Net profit from other financial assets and liabilities	80	72
Net commission and other operating income	**291**	**277**

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

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

Contribution from Associated companies and joint ventures	2018	2017
SpareBank 1 Gruppen AS	184	222
SpareBank 1 Boligkreditt AS	-8	-44
SpareBank 1 Næringskreditt AS	3	1
SpareBank 1 Kredittkort AS	27	17
SpareBank 1 Betaling AS	-12	-7
Other associated companies/joint ventures	5	5
Net profit from ownership interests	**198**	**194**

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

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

Reference is also made to Note 22 “Net result from financial assets and liabilities”.

Operating expenses

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

NOK million	2018	2017
Personnel expenses	1 050	1 010
Depreciation/amortization	102	84
IT expenses	264	279
Marketing	102	109
Operating expences from real estate	102	96
Other expenses	260	320
Total operating expenses	**1 881**	**1 898**

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

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

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

Impairment losses on loans and guarantees

As from 1 January 2018, a new loss model in accordance with IFRS 9 was implemented, replacing the previous loss model in accordance with IAS 39. SpareBank 1 Østlandet has collaborated with other SpareBank 1 banks on modelling work, as well as analyses relating to valuation, classification, etc. over the past few years. The Group has worked with clarification and an impact assessment related to the effects of implementation. Total loan loss impairments for the Group under IFRS 9 are estimated at NOK 389 million. This is NOK 22 million higher than individual and collective impairments as of 31 December 2017. The introduction of a new loan loss impairment model in itself has no significant effect on capital adequacy. Please refer to Note 2 for a description of the new loan loss model.

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

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

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

Credit risk

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

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

Total provisions for loan loss impairments were NOK 385 million as of 31 December 2018, compared to NOK 409 million as of 1 January 2018. For more detailed information about the total provisions, refer to Note 11 'Loan loss provisions'.

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

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

Total assets

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

Lending to customers

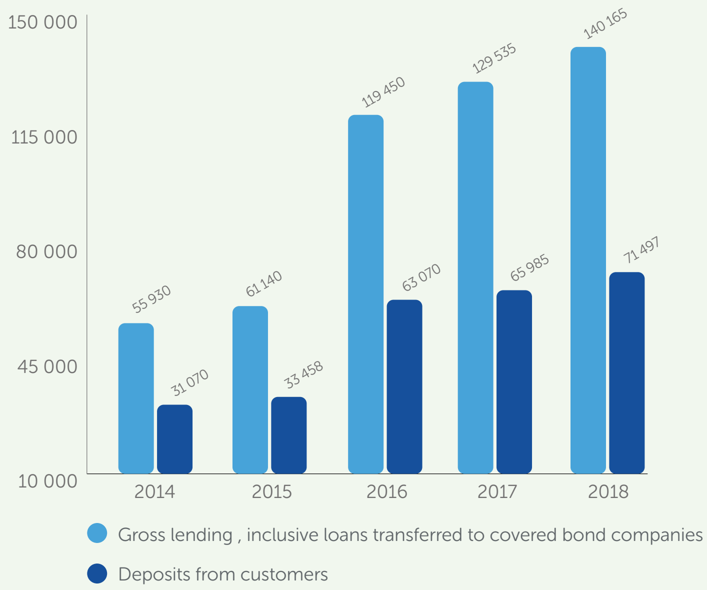
Gross lending to customers, including mortgages transferred to the covered bond companies, totalled NOK 140.2 (129.5) billion. At the end of the year, mortgages of NOK 39.8 (37.5) billion had been transferred to SpareBank 1 Boligkreditt AS, and mortgages totalling NOK 1.4 (1.6) billion had been transferred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

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

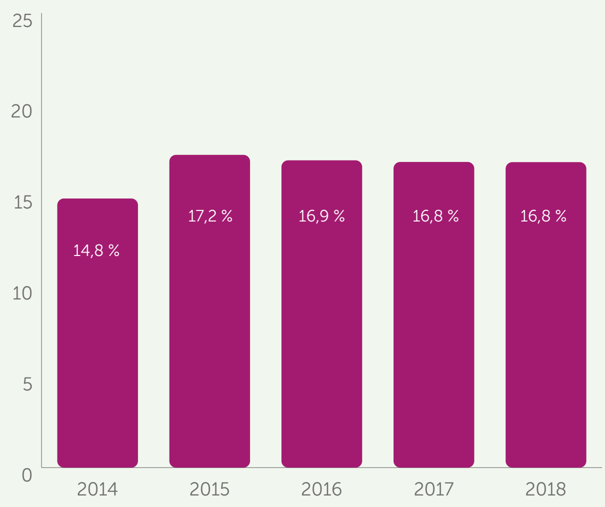
Deposits from customers

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

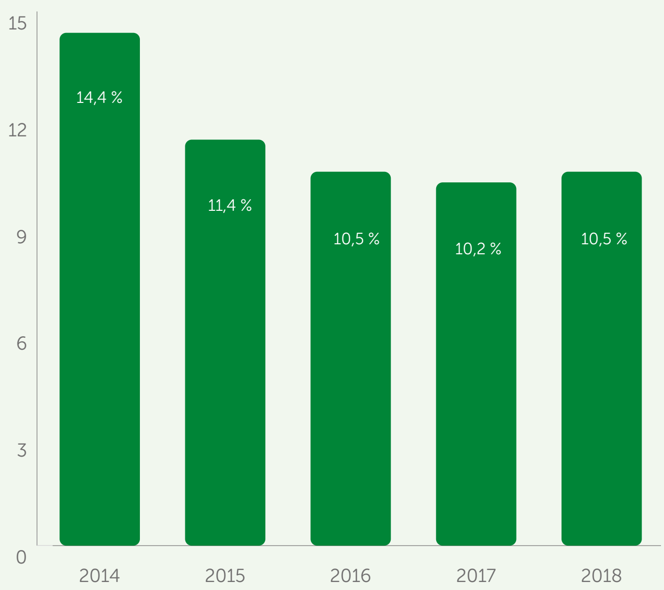
Gross lending and deposits (Group)



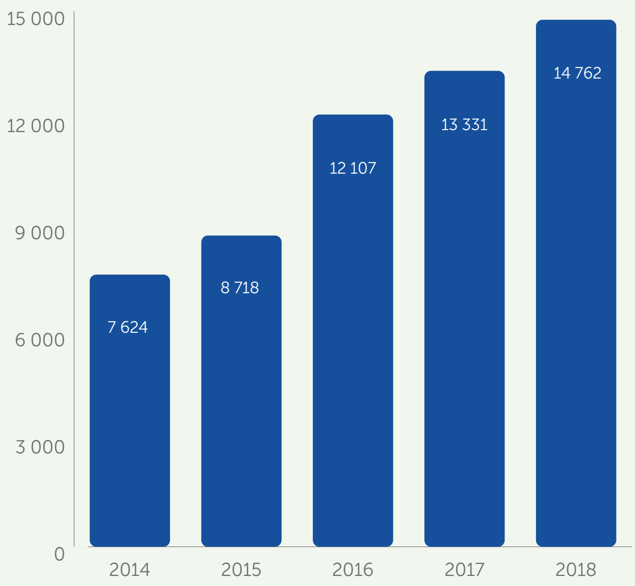
Common equity tier 1 capital ratio (Group)



Return on equity capital (Group)



Equity (Group)



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

Liquidity

Longer-term borrowing from credit institutions and issued securities (including subordinated capital) totalled NOK 35.4 (27.7) billion, 32.9 (6.0) per cent of which is euro-denominated. The average term to maturity of the Group's long-term funding was 4.2 (4.1) years. The average term to maturity for all borrowing was 3.8 (3.6) years.

The liquidity coverage ratio (LCR) was 152.8 (114.0) per cent, where the average for the last quarter was 160.2 per cent. The increase in LCR during the last year is a natural consequence of a larger liquidity portfolio as a consequence of the Bank's euro financing with larger individual bonds issues. The Board of Directors considers the Group's liquidity risk to be low.

Equity certificates

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

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

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

Financial strength and total capital adequacy ratio

The Group's equity at the end of 2018 totalled NOK 14.8 (13.3) billion and amounted to 12.0 (12.3) per cent of total capital. The leverage ratio was 7.5 (7.1) per cent.

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

Rating

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

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

PARENT BANK

Reported profit and loss

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

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

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

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

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

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

Underlying banking operations, NOK million	**2018**	**2017**	**Change**
Net interest income	1 737	1 508	15,2 %
Net commission and other income	849	782	8,7 %
Total operating expenses	-1 309	-1 289	1,6%
Adjustments: Merger and stock exchange listing process expenses	3	99	-96,8 %
Operating profit underlying banking operations	**1 280**	**1 100**	**16,4 %**

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

Adjusted profit and loss

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

Adjusted Parent Bank (Inkl. B1OA)	**2018**	**2017**
Net interest income	1 737	1 645
Net commissions and other operating income	849	870
Net income from financial assets and liabilities	461	354
Total net income	**3 048**	**2 869**
Total operating expenses	1 309	1 382
Operating profit before losses on loans and guarantees	**1 738**	**1 487**
Losses on loans and guarantees	16	-46
Pre-tax operating profit	**1 722**	**1 533**
Taxes	275	313
Ajusted after tax profit	**1 447**	**1 220**

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

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

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

SUBSIDIARIES

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

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

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

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

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

ASSOCIATED COMPANIES AND JOINT VENTURES

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

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

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

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

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

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

Based on figures for 31 December 2017 and adjusted consolidated accounts, the merger and DNB's increased stake from 20 per cent to 35 per cent will lead to an increase in the equity for the Sparebank 1 Group of approx. NOK 4.7 billion. The majority's (i.e.the SpareBank 1 banks and the Norwegian Confederation of Trade Unions) share of this increase is approx. NOK 2.5 billion. Sparebank 1 Østlandet's share of this increase (12.4 per cent) is approximately NOK 310 million and will be posted as income or directly to equity in the consolidated accounts. The Group's common equity Tier 1 (CET1) capital ratio will, however, remain virtually unchanged. The latter is due to the fact that the increased book value of the ownership interest in SpareBank 1 Gruppen AS results in a larger deduction from the CET1 ratio and increases risk weighted assets. Overall, this virtually neutralises the effect of the increase in book assets.

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

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

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

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

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

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

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

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

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

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

PROPOSED APPROPRIATION OF PROFITS

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

NOK million	2018	2017
Profit after tax (Parent bank)	1 447	1 102
Changes in fund for unrealised gains	-27	71
Profit available for distribution	**1 474**	**1 031**
Dividend	477	424
Dividend equalisation fund	521	272
Customer dividend	228	204
Primary capital	248	131
Total distribution	**1 474**	**1 031**

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

The profit has been split between primary capital and owners' equity in proportion to their relative share of the total equity. After the share issues made in 2018 and 2019, the equity capital certificate ratio (ECC ratio) has been changed from 67.5 to 69.3 per cent. Dividends and provisions to the dividend equalisation fund constitute 67.7 percent of the allocated profit.
The Board of Directors proposes to the Supervisory Board of the Bank a total cash payout of NOK 705 million to ordinary dividend, customer dividend and gifts. This gives a payout ratio to the equity certificate holders of 50 per cent of the majority's share of consolidated profit. Of this, cash dividends will be NOK 4.12 per equity certificate, totaling NOK 477 million. The Board of Directors also proposes to the Supervisory Board a customer dividend of NOK 222 million, and an allocation of NOK 6 million to gifts. The dividend equalisation fund and primary capital are then allocated NOK 521 million and NOK 248 million respectively.

CORPORATE GOVERNANCE

Corporate governance in SpareBank 1 Østlandet encompasses the values, goals and general principles that provide the basis for its management, supervision and long-term value creation that benefits its equity certificate holders, customers and other stakeholders.

SpareBank 1 Østlandet reviews its corporate governance principles and how they are functioning in the company every year. SpareBank 1 Østlandet presents an account of the principles and practice of its corporate governance in accordance with section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. A more detailed summary is provided in a separate chapter.

RISK MANAGEMENT

Risk management at SpareBank 1 Østlandet must ensure that the exposure to risk is known at all times and within the limits set by the Board. Risk management must support the Group's strategic development and achievement of targets and help ensure financial stability and prudent asset management.

The Board has adopted the "Risk and Capital Management Policy in SpareBank 1 Østlandet". This document defines the general framework for risk management, including the management of the different types of risk. Each year, the Board of Directors adopts an overall risk strategy and steering documents for credit risk, liquidity and market risk, and for operational risk, compliance risk and conduct risk. Risk exposure and development are regularly monitored and reported to the bank's board and executive management team.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations.

Credit risk in the loan portfolio is the bank's greatest risk. The risk is continuously managed in line with the credit strategy, credit policies, credit regulations, routines and guidelines for granting credit, as well as various reporting and follow-up requirements. SpareBank 1 Østlandet has been authorised by the Financial Supervisory Authority of Norway to use the Advanced IRB method to calculate capital needs for credit risk and thus use statistical models as a basis for classifying the portfolio into risk groups. For more information, please refer to the Pillar 3 document, which is available from the Bank's website.

The Bank primarily finances retail and corporate customers in Hedmark, Oppland, Oslo and Akershus. As before, the bank participates in the financing of individual projects in cooperation with other banks in the SpareBank 1 Alliance.

Overall, the risk profile for the bank's credit portfolio was stable throughout 2018. This applies to both the retail market portfolio and the corporate market portfolio. There have been consistently low defaults and low losses. The bank's retail market portfolio is generally secured by collateral in real estate. For as long as collateral values are not impaired as a consequence of significantly lower house prices or a significant increase in unemployment, the risk of losses on the portfolio is limited.

The bank's portfolio of interest-bearing securities also entails a credit risk. This is described in greater detail in the market risk section below. The Parent Bank is also exposed to credit risk due to accounts receivable from other credit institutions. The decidedly largest single receivable is a loan to the bank's subsidiary, SpareBank 1 Finans Østlandet AS.

The Board considers that SpareBank 1 Østlandet's total credit risk is within the bank's accepted risk tolerance. The Group's credit risk is considered to be moderate to low.

Market risk

Market risk is the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and shares/equity certificates. The risk associated with falls in value in the real estate market is also included in market risk. The same applies to the risk of changes in the market value of bonds, certificates and funds as a consequence of general changes in credit spreads.

The management of market risk is based on the strategy adopted by the Board of Directors and the policy for market risk, which sets limits to the exposure in various risk categories. Risk exposure and development are continuously monitored and reported to the bank's board and executive management team.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate commitment terms. The bank's Board of Directors has adopted limits for the total interest rate risk with respect to parallel shifts in and distortion of the yield curve (yield curve risk), and the equivalent for various currency categories. Interest rate risk is steered towards the desired level by means of interest rate commitments for investments and funding loans and through the use of interest rate derivatives.

Currency risk is managed by means of the adopted exposure limits. The positions were generally low in 2018.

Equity risk is measured in terms of exposure to such instruments. The greatest part of the exposure concerns strategic investments in Alliance-associated companies, and is handled as ownership risk.

The Group's property investments consist mainly of its own bank buildings.

The guidelines and framework for investments in fixed-income securities are matched to the overall risk strategy and regulatory requirements concerning liquidity management. The bank's fixed-income portfolio is exclusively a bank portfolio and mainly consists of investments in issues with very high credit ratings (AA or better, as well as Norwegian municipalities and county authorities), which limits the spread risk.

The Board of Directors assesses that SpareBank 1 Østlandet's overall market risk is within the bank's accepted risk tolerance. The Group's market risk as assessed to be low.

Liquidity risk

Funding risk is the risk of being unable to fulfil obligations or finance assets, including undesired growth, without significant extra costs.

The management of funding risk is based on the funding strategy and policy for funding risk adopted by the Board which stipulate requirements concerning the time horizons for which the Group must be independent of new external funding, the size and quality of the liquidity reserve, and the duration and diversification of funding. Risk exposure and development are continuously monitored and reported to the bank's board and executive management team.

Deposits from customers represent one of the Group's main sources of funding. SpareBank 1 Østlandet's goal is to maintain a broad base of deposits from both retail and corporate customers, and the deposit coverage ratio at end-2018 was satisfactory.

In addition to deposits, the Group is funded by loans in the Norwegian and international securities markets, loans from financial institutions and the sale of loans to the covered bond companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. During the past year, the diversification of the bank's financing has increased as a consequence of issuance in the euro market.

SpareBank 1 Østlandet maintains a portfolio of liquid securities as part of its funding management. In addition to the securities portfolio, the Group has a liquidity reserve in the form of cash, funds and equities, as well as loans prepared for sale to the covered bond companies. In connection with the bank's issue of major bond loans in the euro market, the securities portfolio increased in volume terms during 2018.

The Board of Directors assesses that SpareBank 1 Østlandet's overall liquidity risk is within the bank's adopted risk tolerance. The Group's liquidity risk is assessed to be low.

Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes or systems, human error or external events. The process for managing operational risk must, insofar as it is possible, ensure that no individual events caused by operational risk seriously damage the Group's financial position.

The management of operational risk is based on the "Policy for Operational Risk". Risk assessments are carried out both at the overall level, but also within different processes that the Group is exposed to at all times. Special systems have been established for following up risk assessment control measures and improvement measures, as well as for reporting adverse events. Events that have impacted or could impact the Group's profitability and/or reputation are systematically followed up.

Given the risk inherent in using information technology, this area is subject to continuous monitoring. The Internal Audit carries out independent reviews and tests of the Bank's security in the area. Banks in the SpareBank 1 Alliance work together closely to ensure good, stable operations. No serious events occurred in 2018 and operational losses are low.

Given the bank's earnings and financial strength, as well as the organisation's competence and management systems, the Board believes that the bank's overall risk exposure in relation to operational risk is acceptable. In the opinion of the Board, the area is under satisfactory control but requires continuous monitoring.

Compliance risk

Compliance risk is the risk that the bank will incur public sanctions, penalties, other criminal sanctions, loss of reputation or financial losses as a consequence of failure to comply with acts, regulations, official guidelines and mandatory public orders.

Management and control of the bank's compliance risk is based on the Board of Directors' adopted compliance risk policy. This policy lays down the Board of Directors' risk tolerance for compliance risk. The policy also determines responsibility, including guidance for all employees responsible for regulatory compliance and reporting, and requirements for processes to ensure and follow up on regulatory compliance.

The Group has a low tolerance for compliance risk, and there is zero tolerance of deliberate infringement of regulations. No compliance incidents may significantly impair the Group's solvency, performance or reputation. The Group's business operations must be organised so as to eliminate fines and sanctions.

The extent of regulatory changes was significant again in 2018. Extensive regulatory changes with significance for the bank's framework conditions are also expected in the coming years. In addition, some elements of the new regulations, such as regulations in the anti-money laundering and data protection areas, give the authorities access to apply more stringent sanctions. Overall, this contributes to increasing the potential compliance risk. The bank has a considerable focus on regulatory developments and compliance risk. In 2018, the bank had strong focus on the areas of anti money laundering and financing of terrorism, data protection (GDPR) and changes in securities trading regulations (MiFID II). The Board of Directors assess that the bank exerts satisfactory governance and control of the compliance risk, and that the bank's exposure to compliance risk is prudent.

Business practice risk ("conduct risk")

Business practice risk is the risk of public sanctions, criminal sanctions, loss of reputation or financial loss as a consequence of the bank's business methods or the employees' conduct materially jeopardising customers' interests or the integrity of the market.

Over time, the regulation of the financial industry has evolved to increasingly include regulations to protect customers and consumers. The bank's business practice risk is therefore closely associated with the bank's compliance. Previously, the bank's compliance risk policy also included management and control of business practice risk. During 2018, however, the Board of Directors adopted a separate business practice risk policy, in order to emphasise the importance of this topic for the bank. This policy lays down the Board of Directors' risk tolerance in this area. The Group has a low tolerance for business practice risk. This entails that no single business practice incidents may be able to materially damage the Group's solvency, performance or reputation.

The policy also regulates responsibility, follow-up and reporting requirements, and the main principles for ensuring good business practice. All employees are required to contribute to ensuring that customers' needs and entitlements are adequately handled, including by providing professional and honest customer services to ensure that the bank's customers can make clear and well-informed choices.

Key instruments to ensure good business practice include, among other things, ethical guidelines, internal information and training initiatives, implementation of risk analyses, a well-functioning procedure to handle customer complaints – including root cause analyses and improvement measures – and an appropriate whistleblowing channel. On the establishment of or changes to products and services, the necessary quality assurance must be carried out prior to launch. Reward and remuneration schemes must be designed to ensure that the required conduct for good business practice is safeguarded and promoted.

In the assessment of the Board of Directors, the bank's exposure to business practice risk lies within the adopted risk tolerance for the area.

ORGANISATION AND HR

Its employees are the Group's most important input factor. "Employeeship" entails that each employee must actively relate to the strategy and business goals of the organisation and how these impact the need for learning and development in order to achieve the goals set.

The bank has incorporated an annual cycle whereby employee appraisal interviews are held during the first quarter. Employee appraisal interviews are an important tool to ensure the anchoring of the strategy with the individual employee and in order to achieve targeted competence development.

2018 was the first full year of operation after the merger between Sparebanken Hedmark and Bank 1 Oslo Akershus AS. After the merger, as expected it has been necessary to devote considerable resources to incorporating standardised work processes and routines. Individual organisational adaptations and adjustments have also been made, based on the experiences gained.

No significant changes have been made to the structure at the overall organisational level. Nonetheless, important changes have been made by streamlining the credit area, with its own management within the Business Operation division, as well as by establishing a separate position as Chief Compliance Officer.

There has also been strong focus on the working environment and culture, and considerable resources have been devoted to team development and organisational development in many areas of the bank.

Within the Retail Market Division, a separate adviser school has been established, with focus on competence development and training for financial advisers and operations managers.

The bank has also established its own "Management Academy" that provides basic training for all new managers, as well as various professional refresher and further development courses. We also collaborate on various management development projects within the SpareBank 1 Alliance.

The bank has a separate HR strategy, as well as secondary strategies and steering documents such as its ethical guidelines, remuneration scheme and recruitment strategy.

HSE

The merger process resulted in the loss of only a few key staff members and absence due to illness was stable and at a very satisfactory level. In 2018, absence due to illness was 4.1 per cent, which is at the same level as in 2017. Even though the general rate of absence due to illness is stable at a low level, the bank has still chosen to conduct semi-annual employee surveys to follow up on the working environment, and to take active measures where this is considered necessary.

SpareBank 1 Østlandet works systematically to prevent and follow up on absence due to illness. The bank makes special adaptations for employees who, because of illness, experience reduced capacity for work or who, for some other reason, require adaptation of their workplace and work tasks. In collaboration with the Norwegian Labour and Welfare Service (NAV), the bank also welcomes employees who need training and work experience. During the year, two courses in basic working environment training were held for managers and safety representatives.
Four ordinary meetings were held in the bank's cooperation and working environment committee. In addition, the results of the employee surveys were reviewed at separate meetings. A separate AKAN (prevention of substance abuse) committee has also been established, reporting to the cooperation and working environment committee.

The bank has established collective agreements with the Finance Sector Union of Norway in SpareBank 1 Østlandet, and with LO Finans Østlandet. The cooperation between the management and the employee representatives is very good.

Diversity and gender equality

The Bank wants to recruit employees who reflect the community they are a part of – irrespective of cultural background, ethnicity, religion and gender. It facilitates the training of employees who are independent and are given an opportunity to take on responsibility within a framework that reflects the individual's skills. It strives to achieve gender balance at all levels of the organisation. The percentage of women in managerial positions with personnel responsibilities is 39 per cent. The chief executive's executive management team consists of three women and seven men. The bank's board has four women and four men.

Under the recruitment strategy, written assessments are always presented of candidates of both genders when recruiting for managerial positions.

The bank uses external position assessment systems to classify position categories and analyse salary data. Classification of positions into 13 categories shows that women's average pay as a percentage of men's pay is generally between 90 and 98 per cent. The exceptions are job categories with very small populations, where extremes show 82 and 107 per cent, respectively. The analyses are not adjusted for any structural factors related to age, seniority, level of education, etc.

All employees must have the same opportunities for salary development and local salary supplements are made on the basis of an assessment of individual performance and contributions to the collective achievement of results over time.

The bank has no bonus schemes or special incentive schemes for managers.

Ethics and whistleblowing

SpareBank 1 Østlandet's employees should be known for their high ethical standards. Its employees should be competent, honest, fair, and inspire confidence. The necessary professional distance should be maintained in all interactions with others.

Value shall be created in accordance with good advice practices and within a framework that does not require the individual employee to violate the ethical guidelines in order to meet financial targets. An annual "Ethics Week" involving employees throughout the organisation helps to maintain focus and ensures that the ethical guidelines are firmly anchored. All the employees must also confirm each year that they have reviewed and understood the contents of the ethical guidelines.

The induction programme for new employees also focuses on the ethical guidelines and thereby familiarises them with the bank's system and whistleblowing procedures. The whistleblowing channel is available via the bank's intranet. The Board of Directors has approved whistleblowing guidelines intended to protect any whistleblowers. Arrangements are in place that enable anonymous whistleblowing, with an external recipient of whistleblower reports. Any reports received are quality assured and assessed before they are forwarded to the Group's whistleblowing group. The whistleblowing group consists of the Chief Risk and Compliance Officer, the head of the Legal Department and the Head of HR and Legal.

SUSTAINABILITY

Sustainable value creation is important for long-term development. It is therefore also important for the development of SpareBank 1 Østlandet. The Group's strategy for 2018-2021 has a separate sustainability goal, and together with the "Corporate Responsibility and Sustainability Strategy" sets the overall framework for the management of sustainability initiatives. This work was further intensified in 2018. Sustainability must be an integral part of the business and be taken into account in both small and large decisions, and this work has now begun in earnest. The bank also wishes to be a driving force for sustainable development in our market area. The Board of Directors is following the work closely and in 2018 adopted several overall guidelines for corporate social responsibility and sustainability, as well as governance documents within a number of the bank's business areas.

SpareBank 1 Østlandet will consider ethics, the environment, climate issues and economic and social factors in all of the Group's activities. The bank will work continuously to avoid causing or contributing to violations of human or labour rights, corruption, serious adverse environmental impacts, or other actions that can be perceived as unethical, either internally or by society in general. The board of directors has begun to look at climate risk and this work will continue in 2019. Furthermore, the Bank must take account of the climate risk in its advisory services and credit extension, and this will be an important task going forward.

Section 3-3c of the Norwegian Accounting Act stipulates requirements for reporting on human rights, labour rights and social conditions, the external environment, and combating corruption in business strategies, day-to-day operations and in relation to stakeholders. The bank satisfies the requirements by reporting according to the Global Reporting Initiative, GRI. This reporting is an integral element of the Annual Report.

There is more information about how SpareBank 1 Østlandet fulfils its corporate social responsibility and works with sustainability in "Sustainability Report" on page 8.

RESEARCH AND DEVELOPMENT

In 2018, SpareBank 1 Østlandet teamed up with the VR company EON Reality Norway AS and the Inland Norway University of Applied Sciences to develop a solution for virtual training in personal finances for lower secondary school students. The aim has been to develop and test an exciting solution to give young people better control of their personal finances. It is also hoped that initiatives of this kind can contribute to sustainable consumption and reduce the number of debt collection cases involving young people.

BREXIT

At regional level, current customer engagements have been reviewed with a view to identifying potential operational disruptions in the event of a hard Brexit. The bank is in ongoing contact with relevant customers to be to assist in the event of any operational disruptions.

FUTURE OUTLOOK

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

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

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

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

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

The Board of Directors of SpareBank 1 Østlandet
Hamar, 4 March 2019

Siri J. Strømmevold Chair of the Board	Nina C. Lier	Erik Garaas
Espen Bjørklund Larsen Employee representative	Guro Nina Vestvik	Vibeke Hanvold Larsen Employee representative
Morten Herud	Hans-Christian Gabrielsen	Richard Heiberg CEO

Income statement

Parent bank				Group	
2017	2018	(NOK million)	Note	2018	2017
	1 942	Interest income, fair value	20	1 942	
2 642	1 132	Interest income, effective rate method	20	1 473	3 238
1 134	1 337	Interest expenses	20	1 340	1 282
1 508	**1 737**	**Net interest income**		**2 074**	**1 956**
807	891	Commission income	21	1 210	1 197
57	74	Commission expenses	21	104	102
31	32	Other operating income	21	181	168
782	**849**	**Net commission and other operating income**		**1 286**	**1 263**
11	13	Dividends from other than Group companies	22	13	11
275	369	Net profit from ownership interets	22,41	198	194
48	80	Net profit from other financial assets and liabilities	22	80	72
334	**461**	**Net income from financial assets and liabilities**		**291**	**277**
2 624	**3 048**	**Total net income**		**3 651**	**3 496**
684	674	Personnel expenses	23,24	1 050	1 010
57	69	Depreciation	33,34	102	84
548	566	Other operating expenses	25	728	804
1 289	**1 309**	**Total operating expenses**		**1 881**	**1 898**
1 335	**1 738**	**Operating profit before losses on loans and guarantees**		**1 770**	**1 598**
-39	16	Impairment on loans and guarantees	11	35	-20
1 373	**1 722**	**Pre-tax operating profit**		**1 735**	**1 618**
272	275	Tax expense	26	321	356
1 102	**1 447**	**Profit after tax**		**1 414**	**1 263**
		Majority interest		1 408	1 257
		Minority interest		5	6
		Earnings per equity certificate (in NOK)		8,46	7,92
		Diluted earnings per equity certificate (in NOK)		8,42	7.92
		Earnings per average equity certificate (in NOK)		9,04	7,92
		Diluted earnings per average equity certificate (in NOK)		9,00	7.92

Statement of other comprehensive income

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

Balance sheet

Parent bank 2017	Parent bank 2018	(NOK million)	Note	Group 2018	Group 2017
		ASSETS			
672	1 878	Cash and deposits with central banks		1 878	673
7 669	7 487	Loans to and receivables from credit institutions	7	1 023	1 808
83 030	90 878	Loans to and receivables from customers	8	98 606	90 098
8 883	14 446	Certificates, bonds and fixed-income funds	30	14 446	8 883
582	819	Financial derivatives	14, 31, 38	819	582
494	594	Shares and other equity interests	32	594	495
3 336	3 635	Investments in associates and joint ventures	41	4 124	3 929
1 370	1 521	Investments in subsidiaries	41	0	0
365	337	Property, plant and equipment	34	543	578
100	96	Goodwill and other intangible assets	33	400	366
3	0	Deferred tax asset	26	0	0
645	699	Other assets	35	1 041	910
107 149	**122 390**	**Total assets**		**123 472**	**108 321**
		LIABILITIES			
2 288	2 704	Deposits from and liabilities to credit institutions	7	2 636	2 286
66 013	71 540	Deposits from and liabilities to customers	36	71 497	65 985
23 686	31 984	Liabilities arising from issuance of securities	37, 38	31 984	23 686
307	354	Financial derivatives	14, 31, 38	354	307
314	205	Current tax liabilities	26	248	358
0	69	Deferred tax liabilities	26	202	122
431	532	Other debt and liabilities recognised in the balance sheet	39	687	541
1 706	1 102	Subordinated loan capital	37	1 102	1 706
94 743	**108 490**	**Total liabilites**		**108 710**	**94 990**
		EQUITY CAPITAL			
5 359	5 766	Equity capital certificates	40	5 766	5 359
547	830	Premium fund		830	547
1 584	2 112	Dividend equalisation fund	40	2 112	1 584
424	477	Dividend		477	424
3 432	3 690	Primary capital*	40	3 690	3 432
165	166	Other paid-up equity		166	165
20	15	Provision for gifts	40	15	20
279	252	Fund for unrealised gains		253	281
204	222	Dividend customers return	40	222	204
400	400	Hybrid capital		400	400
-8	-30	Interest expense for hybrid capital	40	-48	-30
0	0	Other equity		776	883
		Minority interests		102	62
12 406	**13 900**	**Total equity capital**		**14 762**	**13 331**
107 149	**122 390**	**Total equity capital and liabilities**		**123 472**	**108 321**

*Primary capital per 31. December 2018 includes an allocation of NOK 6 million to gifts, that will be distributed to gifts after approval from the Supervisory Board of the Bank.

The Board of Directors of SpareBank 1 Østlandet
Hamar, 4 March 2019

Siri J. Strømmevold
Chair of the board

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen
Employee representative

Guro Nina Vestvik

Vibeke Hanvold Larsen
Employee representative

Morten Herud

Hans-Christian Gabrielsen

Richard Heiberg
CEO

Statement of change in equity

Parent Bank

(NOK million)	Paid-up equity			Earned equity capital							
	Equity certi-cates	Premium fund	Other paid-up equity	Primary capital 1)	Dividend equali-sation funds 2)	Pro-vision for gifts	Fund for unrealised gains	Other equity	Divi-dends	Hybrid-capital	Total equity capital
Equity capital as of 01.01.2017	**5 310**	**520**	**0**	**3 313**	**974**	**33**	**134**	**0**	**148**	**0**	**10 430**
ECs issued and transferred to owners	49	27									**76**
Equity inflated by merger with B1OA			165		338						**503**
Hybrid capital										400	**400**
Interest on hybrid capital								-8			**-8**
Profit after tax				335	696		70				**1 102**
Actuarial gains after tax on pensions				-6							**-6**
Change revaluation reserve							75				**75**
Dividend paid									-148		**-148**
Donations distributed from profit 2016				-6							**-6**
Grants from provision for gifts in 2017						-13					**-13**
Equity capital as of 31.12.2017	**5 359**	**547**	**165**	**3 636**	**2 008**	**20**	**279**	**8**	**0**	**400**	**12 406**
Equity capital as of 01.01.2018	**5 359**	**547**	**165**	**3 636**	**2 008**	**20**	**279**	**-8**	**0**	**400**	**12 406**
OB Corr. related to transitional rules IFRS 9				11	23						**35**
Reposting of intereset on hybrid capital					3			-4			**0**
Reposting of acturaial gains after tax on pensions				4	-4						**0**
Adjusted equity capital at 01.01.2018	**5 359**	**547**	**166**	**3 652**	**2 031**	**20**	**279**	**-12**	**0**	**400**	**12 440**
ECs issued and transferred to owners	407	283									**690**
Hybrid capital											**0**
Interest after tax on hybrid capital								-17			**-17**
Profit after tax				477	998		-27				**1 447**
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**	**2 585**	**15**	**252**	**-30**	**0**	**400**	**13 900**

Group

	Paid-up equity			Earned equity capital								
(NOK million)	Equity certi-cates	Pre-mium fund	Other paid-up equity	Primary capital 1)	Dividend equali-sation funds 2)	Pro-vision for gifts	Fund for unrealised gains	Other equity	Divi-dends	Hybrid-capital	Minority intersets	Total equity capital
Equity capital as of 01.01.12017	**5 310**	**520**	**0**	**3 313**	**974**	**33**	**134**	**1 228**	**148**	**400**	**47**	**12 107**
OB Correction: Correction of previous years's errors in associated companies and joint ventures 3)								-8				**-8**
Adjusted equity capital at 01.01.17	**5 310**	**520**	**0**	**3 313**	**974**	**33**	**134**	**1 220**	**148**	**400**	**47**	**12 099**
ECs issued and transferred to owners	49	27									13	**89**
Equity inflated by merger with B1OA			165		338			-503				**0**
Profit after tax				335	696		70	155			6	**1 263**
Actuarial gains after tax on pensions				-6								**-6**
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								3				**3**
Change revaluation reserve							77					**77**
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								11				**11**
Interest expense for hybrid capital								-17				**-17**
Change in Group companies 4)								-16				**-16**
Dividend paid									-148		-4	**-152**
Donations distributed from profit 2016				-6								**-6**
Grants from provision for gifts in 2017						-13						**-13**
Equity capital as of 31.12.2017	**5 359**	**547**	**165**	**3 636**	**2 008**	**20**	**281**	**853**	**0**	**400**	**62**	**13 331**
Equity capital as of 01.01.2018	**5 359**	**547**	**165**	**3 636**	**2 008**	**20**	**281**	**853**	**0**	**400**	**62**	**13 331**
OB Corr Parent Bank			1	15	23			-4				**35**
OB Corr. Subsidiary								-19				**-19**
OB Corr. In Group companies								-3				**-3**
Adjusted equity capital at 01.01.2018	**5 359**	**547**	**166**	**3 651**	**2 031**	**20**	**281**	**826**	**0**	**400**	**62**	**13 343**
ECs issued and transferred to owners	407	283										**690**
Profit after tax				477	998		-27	-39			5	**1 414**
Effects on creditspread at financial liabilities FVOCI				5	12							**17**
Effects on basisswap in hedge accounting				-12	-26							**-38**
Value change on loans measured at fair value				1	1							**2**
Actuarial gains after tax on pensions				-1	-1							**-2**
Other items in comprehensive income								-39				**-39**
Share of other comprehensive income from 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**	**252**	**728**	**0**	**400**	**102**	**14 762**

1) Amounts transferred to primary capital include dividend payments.
2) Amounts transferred to dividend equalization funds includes dividends to customers return.
3) OB Corrections is connected to changes from preliminary accounts to final accounts in SpareBank 1 Gruppen.
4) Changes in Group companies are mainly due the facth that SpareBank 1 Gruppen over years has allocated to little to fund for self-sustaining schemes. The error was addressed directly to equity. SpareBank 1 Østlandet's share was NOK -14 million.

Cash flow statement

Parent bank			Group	
2017	2018	(NOK million)	2018	2017
-5 965	-7 806	Change in gross lending to customers	-8 479	-7 486
2 256	2 716	Interest receipts from lending to customers	3 134	2 916
2 825	5 527	Change in deposits from customers	5 511	2 915
-503	-619	Interest payments on deposits from customers	-622	-577
-399	527	Change in receivables and debt from credit institutions	1 151	-101
101	115	Interest on receivables and debt to financial institutions	5	9
910	-5 532	Change in certificates and bonds	-5 532	1 517
246	208	Interest receipts from commercial papers and bonds	208	277
782	849	Net commission receipts	1 286	1 271
25	-9	Capital gains from sale on trading	-9	27
-1 269	-1 240	Payments for operations	-1 778	-1 862
-189	-314	Taxes paid	-355	-245
-864	-190	Other accruals	-234	-589
-2 043	**-5 769**	**Net change in liquidity from operations (A)**	**-5 714**	**-1 927**
-49	-41	Investments in tangible fixed assets	-67	-65
13	0	Receipts from sale of tangible fixed assets	33	13
458	0	Cash and cash equivalents taken over from B1OA	0	0
-401	-335	Change in long-term investments in equities	-334	-392
276	385	Dividends from long-term investments in equities	257	182
297	**9**	**Net cash flow from investments (B)**	**-111**	**-263**
5 043	12 699	Debt raised by issuance of secutities	12 699	5 113
500	400	Debt raised by subordinated loan capital	400	500
-2 603	-4 400	Repayments of issued securities	-4 400	-3 203
0	-1 000	Repayments of issued subordinated loan capital	-1 000	0
63	687	Payments arising from issuance of equity capital certificates	687	63
-523	-664	Interest payments on securities issued	-664	-592
-32	-37	Interest payments on subordinated loans	-37	-38
-247	-152	Payments arising from placements in subsidiaries	8	13
0	-629	Payment of dividend	-634	0
-13	-11	Donations	-11	-13
2 188	**6 894**	**Net cash flow from financing (C)**	**7 047**	**1 844**
441	**1 134**	**CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)**	**1 222**	**-346**
382	824	Cash and cash equivalents at 1 January	736	1 082
824	**1 958**	**Cash and cash equivalents at the end of the period**	**1 958**	**736**
		Cash and cash equivalents at comprise:		
672	1 878	Cash and deposits with central banks	1 878	673
152	80	Deposits etc. at call with banks	80	63
824	**1 958**	**Cash and cash equivalents at the end of the period**	**1 958**	**736**


Foto: Getty

Notes to the accounts — Table of contents

Note 1 — General information

The SpareBank 1 Østlandet Group

The Group comprises SpareBank 1 Østlandet and the wholly-owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second-tier subsidiary), Youngstorget 5 AS and Vato AS, and the 95 per cent owned subsidiary SpareBank 1 Finans Østlandet AS, as well as the 70.7 per cent owned holding company SpareBank 1 Østlandet VIT AS, which wholly owns two subsidiaries both called TheVIT AS.

SpareBank 1 Østlandet is domiciled in Norway and its head office is located in Hamar. The group has a total of 37 branches in four counties. The network of branches covers Hedmark, Oppland, Oslo and Akershus. The head offices of Yongstorget 5, EiendomsMegler 1 Oslo Akershus AS, second-tier subsidiary EiendomsMegler 1 Oslo AS and second-tier subsidiary THEVIT AS are located in Oslo. The other subsidiaries have their head office in the county of Hedmark.

The Group's core operations include deposits, lending, settlement of payments, leasing, sale of other financial products and services, and real estate brokering, accounting and advisory services.

Joint ventures

SpareBank 1 Østlandet owns 12.4 per cent of SpareBank 1 Gruppen AS. This ownership interest is classified as an investment in a joint venture. Other owners are SpareBank 1 SR-bank ASA, SpareBank 1 Nord-Norge, SpareBank 1 SMN and Samarbeidende Sparebanker AS, each of which holds a 19.5 per cent interest, and the Norwegian Federation of Trade Unions (LO), which holds a 9.6 per cent interest. The Alliance's management structure is regulated by an agreement between the owners.

The Group also owns 18 per cent of SpareBank 1 Banksamarbeidet DA. These investments are also classified as joint ventures. The other owners of SpareBank 1 Banksamarbeidet DA are the banks in the SpareBank 1 Alliance.

Associated companies

SpareBank 1 Østlandet owns 20.5 per cent of SpareBank 1 Kredittkort AS and 18.7 per cent of SpareBank 1 Betaling AS. The bank also holds 20 per cent of the Alliance companies SMB Lab AS and Betr AS. The bank also holds a 21.6 per cent interest in the covered bond company SpareBank 1 Boligkreditt AS and a 13.3 per cent interest in SpareBank 1 Næringskreditt AS. The above companies are classified as associated companies.

Some alliance companies are classified as associated companies in spite of the fact that the stake owned is less than 20 per cent. This is because the ownership structure and the strategic cooperation between the owning banks of the SpareBank 1 Group AS gives SpareBank 1 Østlandet significant influence over these companies.

Changes in corporate composition and strategic investments

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 AS 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 holds 100 per cent of the shares in the accounting and consulting company TheVIT AS.

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 SpareBank 1 Østlandet increasing its ownership interest in the company from 19.6 per cent to 20.5 per cent, with effect from 1 January 2018.

2017

SpareBank 1 Ostlandet has acquired 20 per cent of the shares in Proaware AS and 20 per cent of the shares in SMB Lab AS.

In the third quarter, SpareBank 1 Ostlandet acquired 21.2 per cent of the shares in SpareBank 1 Betaling AS and classified it as an associated company. SpareBank 1 Betaling AS owns 25 per cent of the shares in Vipps AS.

On 17 January 2017, Sparebanken Hedmark became the 100 per cent owner of the newly established company Youngstorget 5 AS after the assets and liabilities belonging to Bank 1 Oslo Akershus AS (B1OA) were spun off and transferred to the shareholder in B1OA.

A reallocation of shares in SpareBank 1 Kredittkort AS pursuant to the shareholder agreement resulted in the Sparebanken Hedmark Group increasing its stake in the company from 18.9 per cent to 19.6 per cent with effect from 1 January 2017.

Sparebanken Hedmark and Bank 1 Oslo Akershus AS merged operations with effect from 1 April 2017. The new merged bank was named SpareBank 1 Ostlandet.

Note 2 — Accounting principles

Basis for preparation of the consolidated financial statements

The company and the consolidated financial statements for SpareBank 1 Østlandet have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as of 31 December 2018. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the preceding interpretations committee, the Standing Interpretations Committee (SIC).

New standards and interpretations that have been adopted:

As from 1 January 2018, the standards FRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been implemented.

IFRS 9 Financial Instruments

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

SpareBank 1 Østlandet has worked on models in collaboration with other SpareBank 1 banks, as well as clarification of valuation, classification, etc. during the past few years.

IFRS 15 Revenue from contracts with customers

IFRS 15 was implemented on 01.01.2018. IFRS 15 concerns income recognition and sets principles for the disclosure of important and useful information for readers of accounting reports, both in terms of origin, amount, time delimitations and the risk associated with income and cash flows generated from customer contracts. Income recognition will take place when a customer obtains control of an item or service and also has the opportunity to make direct use of it.

The Group has the following income flows that are subject to IFRS 15:

- Transaction fees – are charged to the customer's account continuously and as of the date they are incurred. Income is recognised continuously as of the same date.
- Product fees – are charged to the customer's account at each month-end, as they are incurred and are recognised as income in the same period.
- Annual fees (debit card) – annual advance payment. Are charged to the customer's account in the month in which the new period (year) begins to run. Recognised as income in the same way.
- Commission sales of insurance, savings, funds and credit cards – are earned, recognised as income and compiled on a monthly basis.

- Commission from mortgages transferred to partly-owned covered bond companies – are earned, recognised as income and compiled on a monthly basis.

- Brokerage commission – is earned and recognised as income on settlement.

- Fees earned via third parties (interbank, VISA etc) – are earned, recognised as income and compiled on a monthly basis.

- Other fees in accordance with the price list (ad hoc) are charged to the customer's account on a continuous basis and as of the date they are incurred. Income is recognised continuously as of the same date.

The time of income recognition and the measurement of remuneration will not change as a consequence of the introduction of IFRS 15.

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

IAS 16 Leases
IFRS 16 enters into force on 1 January 2019 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives, and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 sets out principles for recognition, measurement, presentation and information concerning lease agreements. The standard removes the current distinction between operational and financial leases, 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 also be taken into account in the present value of the obligation, if they are likely to be used.

The standard includes a number of optional practical exemptions related to calculation and initial application. Lessees will be required to recognise the interest costs of the lease obligation and the amortisation cost of the right of use on a separate basis. In certain types of events, such as a change in the lease period, or a change in future lease payments as a consequence of a change in an index or rate used to determine these payments, the lease obligation must be measured again. A change in the lease obligation as a consequence of new measurement will generally be recognised as an adjustment of the leased asset.

The Groups accounting principles

Heading	Note	IFRS-Standard
Subsidiaries	Note 41 Investments in subsidiaries, associates and joint ventures	IFRS 10
Consolidation	Note 41 Investments in subsidiaries, associates and joint ventures	IFRS 3, IFRS 10
Associated companies	Note 41 Investments in subsidiaries, associates and joint ventures	IAS 28
Joint ventures	Note 41 Investments in subsidiaries, associates and joint ventures	IFRS 11
Loans to and receivables from customers	Note 8 Loans to and receivables from customers, Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 39 Other debt and liabilities	IFRS 9, IAS 37
Assessment of loan impairment	Note 11 Losses on loans and guarantees, Note 28 Classification of financial instruments	IFRS 9, IFRS 7
Assets held for sale	Not applicable	IFRS 5
Goodwill and other intangible assets	Note 33 Goodwill and other intangible assets	IAS 38, IAS 36
Property, plant and equipment	Note 34 Property, plant and equipment	IAS 16, IAS 36
Pensions	Note 24 Pensions	IAS 19
Issued securities	Note 27 Determination of fair value of financial instruments , Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 37 Debt securities issued	IFRS 9, IFRS 7, IFRS 13
Certificates, bonds and fixed-income funds	Note 27 Determination of fair value of financial instruments , Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 30 Certificates, bonds and fixed-income funds	IFRS 9, IFRS 7, IFRS 13
Shares and other equity interests	Note 28 Classification of financial instruments, Note 32 Shares, units and other equity instruments	IFRS 9, IFRS 7, IFRS 13
Financial derivatives	Note 14 Financial instruments and offsetting, Note 27 Determination of fair value of financial instruments , Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 31 Financial derivatives	IFRS 9, IFRS 7, IFRS 13
Commission income and commission expenses	Note 21 Net commission and other operating income	IFRS 15, IFRS 9
Taxes	Note 26 Taxes	IAS 12
Segment reporting	Note 4 Segment information	IFRS 8
Events occurring after the balance sheet date	Note 45 Events occurring after the balance sheet date	IAS 10
Equity	Note 40 Equity capital certificates and ownership structure	IAS 1

Reference is made to Note 43 for details and choices made in connection with the implementation of the standard.

Presentation currency
The presentation currency is NOK (Norwegian kroner), which is also the functional currency of all the units in the Group. All amounts are presented in NOK million unless otherwise stated.

Point in time for recognition of financial instruments
An ordinary purchase or sale of financial instruments is recognised and derecognised from the date of the agreement.

Subsidiaries
Assets in subsidiaries are valued in accordance with the cost method of accounting in the Parent Bank financial statements. The investment is valued at the historical cost of the shares unless a write-down of the shares has been necessary. Dividends, group contributions and other distributions are recognised as income in the year that they are approved by the general assembly. The definition of subsidiary is dealt with in IFRS 10 - Consolidated Financial Statements. It is the degree of actual control that determines whether or not a company should be classified as a subsidiary. Control only exists when an investor has power over relevant activities in the investment object, the risk of variable returns, and also the ability to affect those returns through exercising its power. In cases where loan terms and conditions are breached, the Bank will assess whether or not it has achieved genuine power in relation to IFRS 10.

Consolidation
The consolidated accounts include the bank and all subsidiary companies that are not planned to be divested in the near future and must therefore be classified as held for sale in accordance with IFRS 5. Subsidiaries are

defined as all enterprises that the bank controls, i.e. has the power to manage a company's financial and operational principles with the aim of profiting from that company's activities. Subsidiaries are consolidated as from the date on which the bank assumes control and are no longer consolidated from the date the bank relinquishes control. Mutual balance sheet items and all significant profit and loss elements are eliminated.

On achieving a controlling influence in an enterprise (business combination), all identifiable assets and liabilities are carried at fair value in accordance with IFRS 3. Any positive difference between fair value of the payment on acquisition and the fair value of identifiable assets and liabilities is carried as goodwill, while any negative difference is recognised as income at the time of acquisition. The accounting of goodwill after the initial recognition is commented on under the section on intangible assets. The bank has not applied IFRS 3 retrospectively on business combinations that were implemented before 1 January 2006.

All transactions between Group companies are eliminated in the consolidated financial statements. The minority's share of the Group's profit/loss is presented on a separate line under profit/loss after tax in the income statement. Their share of the minority's equity is shown as a separate item.

Associated companies

The definition of an associated company is governed by IAS 28. Associated companies are companies in which the Bank has significant influence, but not control. Normally, significant influence exists when the Bank owns a stake of 20 per cent or more, unless it can be clearly established that this is not the case. Enterprises are treated as associated companies from the time significant influence is established and until it no longer applies. The investment is recognised for the first time on the balance sheet at cost and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. Associated companies are recognised in accordance with the cost method of accounting in the Parent Bank and in accordance with the equity method in the Group.

Joint ventures

In joint ventures, which are regulated by IFRS 11, the partners involved have joint control over operations based on contractual agreements.

The agreements demand unanimity between the partners on strategic, financial and operations-related decisions. Joint ventures are recognised in accordance with the cost method of accounting in the Parent Bank and in accordance with the equity method in the Group.

Loans to and receivables from customers

Lending to customers is in principle measured at amortised cost. However, the bank transfers some of the loans that qualify for transfer to the jointly owned covered bond company SpareBank 1 Boligkreditt. Consequently, variable rate home mortgages are included in a business model that entails both the receipt of contractual cash flows and sales. Pursuant to IFRS 9, such assets must mandatorily be classified at fair value with value changes through other comprehensive income (OCI). Fixed-rate loans to customers are booked at fair value through profit or loss, and gains and losses arising from a change in fair value are recognised as the net result from other financial assets and liabilities. This is in order to eliminate any significant accounting mismatch. All loans to and receivables from customers are presented in the balance sheet, including the accrued interest.

SpareBank 1 Østlandet has signed agreements for the legal sale of loans to SpareBank 1 Boligkreditt as and SpareBank 1 Næringskreditt as. In line with the administration contract between the bank and financial institutions, the bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commission for the duties involved in administering the loans. There is a remaining involvement associated with the transferred loans due to a limited settlement of losses against commissions. Please refer to the description in Note 9.

Impairment losses on loans

Losses on loans are recognised on the basis of expected credit losses (ECL). The general model for impairment of financial assets in IFRS 9 applies to financial assets that are measured at amortised cost and to financial assets at fair value with value changes through OCI, which have not been bought for issued with explicit expectation of credit loss. Loan pledges, financial guarantee contracts that are not measured at fair value through profit or loss, and lease agreement claims are also included.

The measurement of impairments for expected losses in the general model depends on whether or not the credit risk has increased significantly since initial capitalisation. Credit deterioration is measured by the development of financial PD. Financial PD is the bank's best assessment of the customer's risk of default. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, losses must be recognised amounting to 12 months' expected loss. 12 months' expected loss are the loss that is expected to occur over the lifetime of the instrument, but which can be linked to default events that occurred in the first 12 months. If the credit risk has increased substantially after initial recognition, the impairment will equal the expected loss over the entire lifetime. The expected credit loss is calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows and the cash flow that the bank expects to receive, discounted by an effective interest rate on the instrument. The method entails somewhat greater volatility in provisions than under IAS 39 and it is expected that provisions will be made earlier under the current practice than by using IAS 39. This will be especially noticeable at the start of an economic downturn.

In addition to the general model, there are separate principles for issued, including renegotiated loans that are treated as new, and purchased loans where there is occurred credit loss upon initial capitalisation. For these, an effective interest rate will be calculated that takes account of the expected credit loss, and in the event of changes in expected cash flows the change will be discounted at the effective interest rate originally fixed, and recognised in the income statement. For these assets there is thus no need to monitor the extent to which there has been a significant increase in credit risk after initial capitalisation, since the expected loss over the entire lifetime will be taken into account in any case.

An estimate of losses will be made each quarter based on data in the data warehouse, which contains a history of account and customer data for the entire credit portfolio. The loss estimates will be calculated on the basis of the 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains a history of observed PD and observed LGD. This provides the basis for producing good estimates of future values for PD and LGD. In line with IFRS 9, the bank groups its loans into three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. A loss cost equal to 12 months' expected losses will be calculated for all assets that do not have a significantly higher credit risk than they did upon initial recognition.

Stage 2:

In stage 2 the loss model consists of assets that have had a significant rise in credit risk since initial recognition, but that do not have occurred credit loss on balance sheet date. A loss costs equal to the expected losses over the lifetime will be calculated for these assets. This group includes accounts with a significant degree of credit deterioration, but which on the balance sheet data belong to customers that are classified as healthy. As far as the demarcation with stage 1 is concerned, the Bank bases its definition of a significant degree of credit deterioration on the extent to which the commitment's calculated probability of default (PD) has increased significantly. This occurs when the customer's PD has increased by over 150 per cent to a PD level above 0.60 per cent. In addition, the expected loss is estimated over the lifetime when an account is overdrawn or has arrears of 30 days' duration or more, and when the customer is flagged for special follow-up.

Stage 3:

In stage 3 the loss model is assets that have seen a significant rise in credit risk since being granted and where there is Occurred credit loss on balance sheet date. For these assets the loss provision must cover expected losses over the lifetime. These are assets that under the rules prior to 1 January 2018, would be defined as defaulted/doubtful or individually impaired.

For loans measured at amortised cost, the net carrying amount of the asset is reduced by a corresponding loan loss impairment given by the stagewise treatment described above. For loans measured at fair value thorough OCI, the impaired amount is reversed through OCI. However, the carrying amount of loans in this category is adjusted by a fair value adjustment due to the change in credit risk. For loans at fair value with a significant increase in credit risk, a correlation will be expected between the accumulated provision according to the method described and the capitalised fair value adjustment.

Commitments in default – bad and doubtful commitments

A customer's total commitments are deemed to be in default and are included in the Bank's summaries of commitments in default when instalments and interest due have not been paid within 90 days of maturity, or when credit facilities have been overdrawn for 90 days or more. Loans and commitments that are not in default, but where the customer's financial situation makes it likely that the Bank will incur losses, are classified as doubtful.

Doubtful commitments consist of the total defaulted commitments over 3 months and other doubtful commitments (non-defaulted commitments with individual impairment).

Realised losses

When it is highly probable that losses will be final, they are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of loss provisions, and overfunding or underfunding in relation to previous loss provisions, are recognised in the income statement.

Assets held for sale

In connection with legal recovery of claims under non-performing loans and guarantees, the Bank in some cases repossesses assets that have been pledged as security for the commitments. Repossessed assets that are expected to be realised are classified as fixed assets held for sale. In accordance with IFRS 5, these assets are assessed at the time of repossession at fair value less selling expenses. The difference between this value and the value of the loan commitment is adjusted through the income statement. Repossessed assets that cannot be expected to be sold are capitalised as fixed assets on the Bank's balance sheet.

Leasing

Financial leases are carried under the main item of lending in the balance sheet. The lessor calculates interest in accordance with the IAS 17 rules and write-down according to the rules in IFRS 9. All fixed income during the ordinary leasing period is included in the calculation of the agreement's effective rate of interest. The Group has no "sell and lease back" contracts covering property, plant and equipment.

Goodwill and other intangible assets

Goodwill is defined as the difference between the purchase price and the value of the acquired business included on the balance sheet, after the acquisition cost has been allotted to identifiable tangible and intangible assets, liabilities and contingent liabilities. Goodwill is not amortised, but is subject to an annual impairment test with a view to ascertaining any impairment, in accordance with IAS 36. When assessing impairment, the assessment is carried out at the lowest level where it is possible to identify cash flows. Any write-down of goodwill cannot be reversed. Negative goodwill is recognised as income immediately. Negative goodwill relating to investments in associated companies and joint ventures is recognised as income immediatelyaccording to the equity method of accounting. Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

Property, plant and equipment

Fixed assets comprise buildings, plots of land and operating equipment. Buildings and operating equipment are recorded at historical cost less depreciation and write-downs. Plots of land are recorded at historical cost price less write-downs. The historical cost includes all direct costs related to getting the asset to function as intended. Non-current assets, less any residual value, are depreciated on a straight-line basis over their estimated useful life. When determining a depreciation schedule, the separate assets are split up into components with different useful lives to the extent that this is regarded as necessary, taking into account the estimated residual value. Property, plant and equipment that individually are regarded as insignificant, such as PCs and other office equipment, are not assessed individually for residual value, useful life or impairment, but are assessed in groups. Useful life of various classes of property, plant and equipment:

Buildings, furniture and fittings:	10 – 100 years
Operating equipment:	3 – 25 years

Property, plant and equipment that are depreciated are subject to an impairment test in accordance with IAS 36 whenever circumstances so indicate. Plots of land, buildings and sections of buildings owned by the Group for the purpose of earning rental income and/or capital gains are classified as investment properties. In buildings where the Group uses parts of the building for its own operations, that part that is leased to others is treated as an investment property if that part is sectionable. The Group has chosen to recognise investment properties in accordance with the cost method of accounting. The fair value of investment properties is established through an appraisal, or valuation by a government-authorised estate agent.

Pensions

The Group has established various pension schemes for its employees. These pension schemes satisfy the mandatory occupational pension requirements.

Defined benefit schemes

In defined benefit pension schemes, the employer undertakes to provide a future pension of a given size. The basis for calculating the pension costs is a linear distribution of pension entitlements measured against the estimated accumulated commitments at the time of retirement. Costs are calculated on the basis of pension entitlements earned during the year, with a deduction for the return on funds assigned to pensions. Pension liabilities are valued at the present value of the estimated future pension benefits regarded as accrued for accounting purposes on the balance sheet date. Actuarial and economic assumptions, such as life expectancy, wage inflation and withdrawal tendency, are used for calculating pension liabilities. The corporate bond interest rate on the balance sheet date, possibly adjusted for the maturity of the liability, is used as the discount rate. Changes in pension schemes are recognised in profit and loss at the time of the change. The pension costs are based on assumptions made at the beginning of the period and classified as personnel costs in the financial statements. Provisions are made for National Insurance contributions on pension costs and pension liabilities. The pension schemes in the Group are administered by a separate pension fund and SpareBank 1 Livsforsikring AS and provide entitlement to future pension benefits from the age of 62. The defined benefit pension schemes guarantee most members a pension of approximately 70 per cent of their final salary for retirement at age 67, up to a maximum of 12 G. The defined benefit schemes are closed to new members and were partially wound up as at 1 July 2016. Further winding up was carried out with effect from 1 January 2017. See note 24 for more details.

Defined contribution scheme

A defined contribution pension scheme entails that the Group does not guarantee a future pension of a given size, the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as a cost. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

Early retirement pension scheme

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take early retirement under the AFP scheme with effect from 2011 or later, will be given benefits under the new scheme. The new early retirement (AFP) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62. Employees earn an annual entitlement to early retirement at the rate of 0.314 per cent of their pensionable income up to 7.1 G up to and including the calendar year in which the employee turns 62. Accrual in the new scheme is calculated based on the employee's lifelong income, so that all earlier working years are included in the accrual basis. The new early retirement (AFP) scheme is regarded as a defined benefit multi-company scheme for accounting purposes. This means that each individual company shall account for its proportional share of the scheme's pension liabilities, plan assets and pension costs. In the absence of estimates of the individual components and a consistent and reliable basis for allocation recorded, the new pension scheme is recognised as a defined contribution scheme. At the current point in time no such basis exists, and the new early retirement (AFP) scheme will therefore be accounted for as a defined contribution scheme. Accounting for the new early retirement (AFP) scheme as a defined benefit scheme will not take place until reliable measurement and allocation can be made. The new scheme will be financed by the state covering one-third of the pension costs and employers covering two-thirds of the pension costs. The employers' premium is determined as a percentage of salary payments between 1 G and 7.1 G.

Issued securities
Issued securities debt (senior loans) is measured at amortised cost or as financial liabilities designated at fair value, with value changes recognised in the income statement and OCI. For financial liabilities designated at fair value to the income statement, changes in the value due to own credit risk are recognised in OCI. As a general rule, hedge accounting (hedging of fair value) is applied on the issue of bond debt at fixed interest rates. For hedging, there is a clear, direct and documented correlation between value changes for the hedged item (the issued securities) and the hedging instrument (fixed income derivative). For the hedged item, changes in fair value related to the hedged risk are carried as an addition to or deduction from the capitalised securities issued and recognised under "Net result from financial assets and liabilities". Hedging instruments are valued at fair value and the changes in fair value are recognised in the same line of the income statement as the hedging objects. Securities issued are presented including accrued interest. See note 38 for a more detailed description of hedge accounting.

Issued subordinated loans
Subordinated loans have priority after all other liabilities and are measured in the same way as other securities issued.

Deposits from and liabilities to financial institutions
Liabilities other than issued securities are recognised at borrowing cost and classified at amortised cost. Any difference between the borrowing cost and settlement amount upon maturity is subject to accrual accounting over the life of the loan, by applying the loan's effective rate of interest.

Issued hybrid tier 1 capital
Hybrid tier 1 capital are bonds with nominal interest, however the Bank is not obliged to pay any interest in periods when no dividend is paid, and the investor cannot later claim any interest that has not been paid, i.e. interest is not accumulated. Hybrid tier 1 capital is approved as a constituent of tier 1 capital, up to a limit of 15 per cent of total tier 1 capital. The Financial Supervisory Authority of Norway can demand that hybrid instruments be written down proportionally with equity if the Bank's tier 1 capital ratio falls below 5 per cent or the total capital ratio falls below 6 per cent. The written down amount relating to the hybrid tier 1 capital should be written up before dividends can be disbursed to shareholders or the equity written up. From and including the second quarter of 2016, hybrid tier 1 capital was reclassified from liabilities to equity since it does not satisfy the definition of a financial liability pursuant to IAS 32. The hybrid tier 1 capital is perpetual and the Bank has a unilateral right not to pay interest to the investors under certain conditions. Interest is not presented as an interest cost in the income statement, but as a reduction in other equity.

Certificates, bonds an fixed income funds
Certificates, bonds and fixed income funds acquired are measured at fair value, with value changes recognised in the income statement. The assets are measured, managed and reported internally at fair value. Changes in fair value and realised gains and losses are recognised in the income statement under "Net profit from financial assets and liabilities". Fixed-income securities are presented including accrued interest.

Shares and other equity interests
Investments in equity instruments are measured at fair value. Value adjustments are recognised in the income statement under "Net profit from financial assets and liabilities".

Derivatives
All derivatives are measured at fair value with value changes recognised in the income statement under "Net profit from financial assets and liabilities". Derivatives designated as hedging instruments are recognised in accordance with the rules for hedge accounting (there are further details of hedge accounting under the principles for securities issued). Contracts with unrealised gains are presented in the balance sheet as an asset, and contracts with unrealised losses are presented as a liability. The balance sheet value includes accrued interest.

Interest income and interest expenses
Interest income and interest expenses related to assets and liabilities are recognised continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financialasset or liability being equal to the carrying value of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future credit losses. The calculations take therefore into account fees, transaction costs, premiums and discounts.

Interest income and interest expenses linked to interest-bearing instruments that are assessed at fair value are included in the presented market value (dirty price).

Commission income and commission expenses
Commission income and commission expenses are generally accrued according to the delivery/receiving of a service. Fees related to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly in profit and loss. Advisory fees are accrued in accordance with the consultancy agreement, typically at the time the service is provided. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the Bank's or the Group's accounts are recognised when the transaction is completed.

Transactions and monetary items in foreign currency
Transactions in foreign currencies are converted into Norwegian kroner at the time of the transaction. Gains and losses related to completed transactions or to the conversion of monetary items in foreign currencies on the balance sheet date are recognised in profit and loss.

Taxes
Taxes consist of taxes payable and deferred taxes. Taxes payable are the estimated taxes on the year's taxable profit. Deferred taxes are accounted for using the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book value of assets and liabilities for accounting purposes and the book value for taxation purposes. Deferred tax assets are calculated with respect to accumulated tax losses carried forward at the balance sheet date. Deferred tax assets are included only to the extent that future taxable profits make it possible to exploit the related tax benefit. Taxes and levies that are not based on the tax-related result are recognised according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies how a levy imposed by public authorities, which is not a tax pursuant to IAS 12 Income Taxes, should be recognised. IFRIC can, in some circumstances, change the timing of when a liability is recognised, especially when such taxes are imposed due to a given condition on a specific date. For SpareBank 1 Østlandet this means that wealth tax is first recognised in full in the fourth quarter and not in the earlier interim financial statements.

The Group has previously treated tax on equity transactions as a transaction directly to equity. The Group modified this principle during Q4 of 2018. If the source of the transaction is related to previously accrued capital, the related taxes are now recognised through profit and loss when dividends are decided. This modification in principle has consequences for the treatment of customer dividends and paid interests on hybrid capital.

Segment reporting
SpareBank 1 Østlandet aims to be a full-service provider of financial products and services, partly through services provided by the Bank and partly by distributing products and services on behalf of joint venture partners, as well as the fact that the Bank has a number of subsidiaries who provide various financial services. Different kinds of operations are therefore conducted within the Group. The Group's segment reporting is primarily divided into the following areas: retail banking, corporate banking, financing, real estate brokerage, accounting and other operations. SpareBank 1 Østlandet has applied IFRS 8.

Events occurring after the balance sheet date
The financial statements are deemed to be approved for publication once the Board of Directors has approved the financial statements. The Supervisory Board and regulatory authorities may refuse to approve the published financial statements subsequent to this, but they cannot change them. Events occurring up to the time when the annual accounts are approved for publication involving issues that were already known on the balance sheet date will form part of the information basis for determining accounting estimates and will thus be fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant. The financial statements have been prepared on the assumption that the Group will continue as a going concern. This assumption was valid in the Board of Directors' opinion at the time the financial statements were approved for publication.

Note 3 — Critical estimates and assessments regarding the use of accounting principles

ACCOUNTING PRINCIPLES

Fixed interest loans to customers

Fixed interest loans to customers are designated at fair value through profit or loss according to IFRS 9. The assets are part of a business model with the objective of collecting contracted cash flows. However, the fair value option is used to reduce an accounting mismatch. Interest rate contingent claims and bond borrowing with fixed interest, with value adjustment as a result of market rate changes calculated over the result, are used as interest rate reducing hedging instruments outside established hedge accounting conditions. Fixed interest loans to customers are classified and therefore designated at fair value through profit and loss.

Customer dividends

The Bank's supervisory board decides each year how much should be distributed in customer dividends. The first decision was made in the bank's supervisory board meeting on 23 March 2018, and on 19 April 2018 the bank paid NOK 202 million in customer dividends to the bank's loan and deposit customers. Customers will receive an amount based on the bank's annual profit and how much the customer has in deposits and loans in the bank.

- 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 in 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 The Financial Services Act section 10-17 fourth paragraph, which classifies customer dividends as an allocation of the annual result. The bank has used this classification as the basis for accounting, and has thus handled the payment as an equity transaction. The payment of customer dividends provides a tax deduction of NOK 51 million for the 2018 income year. The tax deduction is recognised in accordance with the principle change referred to above as a reduction of the tax cost for 2018.

CRITICAL ESTIMATES

Losses on loans

Reference is made to the principle note for a detailed description of the applied loss model pursuant to IFRS 9. The model contains several critical estimates. The most important is related to the definition of substantially increased credit risk and important assumptions in the overall loss model.

Substantially increased credit risk

Measurement of the impairment for expected losses in the overall loss model depends on whether the credit risk has increased substantially since the first time capitalization. Credit deterioration is measured by the development of financial PD. Financial PD is the bank's best assessment of the customer's default risk. The bank defines that a substantial degree of credit deterioration occurs when the customer's PD has increased by over 150 percent to a PD level above 0.60 percent. In addition, the credit risk is deemed to be substantially increased when an account is overdrawn or is in arrears by 30 days or more, as well as when the customer is set for particular follow-up. Critical estimates of substantially increased credit risk are considered to have good support in results from the validation of the credit models in SpareBank 1 Alliansen and are otherwise on a level with what other banks use in similar loss models.

Scenario-weighting and estimate of expected development on the default and loss level

The overall loss model calculates expected losses under three scenarios for economic development; base case, best case and worst case. These scenarios employ different future levels of default risk (PD) and losses given defaults (LGD), which are the main prerequisites for calculations of expected loss (ECL). Base case is expected development. The starting point is the observed level of defaults and losses over the past three years, but the starting point is the subject of ongoing, thorough reviews of whether historical defaults and losses are unbiased, and the levels of future PD and LGD in base case are adjusted accordingly. Best case reflects economic outlooks that are better than anticipated developments, and PD and LGD are set lower than in base case. The starting point is the observed level of defaults and losses in an historical economic recovery. Worst case reflects economic outlooks that are substantially worse than expected development, and PD and LGD are set higher than in base case. The basis is the expected default and loss level in a crisis situation with levels of PD and LGD used in conservative stress scenarios for other purposes in the bank's credit management. The scenario weighting is subject to current rating based on available information. The bank's management conducts, at least annually, a thorough review of the basis and the principles for the current weighting. Per 31.12.2018 base case is weighted with 80 percent, best case with 10 percent and worst case with 10 percent.

Financial assets and liabilities assessed at fair value

For financial instruments traded on a regulated market, fair value on the balance sheet date is used. Fair value of financial instruments not traded in an active market is determined based on the value estimates from Nordic Bond Pricing, Reuters pricing service, Bloomberg's pricing service, indicated prices from brokerage houses or other external sources and recognised theoretical computational techniques based on observed interest- and rate ratio on the balance sheet date. The bank considers and chooses methods and assumptions that, as far as possible, reflect available information and market conditions on the balance sheet date. Below is a more specific indication of valuation methods for the financial instruments that are measured at fair value.

Shares, units and other equity interests

Listed shares and equity certificates are valued at the bid price on the balance sheet date. For unlisted companies, value is assessed using the following valuation hierarchy: 1) recent market price, 2) external known valuation, 3) valuation received from the company, 4) equity valuation, 5) cost price.

Bonds and certificates (loans)

Bought certificates and bonds are valued mainly against the interest rate curve adjusted for indicative credit spreads from Nordic Bond Pricing or recognised brokerage houses. Some bonds are valued to indicated price from the Reuters pricing service.

Issued securities

Issued certificates and bonds are valued mainly against the interest rate curve adjusted for indicative credit spreads for SpareBank 1 Østlandet, valued by Nordic Bond Pricing or Bloomberg Valuation Service.

Derivatives

The Bank does not have any financial derivatives traded in a regulated market. For non-standardized derivative contracts (OTC) a theoretical price is derived based on a market approach taking into account the agreed cash flows and observable market information on the balance sheet date.

Other financial assets and liabilities measured at fair value

Fair value is calculated as the value of the contracted cash flows discounted with the estimated market interest for corresponding products and time to maturity on the balance sheet date.

See note 27 for further information on the various valuation methods.

Note 4 — 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.
- Tax is calculated at 25 per cent for RM and CM.
- Operating expenses in RM and CM includes its share of shared costs.
- Net commission and other income in RM and CM includes its share for shared income.
- Group eliminations arise together with other operations in a seperate column.

2018	RM	CM	SB1FØ	EM1HE	EM1OA	TheVIT	Other operations	Total
Income statement								
Net interest income	987	839	340	0	2	-1	-93	2 074
Net commission 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
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**
Losses on loans and guarantees	8	8	19	0	0	0	0	35
Profit / loss per segment before tax	**855**	**621**	**186**	**11**	**4**	**-11**	**69**	**1 735**
Tax	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	24 867
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	71 497
Other liabilities and equity	22 251	493	8 006	71	76	134	20 945	51 975
Total equity capital and liabilities per segment	**63 738**	**30 467**	**8 006**	**71**	**76**	**134**	**20 981**	**123 472**

2017	RM	CM	SB1FØ	EM1HE	EM1OA	SB1 RH	Other operations	Total
Income statement								
Net interest income	938	751	312	0	2	-2	-46	1 956
Net commission and other income	767	216	-39	108	192	148	-130	1 263
Net income from financial assets and liabilities	0	0	0	0	0	0	277	277
Operating expenses	929	399	89	95	206	150	30	1 898
Profit before losses by segment	**777**	**569**	**184**	**14**	**-12**	**-3**	**71**	**1 598**
Losses on loans and guarantees	7	-54	26	0	0	0	0	-20
Profit / loss per segment before tax	**769**	**622**	**158**	**14**	**-12**	**-3**	**71**	**1 618**
Tax	192	156	39	3	0	-1	-34	356
Profit / loss per segment after tax	**577**	**467**	**118**	**10**	**-12**	**-3**	**105**	**1 263**
Balance sheet								
Gross lending to customers	56 208	27 046	7 131	0	0	0	75	90 460
Individual impairments to cover losses on loans	-31	-95	-16	0	0	0	0	-142
Collective impairments to cover losses on loans	-75	-124	-22	0	0	0	0	-221
Other assets	1 538	448	154	61	84	130	15 808	18 224
Total assets per segment	**57 641**	**27 275**	**7 247**	**61**	**84**	**130**	**15 883**	**108 321**
Deposits from and liabilities to customers	39 260	26 645	0	0	0	0	81	65 985
Other liabilities and equity	18 382	629	7 247	61	84	130	15 802	42 336
Total equity capital and liabilities per segment	**57 641**	**27 275**	**7 247**	**61**	**84**	**130**	**15 883**	**108 321**

Note 5 — Capital Adequacy

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

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

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

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

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

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

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

Parent bank			Group	
Basel III	Basel III		Basel III	Basel III
2017	**2018**		**2018**	**2017**
6 078	6 762	Paid-up equity	6 670	6 111
5 928	6 738	Earned equity capital	7 588	6 758
400	400	Hybridcapital	400	400
		Minority interests	104	62
12 406	**13 900**	**Total equity carried**	**14 762**	**13 331**
		Common equity tier 1 capital		
-629	-705	Results for the accounting year not included	-705	-629
-400	-400	Hybridcapital	-400	-400
0	0	Minority interests that is not eligible as CET1 capital	-58	-21
93	20	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	20	93
0	0	Cash flow hedge reserve	6	8
-103	-72	Goodwill and other intangible assets	-395	-380
-189	-238	Positive value of expected losses under the IRB approach	-311	-231
0	0	CET 1 instruments of financial sector entities where the institution does have a significant investement	-326	-154
-28	-27	Value adjustments due to the requirements for prudent valuation (AVA)	-27	-35
11 150	**12 479**	**Common equity tier 1 capital**	**12 566**	**11 583**
		Additional Tier 1 capital		
400	400	Hybrid capital	400	616
0	0	Instruments issued by consolidated entities that are given recognition in AT1 Capital	245	0
400	**400**	**Tier 1 capital**	**645**	**616**
		Supplementary capital in excess of Tier 1 capital		
1 700	1 100	Subordinated loan capital	1 100	1 700
0	0	Instruments issued by consolidated entities that are given recognition in T2 Capital	361	368
0	0	T2 instruments of financial sector where the institution does not have a significant investement	0	0
-130	0	T2 instruments of financial sector where the institution does have a significant investement	0	-130
1 570	1 100	**Total supplementary capital**	1 461	**1 939**
13 120	13 979	**Total eligible capital**	14 672	**14 138**
5 154	4 781	Corporates - SME	4 781	5 154
9 776	11 034	Corporates - Specialised Lending	11 034	9 776
633	1 411	Corporates - Other	1 411	633
1 020	1 223	SME exposure	1 424	1 203
14 507	16 886	Retail mortgage exposure	24 235	21 840
1 701	1 234	Other retail exposure	1 259	1 723
32 792	**36 569**	**Credit exposures calculated using IRB-approach**	**44 145**	**40 330**
10 869	12 106	Credit exposures calculated using the standardised approach	16 405	14 936
207	383	Counterparty credit risk	1 732	1 267
	0	Market risk	0	
3 343	3 433	Operational risk	5 222	4 503
2 577	1 849	Basel I floor adjustment	7 495	7 884
49 787	**54 340**	**Risk-weighted assets**	**74 999**	**68 920**
3 983	**4 347**	**Capital requirements (8%)**	**6 000**	**5 514**
846	**978**	**Pillar 2 (1.8 %, 1.7 % as at 31.12.2017)**	**1 350**	**1 172**

Parent bank			Group	
Basel III	Basel III		Basel III	Basel III
31/12/17	31/12/2018		31/12/2018	31/12/17
		Buffer requirements		
1 245	1 359	Capital conservation buffer (2.5%)	1 875	1 723
996	1 087	Countercyclical capital buffer (2 %)	1 500	1 378
1 494	1 630	Systemic risk buffer (3%)	2 250	2 068
3 734	4 076	Total buffer requirements for Common Equity (7.5 %)	5 625	5 169
4 329	**4 980**	**Available Common Equity (13.8 %, 13.7 % as at 31.12.2017)**	**2 217**	**2 141**
		Capital ratios		
22,4 %	**23,0 %**	CET 1 capital ratio	**16,8 %**	**16,8 %**
23,6 %	**23,8 %**	CET 1 capital ratio (excluding Basel 1-floor)	**18,6 %**	**19,0 %**
23,2 %	**23,7 %**	Tier 1 capital ratio	**17,6 %**	**17,7 %**
26,4 %	**25,7 %**	Capital adequacy ratio	**19,6 %**	**20,5 %**
10,6 %	**10,2 %**	Leverage Ratio	**7,5 %**	**7,1 %**

Note 6 — Financial risk management

Overall responsibility and supervision

SpareBank 1 Østlandet's risk management must support the Bank's strategic development and the attainment of its goals. Risk management should also ensure financial stability and satisfactory asset management. This shall be achieved by:

- A clear corporate culture characterised by a high awareness of risk management.
- A good understanding of the risks driving earnings.
- Striving for good use of capital.
- Avoiding unexpected negative events that can seriously harm the Group's financial status.

In order to ensure an effective and appropriate process for risk and capital management, the framework is based on the following elements, which reflect the way in which SpareBank 1 Østlandet is managed by the Board and executive management team:

- Strategic targets
- Organisation and corporate culture
- Risk review
- Risk analysis
- Stress tests
- Risk strategies
- Capital management (including returns and capital adequacy)
- Reporting
- Follow-up
- Contingency plans
- Compliance
- Recovery plans.

Management and supervision comprise all the processes and control measures that have been introduced and implemented by the Bank's management to ensure efficient operations and the implementation of the Group's strategies. The Group attaches importance to having a supervisory and management structure that promotes targeted and independent management and control:

The Board's Audit Committee and Risk Committee prepare matters concerning the economy, finance and risk management for consideration by the Board. The committees do not have the authority to make decisions.

SpareBank 1 Østlandet aims to have a moderate to low risk profile. The risk profile is defined by determining the Group's risk appetite and capacity in key risk areas.

The Board is responsible for making sure that SpareBank 1 Østlandet has an appropriate level of subordinated capital in relation to the desired risk profile and regulatory requirements stipulated by the authorities. The Board of Directors defines the overall objectives, including the overall limits, authorisations and guidelines for risk management. The chief executive is responsible for risk management. This means that the CEO is responsible for the introduction of effective risk management functions and systems and for the monitoring of the risk exposure.. The business areas and branches are responsible for the day-to-day risk management within their own areas of responsibility and must ensure that risk management and risk exposure are within the limits and authorisations provided by the Board of Directors or CEO.

The credit departments are responsible for ensuring that decision-making processes and the basis on which decisions are made in relation to applications for credit comply with the Bank's governing documents and routines. The departments must prepare proposals for revised targets and management principles within the area of credit. The Risk Management department is independent and reports directly to the CEO. The Risk Management function is responsible for the development of effective risk management systems, including the bank's risk models, while the Compliance function is responsible for maintaining an appropriate framework for the management and control of Compliance risk. The control functions are also responsible for monitoring risk and compliance, as well as periodic reporting to the Board and management. The functions can report directly to the Board where the Board does not receive the necessary information about significant risks through general reporting.

Internal Audit reports to the Board of Directors and is primarily the Board of Directors', but also the management's, tool for monitoring the effectiveness and appropriateness of the risk management process. Internal Audit's improvement recommendations are considered on an on-going basis.

A more detailed description of financial risk management relating to credit risk, liquidity risk and market risk is provided below.

Credit risk
The greatest financial risk exposure in SpareBank 1 Østlandet is credit risk in its lending portfolio. Credit risk is the risk of loss where customers or other counterparties are unable or unwilling to meet their obligations to SpareBank 1 Østlandet. Each year, the Board reviews the Bank's governing documents and credit regulations. The governing documents define the Bank's credit policy and overall targets for exposure relating to portfolios, sectors and individual customers. Together they provide the basis for determining the desired risk profile. The Bank's credit regulations authorise the CEO to grant credit and also allow the CEO to delegate such powers. The delegated powers are related to the size and risk of individual commitments.

SpareBank 1 Østlandet uses statistical models in its calculation of risk and categorisation of the credit portfolio. The Bank makes every effort to price credit risk correctly and has established price matrices and price models based on the risk classification system.

The Bank's portfolio of interest-bearing securities also entails credit risk for the Bank. The Board reviews the Bank's governing documents every year for market and liquidity risk, and sets limits for exposure to interest-bearing securities.

Market risk
Market risk is the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and shares/equity certificates. The risk associated with falls in value in the real estate market is also included in market risk. So is the risk of changes in the market value of bonds, certificates and funds due to general changes in credit spreads.

Market risk generally arises as a result of activities which underpin the Group's other operations, such as borrowing, liquidity management and interest rate and currency trading.

Market risk is managed by board-approved limits that are established in the annual revision of the market risk strategy and associated policies. Risk exposure and development are continuously monitored and reported to the Bank's board and executive management team.

For further information, see notes 16 and 17.

Concentration risk
Risk concentrations occur when financial instruments with corresponding characteristics are affected in the same way by changes in economic or other conditions. Identifying concentration risk involves exercising judgement. SpareBank 1 Østlandet seeks to manage the concentration of risk by setting limits for various areas. In the case of credit risk, larger risk concentrations are limited via restrictions on major commitments, high risk commitments and sector exposure. The actual exposure, classified by risk groups, sector, industry and geographic area, is presented in notes 8, 13, 15 and 30. In the case of market risk, concentration risk is limited via restrictions on maximum interest rate risk, currency risk and equity exposure. The concentration of interest rate risk is presented in note 16. Currency exposure is specified in notes 7 and 17. The Group's largest investments in equity instruments are presented in note 32. The Group has not identified any significant risks other than those presented in the aforementioned notes.

Llquidity risk
Liquidity risk is the risk of being unable to fulfil obligations when they fall due or finance assets, including undesired growth, without significant extra costs. The management of the Group's liquidity risk is based on risk-based governing documents for the area of liquidity. The governing documents set the framework for funding risk through limits for survival for various time horizons, the size and quality of the liquidity reserve, and the funding's duration and diversification. The governing documents are adopted by the Board and revised as required and at least once a year. In connection with the governing documents, a separate contingency plan has been established for managing the funding situation during periods of turbulence in the financial markets, and the funding situation is also a key theme in the Group's recovery plan.

In addition to liquidity forecasts, stress tests are used that analyse the Group's liquidity-related vulnerability during periods without access to external funding.

Treasury is responsible for managing liquidity, while the Risk Management department is responsible for monitoring and reporting in accordance with the limits of the finance strategy. For further information, see notes 18 and 19.

Other
More detailed market information (Pillar III) is available in a separate document on the Bank's website.

Note 7 — Credit institutions – assets and liabilities

Parent bank 2017	Parent bank 2018	Loans to and receivables from credit institutions	Group 2018	Group 2017
154	80	Loans and receivables at call	81	63
7 515	7 407	Loans and receivables with agreed maturities or notice	942	1 744
7 669	**7 487**	**Total**	**1 023**	**1 808**
		Loans and receivables specified by major currencies		
7 531	7 414	NOK	950	1670
94	38	EUR	38	94
7	7	USD	7	7
6	2	CHF	2	6
12	13	JPY	13	12
19	12	Other	12	19
7 669	**7 487**	**Total**	**1 023**	**1 808**

Parent bank 2017	Parent bank 2018	Deposits from and liabilities to credit institutions	Group 2018	Group 2017
349	731	Loans and deposits at call	667	349
1 939	1 973	Loans and deposits with agreed maturities or notice	1 969	1 937
2 288	**2 704**	**Total**	**2 636**	**2 286**
		Liabilities specified by major currencies		
2 263	2 384	NOK	2 315	2 261
8	304	EUR	304	8
13	9	SEK	9	13
4	8	Other	8	4
2 288	**2 704**	**Total**	**2 636**	**2 286**
1,3 %	**1,3 %**	**Average interest rate**	**1,4 %**	**1,5 %**

Deposits with and loans from / to credit institutions tend to have floating interest rates. Receivables from and liabilities to credit institutions are classified as loans and receivables pursuant to IAS 39 and IFRS 9 are stated at amortised cost.

Average interest rate is calculated on the actual interest expense during the year as a percentage of the average outstanding debt to credit institutions.

Note 8 — Loans to and receivables from customers

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
4	251	Public sector	482	295
3 850	4 271	Primary industries	4 636	4 179
926	1 026	Paper and pulp industries	1 051	946
795	1 225	Other industry	1 472	1 030
2 936	3 135	Building and constructions	4 466	3 923
250	230	Power and water supply	397	427
1 053	1 003	Wholesale and retail trade	1 302	1 316
489	467	Hotel and restaurants	483	505
12 767	14 140	Real estate	14 277	12 861
3 823	4 588	Commercial services	5 172	4 368
681	496	Transport and communication	1 657	1 730
0	0	Other	0	8
27 573	**30 834**	**Gross corporate loans by sector and industry**	**35 397**	**31 589**
55 782	60 326	Private customers	63 544	58 872
83 355	**91 160**	**Total gross loans by sector and industry**	**98 940**	**90 461**
	-238	Loan loss allowance for loans at amortised cost	-291	
	-43	Fair value adjustments for loans at fair value through OCI	-43	
-126		Individual loan impairments to cover losses on loans		-142
-198		Collective loan impairments to cover losses on loans		-221
83 030	**90 878**	**Total loans to customers**	**98 606**	**90 098**
37 451	39 792	Loans transferred to SpareBank 1 Boligkreditt AS	39 792	37 451
1 624	1 433	Loans transferred to SpareBank 1 Næringskreditt AS	1 433	1 624
122 105	**132 103**	**Total loans including loans transferred to covered bond companies**	**139 831**	**129 173**

Parent Bank

Gross loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01.01.2018	**78 682**	**4 203**	**470**	**83 355**
Transfers in (out) to Stage 1	1 144	-1 109	-35	0
Transfers in (out) to Stage 2	-2 374	2 408	-34	0
Transfers in (out) to Stage 3	-70	-104	174	0
Net increase/decrease excisting loans	-1 845	-10	-33	-1 888
Purchases and originations	43 787	1 549	71	45 407
Derecognitions and maturities	-33 939	-1 534	-214	-35 688
Write-offs	0	0	-26	-26
Balance at 31.12.2018	**85 386**	**5 403**	**371**	**91 160**
Loan and advances to customers at amortised cost				27 786
Loan and advances to customers at fair value				63 374

Gross loans to private customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balanse 1. januar	**53 417**	**2 158**	**208**	**55 782**
Transfers in (out) to Stage 1	589	-557	-31	0
Transfers in (out) to Stage 2	-908	910	-2	0
Transfers in (out) to Stage 3	-62	-50	112	0
Net increase/decrease excisting loans	-1 475	-60	-11	-1 546
Purchases and originations	33 292	862	18	34 172
Derecognitions and maturities	-27 065	-946	-66	-28 076
Write-offs	0	0	-5	-5
Balance at 31.12.2018	**57 787**	**2 316**	**223**	**60 326**
Loan and advances to customers at amortised cost				253
Loan and advances to customers at fair value				60 074

Gross corporate loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balanse 1. januar	**25 265**	**2 045**	**262**	**27 573**
Transfers in (out) to Stage 1	556	-551	-4	0
Transfers in (out) to Stage 2	-1 466	1 498	-32	0
Transfers in (out) to Stage 3	-7	-54	61	0
Net increase/decrease excisting loans	-370	50	-22	-342
Purchases and originations	10 496	687	43	11 226
Derecognitions and maturities	-6 874	-588	-149	-7 611
Write-offs	0	0	-11	-11
Balance at 31.12.2018	**27 599**	**3 087**	**148**	**30 834**
Loan and advances to customers at amortised cost				27 534
Loan and advances to customers at fair value				3 300

Group

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2018	**84 975**	**4 958**	**527**	**90 460**
Transfers in (out) to Stage 1	1 347	-1 310	-38	0
Transfers in (out) to Stage 2	-2 846	2 885	-39	0
Transfers in (out) to Stage 3	-99	-139	238	0
Net increase/decrease excisting loans	-2 940	-200	-47	-3 187
Purchases and originations	46 998	1 838	89	48 925
Derecognitions and maturities	-35 268	-1 715	-249	-37 232
Write-offs	0	0	-26	-26
Balance at 31.12.2018	**92 167**	**6 317**	**456**	**98 940**
Loan and advances to customers at amortised cost				35 566
Loan and advances to customers at fair value				63 374

Gross loans to private customers	Stage 1	Stage 2	Stage 3	Total
Balanse 1. januar	**56 169**	**2 462**	**241**	**58 872**
Transfers in (out) to Stage 1	667	-635	-32	0
Transfers in (out) to Stage 2	-1 033	1 039	-5	0
Transfers in (out) to Stage 3	-70	-68	138	0
Net increase/decrease excisting loans	-1 888	-110	-15	-2 012
Purchases and originations	34 558	987	26	35 571
Derecognitions and maturities	-27 767	-1 030	-84	-28 881
Write-offs	0	0	-5	-5
Balance at 31.12.2018	**60 635**	**2 645**	**264**	**63 544**
Loan and advances to customers at amortised cost				253
Loan and advances to customers at fair value				60 074

Gross corporate loans	Stage 1	Stage 2	Stage 3	Total
Balanse 1. januar	**28 806**	**2 496**	**286**	**31 589**
Transfers in (out) to Stage 1	680	-675	-5	0
Transfers in (out) to Stage 2	-1 813	1 846	-33	0
Transfers in (out) to Stage 3	-28	-71	100	0
Net increase/decrease excisting loans	-1 053	-90	-32	-1 175
Purchases and originations	12 441	851	63	13 355
Derecognitions and maturities	-7 501	-685	-165	-8 351
Write-offs	0	0	-21	-21
Balance at 31.12.2018	**31 532**	**3 672**	**193**	**35 397**
Loan and advances to customers at amortised cost				27 534
Loan and advances to customers at fair value				3 300

Parent bank

Credit exposure to financial assets subject to ECL	Stage 1	Stage 2	Stage 3	Total
Credit risk				
Low risk	71 374	366	0	71 740
Medium risk	12 924	3 521	1	16 445
High risk	1 088	1 487	0	2 575
Defaults	0	29	370	399
Total gross loans at 31.12.2018	**85 386**	**5 403**	**371**	**91 160**
Loan loss allowance	-72	-129	-81	-282
Total loans to customers at 31.12.2018	**85 314**	**5 275**	**290**	**90 878**

Credit exposure to financial assets subject to ECL - private customers	Stage 1	Stage 2	Stage 3	Total
Credit risk				
Low risk	54 425	278	0	54 704
Medium risk	3 201	1 261	0	4 462
High risk	161	776	0	937
Defaults	0	0	223	223
Total gross loans at 31.12.2018	**57 787**	**2 316**	**223**	**60 326**
Loan loss allowance	-3	-34	-31	-67
Total loans to customers at 31.12.2018	**57 785**	**2 282**	**192**	**60 259**

Credit exposure to financial assets subject to ECL - corporate customers	Stage 1	Stage 2	Stage 3	Total
Credit risk				
Low risk	16 949	88	0	17 037
Medium risk	9 722	2 260	1	11 983
High risk	927	711	0	1 638
Defaults	0	29	147	176
Total gross loans at 31.12.2018	**27 599**	**3 087**	**148**	**30 834**
Loan loss allowance	-69	-95	-51	-215
Total loans to customers at 31.12.2018	**27 529**	**2 993**	**97**	**30 619**

Group

Credit exposure to financial assets subject to ECL	Stage 1	Stage 2	Stage 3	Total
Credit risk				
Low risk	73 772	366	0	74 138
Medium risk	16 905	3 869	1	20 775
High risk	1 489	2 053	5	3 547
Defaults	0	29	451	480
Total gross loans at 31.12.2018	**92 167**	**6 317**	**456**	**98 940**
Loan loss allowance	-84	-155	-95	-334
Total loans to customers at 31.12.2018	**92 082**	**6 162**	**361**	**98 606**

Credit exposure to financial assets subject to ECL - private customers	Stage 1	Stage 2	Stage 3	Total
Credit risk				
Low risk	55 329	278	0	55 607
Medium risk	4 993	1 285	0	6 278
High risk	313	1 082	-20	1 375
Defaults	0	0	284	284
Total gross loans at 31.12.2018	**60 635**	**2 645**	**264**	**63 543**
Loan loss allowance	-4	-47	-41	-91
Total loans to customers at 31.12.2018	**60 631**	**2 598**	**223**	**63 452**

Credit exposure to financial assets subject to ECL - corporate customers	Stage 1	Stage 2	Stage 3	Total
Credit risk				
Low risk	18 444	88	0	18 532
Medium risk	11 912	2 584	1	14 497
High risk	1 176	971	24	2 172
Defaults	0	29	167	196
Total gross loans at 31.12.2018	**31 352**	**3 672**	**193**	**35 397**
Loan loss allowance	-81	-108	-54	-243
Total loans to customers at 31.12.2018	**31 452**	**3 564**	**138**	**35 154**

Credit quailty	***Risk class***	***PD***
Low risk	A, B, C, D	0 - 0.75 %
Medium risk	E, F, G	0.75-5.00 %
High risk	H, I	>5.00 %
Defaulted	J	Defaulted
Written down	K	Impaired

Note 9 — Transfer of financial instruments

SpareBank 1 Østlandet has signed agreements for the legal sale of loans with high collateral and security in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. Under the management agreements signed with these two companies in the Alliance, the Bank manages the loans and is responsible for the contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans. The Bank has judged the accounting implications of this as meaning that the majority of the risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is judged to match the loans fair value at the time of transfer. The Bank recognises all rights and obligations that were generated or retained upon transfer separately as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they are entitled to offset these against commissions from all Banks that have transferred loans. There is thus a residual involvement associated with sold loans with possible limited offsetting of losses against commissions in tne current year. However, the nature of this right to offset considered to alter the conclusion that the majority of the risks and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount for which cover could be claimed under the agreements.

The mortgage companies can resell loans purchased by the Bank, and the Bank's right to manage the customers and receive commission goes along with this. If the Bank is unable to serve its customers, the right to servicing and commission could be lost. The Bank also has an option to buy back loans under certain conditions.

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The SpareBank 1 Østlandet group has an ownership interest of 21.61 per cent at 31.12.2018 (21.08 per cent at 31.12.2017). SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured with mortgages up to 75 per cent of the market value for repayment loans and 60 per cent for flex loans. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and, apart from the right to administer them and receive commissions, and the right to buy back fully or partially written down loans, SpareBank 1 Østlandet has no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

A total of NOK 39.8 (37.5) billion had been derecognised in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year. The remaining involvement is as follows:

NOK million	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	348

Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has signed an agreement on the establishment of liquidity facilities for SpareBank 1 Boligkreditt AS. This entails an obligation on the part of the banks to buy SpareBank 1 Boligkreditt AS's bonds, limited to the combined value of the amount due in the next 12 months in SpareBank 1 Boligkreditt AS. In principle, each owner is liable for its share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. Under its internal policy, SpareBank 1 Boligkreditt AS maintains liquidity in line with NFSR, i.e. 100 per cent of loans falling due in the next 6 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that the company no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment in connection with this.

Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has also entered into an agreement to ensure that SpareBank 1 Boligkreditt AS has a common equity tier 1 ratio at least equal to the authorities' requirement at all times (including buffer requirements and Pillar 2 requirements). If satisfactory capital adequacy cannot be achieved in some other way, the shareholders must inject sufficient common capital within 3 months of receiving a written request for this. The shareholders' obligation to supply such common capital is primarily pro rata (and not joint and several) and must correspond to each shareholder's pro rata proportion of the shares in SpareBank 1 Boligkreditt AS: alternatively, joint and several limited by a ceiling of double what the Bank's proportion of the shares would otherwise indicate.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The SpareBank 1 Østlandet group has an ownership interest of 13.31 per cent at 31.12.2018 (12.40 per cent at 31.12.2017). SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. Loans sold to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 per cent of its valuation. The sold loans are legally owned by SpareBank 1 Næringskreditt AS and, apart from the right to administer them and receive commissions, and the right to buy back fully or partially written down loans, the Bank has no right to use the loans. SpareBank 1 Østlandet manages the sold loans and the Bank receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

In total, deductions have been made for loans secured against commercial property made to Savings Bank 1 Næringskreditt AS for NOK 1.4 (1.6) billion at the end of the financial year. The remaining involvement is as follows:

NOK million	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	17

Together with the other owners of SpareBank 1 Næringskreditt AS, the Bank has signed agreements on the establishment of liquidity facilities for SpareBank 1 Næringskreditt AS. This means that the banks have committed to purchase covered bonds in the event that SpareBank 1 Næringskreditt AS is unable to refinance its activities in the market. The purchase is limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement are deducted from future obligations to purchase. In principle, each owner is liable for its share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. Under its internal policy, SpareBank 1 Næringskreditt AS maintains liquidity equal to NSFR, i.e. 100 per cent of loans falling due in the next 6 months and 50 per cent of loans falling due 6-12 months in the future. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that SpareBank 1 Næringskreditt AS no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment here in relation to capital adequacy or large commitments.
Together with the other owners of SpareBank 1 Næringskreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Næringskreditt AS has a minimum common equity tier 1 ratio of 11 per cent at any given time. If satisfactory capital adequacy cannot be achieved in some other way, the shareholders must inject sufficient common capital within 3 months of receiving a written request for this. The shareholders' obligation to supply such common capital is pro rata (and not joint and several) and must correspond to each shareholder's pro rata proportion of the shares in SpareBank 1 Næringskreditt AS: alternatively, joint and several limited by a ceiling of double what the Bank's proportion of the shares would otherwise indicate.

Note 10 — Distribution by age of defaulted loans

The table shows amounts due on loans and overdraft facilities / deposits that are not caused by delays in payment transmission, by number of days after due date.

Parent bank

2018	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	15	2	7	133	**157**
- Corporate market	9	3	11	24	**46**
Total	**24**	**4**	**17**	**157**	**203**

Group

2017	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	15	4	7	87	**113**
- Corporate market	7	28	5	53	**93**
Total	**22**	**32**	**12**	**140**	**206**

Parent bank

2018	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	18	2	7	133	**160**
- Corporate market	13	3	11	24	**51**
Total	**32**	**4**	**17**	**157**	**211**

Group

2017	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	18	4	7	87	**116**
- Corporate market	11	28	5	53	**97**
Total	**29**	**32**	**12**	**140**	**213**

Note 11 — Losses on loans and guarantees

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

Parent Bank
31.12.2018

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

	Starting point for all financial assets covered by the general loss model	Assets that have seen a significant rise in credit risk since the initial recognition	Significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet date	
	12-month ECL	Lifetime ECL not credit-impaird	Lifetime ECL credit-impaird	
Provisions for credit losses *	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01.01.2018	**101**	**117**	**133**	**351**
Provision for credit losses				
Transfers in (out) to Stage 1	31	-21	-10	0
Transfers in (out) to Stage 2	-6	18	-12	0
Transfers in (out) to Stage 3	0	-8	8	0
Net remeasurement of loss provisions	-46	35	31	20
Purchases and originations	63	33	10	107
Derecognitions and maturities	-32	-39	-51	-122
Write-offs	0	0	-26	-26
Balance at 31.12.2018	**111**	**136**	**83**	**329**

Provisions for credit losses - personal customers *	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2018	**23**	**30**	**33**	**86**
Provision for credit losses				
Transfers in (out) to Stage 1	6	-6	0	0
Transfers in (out) to Stage 2	-1	1	0	0
Transfers in (out) to Stage 3	0	-2	2	0
Net remeasurement of loss provisions	-7	12	9	14
Purchases and originations	13	11	0	24
Derecognitions and maturities	-10	-13	-8	-31
Write-offs	0	0	-5	-5
Balance at 31.12.2018	**24**	**34**	**31**	**88**

Provisions for credit losses - corporate customers *	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2018	**78**	**87**	**99**	**264**
Provision for credit losses				
Transfers in (out) to Stage 1	25	-15	-10	0
Transfers in (out) to Stage 2	-5	17	-12	0
Transfers in (out) to Stage 3	0	-6	6	0
Net remeasurement of loss provisions	-39	23	22	7
Purchases and originations	51	22	10	83
Derecognitions and maturities	-22	-26	-43	-92
Write-offs	0	0	-21	-21
Balance at 31.12.2018	**87**	**102**	**52**	**241**

* Including loss provisions on guarantees, unused credits and loan commitments.

Group
31.12.2018

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

	Starting point for all financial assets covered by the general loss model	Assets that have seen a significant rise in credit risk since the initial recognition	Significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet date	
	12-month ECL	Lifetime ECL not credit-impaird	Lifetime ECL credit-impaird	
Provisions for credit losses *	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01.01.2018	**116**	**144**	**149**	**409**
Provision for credit losses				
Transfers in (out) to Stage 1	37	-27	-11	-1
Transfers in (out) to Stage 2	-8	21	-12	0
Transfers in (out) to Stage 3	-1	-9	10	0
Net remeasurement of loss provisions	-54	36	36	18
Purchases and originations	72	41	11	125
Derecognitions and maturities	-36	-43	-61	-140
Write-offs	0	0	-26	-26
Balance at 31.12.2018	**127**	**162**	**96**	**385**

Provisions for credit losses - personal customers *	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01.01.2018	**27**	**40**	**46**	**112**
Provision for credit losses				
Transfers in (out) to Stage 1	8	-7	-1	0
Transfers in (out) to Stage 2	-1	2	0	0
Transfers in (out) to Stage 3	0	-3	3	0
Net remeasurement of loss provisions	-9	15	11	17
Purchases and originations	15	16	1	33
Derecognitions and maturities	-11	-15	-14	-40
Write-offs	0	0	-5	-5
Balance at 31.12.2018	**28**	**47**	**42**	**117**

Provisions for credit losses - corporate customers *	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01.01.2018	**89**	**104**	**103**	**296**
Provision for credit losses				
Transfers in (out) to Stage 1	29	-19	-10	0
Transfers in (out) to Stage 2	-7	19	-12	0
Transfers in (out) to Stage 3	0	-6	7	0
Net remeasurement of loss provisions	-45	21	25	1
Purchases and originations	57	25	10	92
Derecognitions and maturities	-25	-28	-47	-100
Write-offs	0	0	-21	-21
Balance at 31.12.2018	**98**	**115**	**55**	**269**

* Including loss provisions on guarantees, unused credits and loan commitments.

Note 12 — Credit risk exposure for each internal risk rating

SpareBank 1 Østlandet uses its own classification system that it uses to monitor credit risk in the portfolio. Categorisation into risk classes is based on each individual commitment's probability of default. The customers is scored monthly in the Banks's portfolio system.

Parent bank	Average unsecured exposure (%) 2018	Total commitment 2018	Average unsecured exposure (%) 2017	Total commitment 2017
Low risk	3,6 %	78 837	3,8 %	73 141
Medium risk	5,7 %	18 665	5,0 %	16 892
High risk	4,1 %	3 060	4,5 %	2 472
Defaulted and written down	15,6 %	411	13,0 %	510
Total	**4,1 %**	**100 973**	**4,1 %**	**93 016**

Group	Average unsecured exposure (%) 2018	Total commitment 2018	Average unsecured exposure (%) 2017	Total commitment 2017
Low risk	4,0 %	73 672	3,8 %	75 735
Medium risk	6,1 %	22 995	5,5 %	20 835
High risk	6,2 %	4 031	7,0 %	3 403
Defaulted and written down	14,2 %	492	12,2 %	582
Total	**4,6 %**	**101 189**	**4,3 %**	**100 554**

Unsecured exposure is total deduction less the market value of the security of the respective commitments.

Note 13 — Maximum credit risk exposure, not taking into account assets pledged as security

The table below shows maximum exposure to credit risk.
Exposure is shown gross before any assets pledged as security or permitted off-sets.

Parent bank			Group	
2017	2018		2018	2017
		Assets		
579	1 797	Deposits with central banks	1 797	579
7 669	7 487	Loans to and receivables from credit institutions	1 023	1 808
83 355	91 160	Gross loans to and receivables from customers	98 940	90 460
	-282	- Impairments	-334	
-126		- Individual loan impairments to cover losses on loans		-142
-198		- Collective loan impairments to cover losses on loans		-221
83 030	90 878	Net loans to and receivables from customers	98 606	90 098
8 883	14 446	Certificates, bonds and fixed income funds	14 446	8 883
582	819	Financial derivatives	819	582
100 743	**115 426**	**Credit risk exposure, balance sheet**	**116 690**	**101 950**
		Liabilities		
1 160	1 206	Contingent liabilities (guarantees provided)	1 112	1 068
9 176	17 413	Unutilised credit lines	10 064	8 477
1 557	2 722	Loans approved not disbursed	3 088	1 795
11 894	**21 340**	**Total financial guarantees, off balance sheet items**	**14 264**	**11 341**
112 637	**136 767**	**Total credit risk exposure**	**130 954**	**113 290**

Credit risk exposure on financial assets distributed by geographic area

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
		Banking activities		
42 157	54 229	Hedmark	41 903	37 255
5 726	7 072	Oppland	8 292	6 837
19 795	23 186	Akershus	24 660	21 162
29 269	30 112	Oslo	30 956	29 834
6 120	6 716	Rest of Norway	9 745	8 634
430	468	Abroad	468	430
-325	-282	Provisions for losses, undistributed	-334	-325
0	0	Accrued interest, undistributed	0	0
103 172	**121 502**	**Total banking activities**	**115 690**	**103 827**
		Financial market activities		
6 499	10 155	Norway	10 155	6 499
2 966	4 958	Europe	4 958	2 966
0	152	USA	152	0
9 465	**15 265**	**Total financial market activities**	**15 265**	**9 465**
112 637	**136 767**	**Total distributed by geographic area**	**130 954**	**113 290**

Note 14 — Financial instruments and offsetting

In accordance with IFRS 7 it should be disclosed which financial instruments the Bank considers to fulfill the requirements for offsetting and which financial instruments have enterd into a settlement agreement.

In the financial setup, the Bank has no financial instruments recorded net.

SpareBank 1 Østlandet has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with fourteen institutional counterparties. 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		
2018	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	819	0	819	-264	-417	**138**
Derivatives as liabilities	-354	0	-354	264	16	**-74**

				Amounts not presented on the balance sheet on a net basis		
2017	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	582	0	582	-212	-218	**152**
Derivatives as liabilities	-307	0	-307	212	73	**-22**

Note 15 — Credit quality per class of financial assets

Parent bank

2018	**Notes**	**Low risk**	**Medium risk**	**High risk**	**Defaulted or with individual loan loss impairments**	**Total**
Loans to and receivables from credit institutions	7	7 487	0	0	0	**7 487**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	49 175	4 079	853	243	**54 351**
Corporate market	8	16 698	11 865	1 630	155	**30 346**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	5 514	375	84	2	**5 975**
Corporate market	8	353	126	9	0	**487**
Total gross lending		**79 227**	**16 445**	**2 575**	**399**	**98 646**
Financial investments						
Certificates, bonds and fixed income funds	30	14 444	0	2	0	14 446
Total financial investments		**14 444**	**0**	**2**	**0**	**14 446**
Total lending-related assets		**93 671**	**16 445**	**2 577**	**399**	**113 092**

Group

2018	**Notes**	**Low risk**	**Medium risk**	**High risk**	**Defaulted or with individual loan loss impairments**	**Total**
Loans to and receivables from credit institutions	7	1 023	0	0	0	**1 023**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	49 998	6 195	1 091	284	**57 568**
Corporate market	8	18 273	14 078	2 363	195	**34 910**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	5 514	375	84	2	**5 975**
Corporate market	8	353	126	9	0	**487**
Total gross lending		**75 162**	**20 775**	**3 547**	**480**	**99 963**
Financial investments						
Certificates, bonds and fixed income funds	30	14 444	0	2	0	**14 446**
Total financial investments		**14 444**	**0**	**2**	**0**	**14 446**
Total lending-related assets		**89 606**	**20 775**	**3 548**	**480**	**114 409**

Parent bank		Neither defaulted nor with impairments				
2017	Notes	Low risk	Medium risk	High risk	Defaulted or with individual loan loss impairments	Total
Loans to and receivables from credit institutions	7	7 669	0	0	0	**7 669**
Gross loans to and receivables from customers measured to amortisert cost						
Retail market	8	46 289	3 763	681	198	**50 931**
Corporate market	8	14 616	10 774	1 521	299	**27 210**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	4 346	360	55	0	**4 761**
Corporate market	8	296	148	9	0	**453**
Total gross lending		**73 216**	**15 045**	**2 266**	**497**	**91 024**
Financial investments						
Certificates, bonds and fixed income funds	30	8 881	0	2	0	8 883
Total financial investments		**8 881**	**0**	**2**	**0**	**8 883**
Total lending-related assets		**82 097**	**15 045**	**2 268**	**497**	**99 907**

Group		Neither defaulted nor with impairments				
2017	Notes	Low risk	Medium risk	High risk	Defaulted or with individual loan loss impairments	Total
Loans to and receivables from credit institutions	7	1 808	0	0	0	**1 808**
Gross loans to and receivables from customers measured to amortisert cost						
Retail market	8	47 310	5 600	921	231	**54 062**
Corporate market	8	15 770	12 806	2 273	336	**31 184**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	4 346	360	55	0	**4 761**
Corporate market	8	296	148	9	0	**453**
Total gross lending		**69 529**	**18 914**	**3 257**	**567**	**92 268**
Financial investments						
Certificates, bonds and fixed income funds	30	8 881	0	2	0	**8 883**
Total financial investments		**8 881**	**0**	**2**	**0**	**8 883**
Total lending-related assets		**78 411**	**18 914**	**3 260**	**567**	**101 151**

Classification of financial investments into different risk groups is based on ratings from Standard Poor's, Moody's, or Fitch (or a combination of these) according to the conversion table shown below. No official ratings are available for some issues/issuers. These amount to NOK 1,319 million for 2018 and mainly consist of certificates in Norwegian local authorities and county councils (NOK 795 million), fixed income funds with low risk profile (NOK 403 million) and a covered bond issuance from Verd Boligkreditt (NOK 100 million). Following individual assessments, based on, among other things, market pricing and alternative risk analyses from recognised brokerage houses, the aforementioned issues are assigned to the risk group low risk based on a judgement.

Credit quality	Rating (using S&P's system)			
Low risk	AAA	AA	A	BBB
Medium risk	BB			
High risk	B	CCC	CC	C

Note 16 — Market risk related to interest rate risk

Interest rate risk arises because interest bearing assets and liabilities have different remaining fixed rate terms.

The Board has set limits for the total interest rate risk, both with regard to parallell shifts and yield curve risk. The Bank steers interest rate risk towards the desired level on investments and funding by means of fixed interest rates and through the use of interest rate derivatives.

Basis risk is the change in the value of the Group's assets and liabilities that arises when there is a parallel shift in the entire yield curve. This risk is shown in the table below by calculating the interest rate risk as the effect on the financial instruments' fair value of a change in interest rates assuming a parallel shift in the entire yield curve of one percentage point. Administrative interest rate risk has not been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in markets interest rates and the bank having adjusted the terms and conditions for deposits and loans at floating rates of interest.

The Group's interest rate risk is related primarily to shifts in the yield curve for Norwegian kroner (NOK) and euro (EUR).

Parent bank Interest rate risk, increase of 1 percentage point			Group Interest rate risk, increase of 1 percentage point	
2017	**2018**	**Basis risk**	**2018**	**2017**
-41	-75	Certificates, bonds and fixed income funds	-75	-41
-97	-152	Fixed-rate loans to customers	-152	-97
13	15	Fixed-rate deposits to customers	15	13
3	3	Loan and receivables from credit institutions	3	3
447	707	Bond loans	707	447
3	2	Other fixed-rate funding and investements	2	3
-340	-486	Derivatives	-486	-340
-13	**14**	**Total interest rate risk, effect on profit after tax**	**14**	**-13**

Positive figures indicates that the Bank gains on an increase in interest rates.

Although the calculations above show that the Bank will incur a gain from an increase in interest rates, the way in which the increase in interest rates happens is not insignificant. The table below shows yield curve risk, i.e. the risk of the yield curve shifting differently within the different time periods when there is a change in interest rates, by measuring the Bank's net interest rate exposure within the different periods.

Parent bank Interest rate risk, increase of 1 percentage point			Group Interest rate risk, increase of 1 percentage point	
2017	**2018**	**Yield curve risk**	**2018**	**2017**
1	1	0–1 month	1	1
13	18	1–3 months	18	13
5	2	3–6 months	2	5
11	9	6–12 months	9	11
-11	-9	1–3 years	-9	-11
6	-18	3–5 years	-18	6
-41	11	5–10 years	11	-41
3	0	More than 10 years	0	3
-13	**14**	**Total interest rate risk, effect on profit after tax**	**14**	**-13**

Note 17 — Market risk related to currency exposure

Currency risk is the risk of the Group incurring a loss as a result of changes in currency exchange rates. Currency risk arises when the Group has differences in assets and liabilities in an individual currency.

Foreign exchange trading shall always comply with adopted guidelines, limits and authorisations. The Group's limits define quantitative goals for maximum currency exposure, measured in NOK. The Group has set limits for the net exposure in each individual currency and limits for aggregate net currency exposure and total absolute sum of net positions per currency:

- The net position in a single currency must not exceed NOK 25 million overnight.
- The absolute total of each net position in any single currency must not exceed NOK 75 million overnight.
- The net position in a single currency must not exceed NOK 100 million intraday.
- The absolute total of each net position in any single currency must not exceed NOK 150 million intraday.

Currency risk is quantified and monitored at all times. The Group's currency risk throughout the year and at year-end is limited.

At 31 December, the net positions in the most important currencies, based on fair value of the underlying assets, was as follows:

Parent Bank and Group		
Net Currency exposure NOK	**2018**	**2017**
GBP	-1	-1
USD	-3	0
HKD	7	0
JPY	3	-1
PLN	1	0
SEK	-3	0
EUR	-6	3
CHF	1	-2
Others	3	1
Sum	**1**	**0**
Effect on after-tax profit/loss and equity of a 3 per cent change in FX-rates	0	0
Effect on after-tax profit/loss and equity of a 10 per cent change in FX-rates	0	0

Note 18 — Liquidity risk

Liquidity risk is the risk that the Group may not be not able to meets 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 (3.6) years at the end of 2018. At the same date, total LCR was 152.8 (114.0) per cent.

Parent bank

2018	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-65	-43	-25	-1 454	-572	-2 159
Deposits from and liabilities to customers	-62 769	0	-8 771	0	0	-71 540
Liabilities arising from issuance of securities	0	-513	-2 921	-24 615	-5 222	-33 272
Subordinated loan capital	0	-7	-222	-975		-1 205
Derivatives related to liabilities	0	-5	-20	-127	57	-95
Current tax liabilities	0	0	-205	0	0	-205
Deffered tax	0	0	0	-69	0	-69
Other liabilities	0	-2 722	0	0	0	-2 722
Total cash flows related to liabilities	**-62 833**	**-3 291**	**-12 165**	**-27 241**	**-5 737**	**-111 267**

Group

2018	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-65	-43	-25	-1 454	-572	-2 159
Deposits from and liabilities to customers	-62 812	0	-8 771	0	0	-71 583
Liabilities arising from issuance of securities	0	-513	-2 921	-24 615	-5 222	-33 272
Subordinated loan capital	0	-7	-222	-975	0	-1 205
Derivatives related to liabilities	0	-5	-20	-127	57	-95
Current tax liabilities	0	0	-248	0	0	-248
Deffered tax	0	0	0	-202	0	-202
Other liabilities	0	-3 088	0	0	0	-3 088
Total cash flows related to liabilities	**-62 876**	**-3 657**	**-12 208**	**-27 374**	**-5 737**	**-111 852**

Parent bank

2017	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	0	-8	-23	-710	-1 334	-2 074
Deposits from and liabilities to customers	-60 870	-1 372	-2 084	-1 687	0	-66 013
Liabilities arising from issuance of securities	0	-717	-3 020	-16 783	-4 348	-24 868
Subordinated loan capital	0	-211	-818	-747	0	-1 776
Derivatives related to liabilities	0	37	100	239	49	425
Current tax liabilities	0	0	-314	0	0	-314
Other liabilities	0	-1 557	0	0	0	-1 557
Total cash flows related to liabilities	**-60 870**	**-3 828**	**-6 159**	**-19 687**	**-5 633**	**-96 177**

Group

2017	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	0	-8	-23	-710	-1 334	-2 074
Deposits from and liabilities to customers	-60 843	-1 372	-2 084	-1 687	0	-65 986
Liabilities arising from issuance of securities	0	-717	-3 020	-16 783	-4 348	-24 868
Subordinated loan capital	0	-211	-818	-747	0	-1 776
Derivatives related to liabilities	0	37	100	239	49	425
Current tax liabilities	0	0	-358	0	0	-358
Deffered tax	0	0	0	-122	0	-122
Other liabilities	0	-1 795	0	0	0	-1 795
Total cash flows related to liabilities	**-60 843**	**-4 066**	**-6 203**	**-19 809**	**-5 633**	**-96 554**

Cash flows relating to liabilities with agreed maturity based on notional contract sizes including estimated interest payments until maturity.

Note 19 — Maturity analysis of assets and liabilities

Parent bank

2018	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	1 878	0	0	0	0	1 878
Loans to and receivables from credit institutions	6528	476	0	466	17	7 487
Gross loans to and receivables from customers	12 972	269	1 497	6 678	69 745	91 160
- Loan loss allowance for loans at amortised cost	0	0	0	-238	0	-238
- Fair value adjustments for loans at fair vallue through OCI	0	0	0	-43	0	-43
Net loans to and receivables from customers	12 972	269	1 497	6 396	69 745	90 878
Certificates, bonds and fixed income funds	0	302	1 318	11 736	1 089	14 446
Financial derivatives	0	55	21	596	148	819
Shares and other equity interests	0	0	2	45	547	594
Investments in associates and joint ventures	0	0	0	0	3 635	3 635
Investments in subsidiaries	0	0	0	0	1 521	1 521
Property, plant and equipment	0	0	0	121	217	337
Goodwill and other intangible assets	0	0	12	39	45	96
Deferred tax asset	0	0	0	0	0	0
Other assets	0	70	262	0	367	699
Total assets	**21 378**	**1 172**	**3 112**	**19 397**	**77 331**	**122 390**
Liabilities						
Deposits from and liabilities to credit institutions	0	805	0	1 349	550	2 704
Deposits from and liabilities to customers	64 283	1 314	2 276	3 666		71 540
Liabilities arising from issuance of securities	0	384	2 533	24 155	4 913	31 984
Financial derivaties	0	69	40	137	109	354
Current tax liabilities	0	103	102	0	0	205
Defferred tax liabilities	0	0	0	69	0	69
Other debt and liabilities recognised in the balance sheet	0	115	290	41	86	532
Subordinated loan capital	0	0	200	902	0	1 102
Total liabilities	**64 283**	**2 790**	**5 440**	**30 319**	**5 656**	**108 490**

Group

2018	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	1 878	0	0	0	0	1 878
Loans to and receivables from credit institutions	64	476	0	466	17	1 023
Gross loans to and receivables from customers	12 972	291	1 557	10 224	73 897	98 940
- Loan loss allowance for loans at amortised cost	0	0	0	-260	-30	-291
- Fair value adjustments for loans at fair vallue through OCI	0	0	0	-43	0	-43
Net loans to and receivables from customers	12 972	291	1 556	9 920	73 866	98 606
Certificates, bonds and fixed income funds	0	302	1 318	11 736	1 089	14 446
Financial derivatives	0	55	21	596	148	819
Shares and other equity interests	0	0	2	45	547	594
Investments in associates and joint ventures	5	0	0	0	4 118	4 124
Property, plant and equipment	0	0	0	149	394	543
Goodwill and other intangible assets	0	0	13	53	333	400
Other assets	0	71	548	0	422	1 041
Total assets	**14 919**	**1 195**	**3 458**	**22 964**	**80 935**	**123 472**
Liabilities						
Deposits from and liabilities to credit institutions	667	805	0	614	550	2 636
Deposits from and liabilities to customers	64 240	1 314	2 276	3 666	0	71 497
Liabilities arising from issuance of securities	0	384	2 533	24 155	4 913	31 984
Financial derivatives	0	69	40	137	109	354
Current tax liabilities	0	124	124	0	0	248
Defferred tax liabilities	0	0	0	202	0	202
Other debt and liabilities recognised in the balance sheet		180	359	61	87	687
Subordinated loan capital	0	0	200	902	0	1 102
Total liabilities	**64 907**	**2 876**	**5 531**	**29 738**	**5 658**	**108 710**

Parent bank

2017	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	672	0	0	0	0	672
Loans to and receivables from credit institutions	0	7 669	0	0	0	7 669
Gross loans to and receivables from customers	14 534	759	3 242	11 818	53 001	83 355
- Individual loan impairments to cover losses on loans	0	0	0	-126	0	-126
- Collective loan impairments to cover losses on loans	0	0	0	-198	0	-198
Net loans to and receivables from customers	14 534	759	3 242	11 494	53 001	83 030
Certificates and bonds	0	594	241	6 766	1 282	8 883
Financial derivatives	0	8	174	276	123	582
Shares, units and other equity interests	0	0	0	494	0	494
Investments in associates and joint ventures	0	0	0	0	3 336	3 336
Investments in subsidiaries	0	0	0	0	1 370	1 370
Property, plant and equipment	0	0	0	130	235	365
Goodwill and other intangible assets	0	0	14	35	51	100
Deferred tax asset	3	0	0	0	0	3
Other assets	0	85	218	2	339	645
Total assets	**15 209**	**9 116**	**3 890**	**19 197**	**59 737**	**107 149**
Liabilities						
Deposits from and liabilities to credit institutions	0	390	0	600	1 299	2 288
Deposits from and liabilities to customers	60 870	1 372	2 084	1 687	0	66 013
Liabilities arising from issuance of securities	0	778	2 864	15 933	4 111	23 686
Financial derivaties	0	39	33	139	95	307
Current tax liabilities	0	0	0	314	0	314
Defferred tax liabilities	0	0	0	0	0	0
Other debt and liabilities recognised in the balance sheet	0	97	215	35	84	431
Subordinated loan capital	0	0	6	0	1 700	1 706
Total liabilities	**60 870**	**2 676**	**5 202**	**18 707**	**7 289**	**94 743**

Group

2017	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	673	0	0	0	0	673
Loans to and receivables from credit institutions	12	1 797	0	0	0	1 808
Gross loans to and receivables from customers	14 405	867	3 534	15 942	55 711	90 460
- Individual loan impairments to cover losses on loans	0	-1	0	-142	0	-142
- Collective loan impairments to cover losses on loans	0	0	0	-221	0	-221
Net loans to and receivables from customers	14 405	866	3 534	15 580	55 711	90 098
Certificates and bonds	0	594	241	6 766	1 282	8 883
Financial derivatives	0	8	174	276	123	582
Shares, units and other equity interests	0	0	0	495	0	495
Investments in associates and joint ventures	0	0	0	0	3 929	3 929
Assets held for sale	0	0	0	0	0	0
Property, plant and equipment	0	0	0	157	421	578
Goodwill and other intangible assets	0	0	39	34	293	366
Deferred tax asset	0	0	0	0	0	0
Other assets	13	193	362	2	339	910
Total assets	**15 102**	**3 459**	**4 351**	**23 309**	**62 099**	**108 321**
Liabilities						
Deposits from and liabilities to credit institutions	0	388	0	600	1 299	2 286
Deposits from and liabilities to customers	60 843	1 372	2 084	1 687	0	65 986
Liabilities arising from issuance of securities	0	778	2 864	15 933	4 111	23 686
Financial derivatives	0	39	33	139	95	307
Current tax liabilities	0	0	0	358	0	358
Defferred tax liabilities	122	0	0	0	0	122
Other debt and liabilities recognised in the balance sheet	0	122	278	55	87	541
Subordinated loan capital	0	0	6	0	1 700	1 706
Total liabilities	**60 965**	**2 699**	**5 265**	**18 771**	**7 292**	**94 990**

Note 20 — Net interest income

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
		Interest income		
140	150	Interest on loans to and receivables from credit institutions	40	44
	1 942	Interest income, fair value	1 942	
2 340	860	Interest income, effective rate method	1 227	2 916
146	125	Interest on certificates and bonds	208	164
16	-2	Interest income from written-down loans charged to income	-2	114
2 642	**3 074**	**Total interest income**	**3 415**	**3 238**
		Interest expenses		
39	35	Interest on debt to credit institutions	35	36
503	619	Interest on deposits from and liabilities to customers	622	577
494	603	Interest on securities issued	603	562
32	37	Interest on subordinated loan capital	37	38
36	43	Fees to the Banks' Guarantee Fund	43	36
29	0	Other interest expenses and similar expenses	1	34
1 134	**1 337**	**Total interest expenses**	**1 340**	**1 282**
1 508	**1 737**	**Total net interest income**	**2 074**	**1 956**

Note 21 — Net commission income and other operating income

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
		Commission income		
19	19	Guarantee commissions	17	17
17	23	Securities trading	23	20
262	237	Payment transmission	237	295
157	172	Insurance services	172	177
339	365	Commission from loans transferred to cover bond companies	365	377
0	0	Commission from real estate brokerage	320	297
14	75	Other commission income	75	15
807	**891**	**Total commission income**	**1 210**	**1 197**
		Commission expenses		
47	73	Payment transmission	104	55
10	0	Other commission expenses	0	48
57	**74**	**Total commission expenses**	**104**	**102**
		Other operating income		
8	7	Operating income from real estate	6	6
0	0	Income from accounting	164	149
6	7	Income payroll	7	4
17	17	Other operating income	4	9
31	**32**	**Total other operating income**	**181**	**168**
782	**849**	**Total net commission income and other operating income**	**1 286**	**1 263**

Note 22 — Net income from financial assets and liabilities

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

Note 23 — Payroll expenses and payments to senior employees and elected officers

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
462	473	Payroll	774	753
98	107	Employers' National Insurance contribution	154	151
68	52	Pension costs (note 24)	69	31
57	42	Social security expenses	52	75
684	**674**	**Total personnel expenses**	**1 050**	**1 010**
653	724	Average no. of employees	1 124	1 141
705	697	No. of fulltime equivalents at 31 December	1 139	1 109
728	720	No. of employees at 31 December	1 197	1 164

Payments to Group management (NOK thousand) 2018 Title / name	**Salaries and other short-term benefits**	**Other re-muneration**	**Accrued pension entitlements in the last 12 months**	**Board fees in subsidi-aries etc.**	**Loans**	**Number of EC's**
Chief Executive Officer (CEO) Richard Heiberg	4 217	122	158	394	1 865	87 538
Chief Financial Officer (CFO) Geir-Egil Bolstad	2 608	166	149	284	6 322	18 769
Head of Corporate Banking Hans Olav Wedvik	2 073	167	134	100	19 495	1 602
Head of Retail Banking Kari E. Gisnås	1 970	295	150	383	4 190	1 602
Head of HR and Legal Eldar Kjendlie	1 832	173	138	100	3 598	3 564
Head of Communications Siv Stenseth	1 584	356	155	0	2 703	1 602
Head of Innovation and Business Development Dag-Arne Hoberg	1 887	388	140	53	1 739	2 884
Chief Risk Officer (CRO) Vidar Nordheim	1 817	238	142	0	3 167	2 432
Head of Organizations and Capital Markets Espen Mejlænder-Larsen	1 819	152	141	0	2 563	3 525
Chief Operating Officer (COO) Gudrun Michelsen	1 690	197	137	58	6 622	2 564
Actin Chief Operating Officer Elin B. Ørbæk	1 406	23	169	0	3 150	1 602
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 369	149	135	51	1 697	1 602
Managing Director, SpareBank 1 Finans Østlandet AS Bjarne Chr. Finstad	1 407	167	136	0	7 344	1 700
Managing Director, TheVIT AS Stein Ragnar Nordeng	1 397	10	151	0	0	0
Managing Director, EiendomsMegler 1 Oslo Akershus AS Kent Victor Syverstad	1 985	1 649	130	0	0	3 000

There are given no guarantees to anyone in the Group management in 2018.

Payments to Group management (NOK thousand) **2017** Title / name	**Salaries and other short-term benefits**	**Other re-muneration**	**Accrued pension entitlements in the last 12 months**	**Board fees in subsidi-aries etc.**	**Loans**	**Number of EC's**
Chief Executive Officer (CEO) Richard Heiberg	3 749	159	2 225	557	4 680	65 384
Chief Financial Officer (CFO) Geir-Egil Bolstad	2 635	47	128	94	6 432	7 692
Head of Corporate Banking Hans Olav Wedvik	1 858	206	107	95	19 369	1 602
Head of Retail Banking Kari E. Gisnås	1 772	333	123	499	4 326	1 602
Head of HR and Legal Eldar Kjendlie	1 772	203	112	105	2 859	2 564
Head of Communications Siv Stenseth	1 595	330	127	0	2 805	1 602
Head of Innovation and Business Development Dag-Arne Hoberg	1 666	474	114	50	1 803	2 884
Chief Risk Officer (CRO) Vidar Nordheim	1 641	257	116	55	3 211	2 432
Head of Organizations and Capital Markets Espen Mejlænder-Larsen	1 813	41	113	0	2 632	3 525
Chief Operating Officer (COO) Gudrun Michelsen	1 604	368	120	0	6 794	2 564
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 314	189	109	75	1 770	1 602
Managing Director, SpareBank 1 Finans Østlandet AS Bjarne Chr. Finstad	1 312	200	108	0	7 443	1 602
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen	1 392	19	70	20	0	0
Managing Director, EiendomsMegler 1 Oslo Akershus AS Jon Olav Halgunset to 31.8.2017	990	198	97	0	0	0
Managing Director, EiendomsMegler 1 Oslo Akershus AS Kent Victor Syverstad from 1.9.2017	729	173	107	0	0	0

There are given no guarantees to any members of Group management in 2017.

Remuneration to the Board (NOK thousand) **2018** Title / name	**Honorar**	**Andre godt-gjørelser**	**Lån**	**Antall egen-kapitalbevis (eiet direkte og indirekte)**	**Antall styremøter**
Board:					
Chairman Siri J. Strømmevold	317	4	4 198	2 282	11
Vice Chairman Nina C. Lier	253	0	2 060	1 282	9
Board member Erik Garaas	296	0	0	1 714	11
Board member Guro Nina Vestvik	165	0	0	346	11
Board member Morten Herud	237	0	0	1 282	11
Board member Hans-Christian Gabrielsen	154	0	0	0	9
Board member Espen B. Larsen (employee, incl. in salary)	1 153	68	4 347	1 602	11
Board member Vibeke Hanvold Larsen (employee, incl. in salary)	677	45	3 069	1 602	11
Deputy Hanne Sverderup Dahl	4	0	0	641	0
Deputy Aleksander S Lund	52	0		4 286	4
Deputy Ole Reidar Gulli (employee, incl. in salary)	568	23	1 474	1 282	0
Deputy Susanne Valberg Granheim (employee, incl. in salary)	479	26	1 351	1 041	0
Deputy Jørn-Henning Eggum	33	0	0	0	3

There are given no guarantees to any boardmembers in 2018.

Remuneration to the Board (NOK thousand) **2017** Title / name	**Honorar**	**Andre godt-gjørelser**	**Lån**	**Antall egen-kapitalbevis (eiet direkte og indirekte)**	**Antall styremøter**
Board:					
Chairman Siri J. Strømmevold	341	9	2 126	1 282	12
Vice Chairman Nina C. Lier	287	1	2 170	1 282	11
Board member Erik Garaas	307	0	0	1 714	12
Board member Guro Nina Vestvik	188	0	0	346	12
Board member Morten Herud	267	2	0	1 282	12
Board member Hans-Christian Gabrielsen	182	0	1 737	0	11
Board member Espen B. Larsen (employee, incl. in salary)	887	92	4 364	1 602	12
Board member Vibeke Hanvold Larsen (employee, incl. in salary)	662	79	2 397	1 602	12
Deputy Hanne Sverderup Dahl	17	0	0	641	0
Deputy Aleksander S Lund	18	0	0	4 286	2
Deputy Ole Reidar Gulli (employee, incl. in salary)	536	58	919	1 282	0
Deputy Susanne Valberg Granheim (employee, incl. in salary)	455	43	3 516	1 041	0
Deputy Jørn-Henning Eggum	128	0	0	0	6

Remuneration to the Board of Representatives (NOK thousands)	**2018**	**2017**
Chairman Pål Jan Stokke	52	45
Other members	3-62	3-57

All of the above payments to executive personnel and elected officers, apart from loans and guarantees, are liable for employers' National Insurance contributions.

Remuneration arrangements in accordance with the "Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies"

SpareBank 1 Østlandet's remuneration for executive personnel complies with the rules and guidelines laid down in the "Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies".

Executive personnel and others covered by the definition in the Regulation receive remuneration in the form of a fixed salary. They are members of the Bank's ordinary defined contribution pension scheme. Those who were members of the defined benefit pension scheme at the time the members were moved to a defined contribution pension scheme receive compensation for the transition from a defined benefit pension to a defined contribution pension in line with the same rules that apply to other employees.

No schemes involving variable pay elements or other special administrative schemes have been established for this group of employees.

In 2018, one-off supplements were paid to 44 employees of SpareBank 1 Østlandet. The supplements amount to between NOK 20,000 and 50,000. The average size of the one-off supplements granted was NOK 25,681.

None of the employees who received a one-off supplement belonged to the category of "senior employees", etc., as this is defined in relation to the remuneration regulation. After the renewed assessments subsequently made with respect to the scope provision of the remuneration regulation, the bank managers in the Retail Market Division are now considered to fall within the category of "senior employees". In six of the 44 cases, the supplements were granted to bank managers in the Retail Market Division.

No one-off supplement was paid to employees of SpareBank 1 Østlandet Finans AS in 2018.

The company has no form of bonus scheme or any obligations to consider bonuses for the chief executive or chairman of the board. There are no incentive schemes or obligations concerning share value based remuneration for the benefit of employees or elected officers.

Following the Bank's private placement in the autumn of 2018, it has been decided to make an internal issue to all of the group's employees. The staff issue will be made in January 2019. All employees will be invited to purchase equity certificates with a face value of up to NOK 125,000 at a discount of 20 per cent and a lock-in period of 2 years. The tax advantage of a purchase with a face value of NOK 125,000 has been calculated at NOK 4,965.

The pay conditions are assessed via annual processes at the end of the year and any changes normally come into effect on 1 January the following year. The assessments are based on the Bank's remuneration system and the specified processes.

The chief executive's assessments and proposals on limits and conditions for changes for the members of the Bank's executive management team are presented to the Remuneration Committee to obtain any input and comments they may have before the chief executive makes a decision.

The Remuneration Committee is similarly briefed on the thinking concerning the pay conditions of the managing directors of the Bank's subsidiaries and thereby has an opportunity to present any comments before decisions are made by the subsidiaries' boards. The chief executive's terms are set by the Board based on the recommendations of the Remuneration Committee.

The chief executive has an agreement on possible early retirement from the age of 62. If the company decides to exercise the option of early retirement, the company will pay an annual early retirement pension that amounts to 70 per cent of the applicable fixed salary on the retirement date. Should the chief executive wish to retire between the ages of 62 to 67, the company will pay an annual early retirement pension that amounts to 60 per cent of the applicable fixed salary on the retirement date. Early retirement pensions that are being paid, including previous adjustment supplements, are adjusted upwards on 1 May each year by the percentage increase in the National Insurance Scheme's basic amount (G). From age 67 to 77, a service pension equivalent to 5.47 times the National Insurance Scheme's basic amount (G) has been agreed in addition to the company's ordinary defined contribution scheme, in which the ceiling for pensionable income is 12 G.

Note 24 — Pensions

The SpareBank 1 Østlandet Group has a number of types of pension schemes.

Defined contribution scheme

The contribution based pension scheme is now the main scheme in the Group. This means that no promise is given of a future pension of a specific size but that the companies in the Group pay an annual contribution to the employees' pension pots. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued liabilities and the cost is recognised directly in the income statement.

Contribution based pension rates from 1 July 2017:

Salary from 0-7.1 G*	7,00 %
Salary from 7.1-12 G*	15,00 %

*Salary includes fixed supplements, but does not include overtime, taxable benefits in kind and other allowances for expenses.

Benefit based scheme in the companies Sparebanken Hedmark (prior to merger), EiendomsMegler 1 Hedmark Eiendom AS and SpareBank 1 Finans Østlandet AS

The defined benefit scheme was first closed to new members in 2008 and thereafter wound up with effect from 1 July 2016. Employees who had a defined benefit pension were moved to a defined contribution scheme, with the exception of a few people who at the time of winding up were on sick leave or partially disabled. Upon transitioning to a contribution based pension scheme, employees who were in the defined benefit scheme received a paid-up policy for their earned rights. At the end of 2018, the remaining members also received paid-up policies. The defined benefit scheme is thus discontinued in its entirety and all funds and obligations relating to the scheme are zeroed in the income statement.

Calculations of costs and liabilities for defined benefit pension schemes are based on the following assumptions:

Financial assumptions	01.01.2019	01.01.2018	01.01.2017
Discount rate	2,60 %	2,30 %	2,60 %
Expected return on the funds	2,60 %	2,30 %	2,60 %
Expected future development of pay	2,25 %	2,25 %	2,00 %
Expected future adjustment of G	2,25 %	2,25 %	2,00 %
Expected future adjustment of pension	0,80 %	0,40 %	2,00 %
Employer's NI contributions	19,10 %	19,10 %	19,10 %
Expected voluntary turnover	0,00 %	0,00 %	2 % og 4 %
Anticipated AFP payout from 62 years	0,00 %	0,00 %	0,00 %
Disability table used	IR02	IR02	IR02 og IR03
Mortality table used	K2013 BE	K2013 BE	K2013 BE

The above-mentioned times indicate the time from which the liability is calculated using the changed assumptions. This means, for example, that the pension liability as at 31 December 2018 has been discounted by the assumptions that applied as at 1 January 2019, while the annual cost for 2018 is based on the assumptions that applied at the start of the year.

Closed defined benefit schemes in the companies Bank 1 Oslo Akershus AS (prior to the merger) and EiendomsMegler 1 Oslo AS

The companies have had a collective pension scheme for their employees in SpareBank 1 Livsforsikring AS. The pension scheme ensured most employees a pension of approximately 70 per cent of final salary until the age of 77 with subsequent gradual decreases in payments. The defined benefit plan was closed on 1 January 2005. The defined benefit based scheme was wound up for everyone with effect from 1 January 2017 and the employees issued with paid-up policies. The accounting effect in the Group was net income recognition of NOK 53.3 million in 2017.

Early retirement pension scheme

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take early retirement under the ERSA scheme with effect from 2011 or later, will be given benefits under this new scheme. The early retirement (ERSA) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62. The employers' premiums must be set as a percentage of salary payments up to 7.1 G. In line with the recommendations from the Norwegian Accounting Standards Board (NASB), no provisions have been made for the Group's actual ERSA liability.

Unsecured pension scheme

The Group also has pension liabilities in relation to early retirement pensioners and some employees with salaries in excess of 12 G.

For further information about the Group's pension schemes see Note 2 – Accounting policies and Note 23 – Payroll expenses and payments to senior employees and elected officers.

Pension expenses

Secured scheme

Parent bank			Group	
2017	**2018**		**2018**	**2017**
1	0	Present value of pension accruals for the year	0	1
8	0	Net effect of the transition from a defined benefit to a defined contribution pension	0	-45
1	0	Interest cost of pension liability	0	1
0	0	Return on pension assets	0	0
0	0	Adminstrative cost	0	0
10	**0**	**Net pension expenses**	**0**	**-43**
6,9 %	0,5 %	Actual return on pension assets:	0,5 %	6,9 %

Unsecured pension scheme

Parent bank			Group	
2017	**2018**		**2018**	**2017**
15	2	Present value of pension accruals for the year	2	15
2	2	Interest cost of pension liability	2	2
31	40	Defined-contribution pension charged to profit and loss	56	46
7	8	Effect of new ERSA scheme charged to profit and loss	8	8
3	1	Accrued employer contributions	1	3
58	**52**	**Net pension expenses**	**69**	**74**

Total secured and unsecured schemes

Parent bank			Group	
2017	**2018**		**2018**	**2017**
15	2	Present value of pension accruals for the year	2	16
8	0	Net effect of the transition from a defined benefit to a defined contribution pension	0	-45
2	2	Interest cost of pension liability	2	2
0	0	Return on pension assets	0	0
31	40	Defined-contribution pension charged to profit and loss	56	46
7	8	Effect of new ERSA scheme charged to profit and loss	8	8
3	1	Accrued employer contributions	1	3
68	**52**	**Net pension expenses**	**69**	**31**

Pension expenses

Secured scheme

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
18	33	Gross liabilities at 1 January	33	344
0	0	Pension accruals for the year	0	0
0	-32	Transition from benefit to contribution	-32	-326
1	1	Interest on pension liability	1	1
-1	-1	Benefits paid	-1	-1
14	0	Actuarial differences included in equity	0	14
33	**0**	**Gross liability at 31 December**	**0**	**33**
17	32	Pension assets at 1 January	32	280
0	-32	Paid-up policies issued upon transition from benefit to contribution	-32	-263
1	0	Paid into the scheme	0	1
0	1	Expected return on pension assets	1	0
-1	-1	Benefits paid	-1	-1
16	0	Actuarial gains and losses included in equity	0	16
32	**0**	**Pension assets at 31 December**	**0**	**32**
0	0	Employers' National Insurance contribution liability at 1 January	0	11
0	0	Employers' National Insurance contribution on pension premium paid in	0	0
0	0	Employers' NI contribution for paid-up policies	0	-9
0	0	Employers' National Insurance contribution on actuarial differences	0	0
0	0	Employers' National Insurance contribution on the pension cost for the year	0	0
0	0	Other changes	0	-3
0	**0**	**Employers' National Insurance contribution liability at 31 December**	**0**	**0**
1	0	Net pension liability secured scheme at 1 January	0	76
0	0	Net pension liability secured scheme at 31 December	0	0

There will be no premium transfers in 2019 as the scheme is liquidated.
Premium transfers in 2018 was NOK 0.5 million.

Unsecured pension scheme

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
34	70	Gross liabilities at 1 January	76	39
17	0	Liability new group company	0	17
15	2	Pension accruals for the year	2	15
2	2	Interest on pension liability	2	2
-4	-4	Benefits paid	-4	-4
8	2	Actuarial differences included in equity	2	9
70	**72**	**Gross liability at 31 December**	**77**	**76**
5	13	Employers' National Insurance contribution liability at 1 January	12	5
3	0	Employers' NI contribution new group company	0	3
-1	-1	Employers' National Insurance contribution on paid benefits	-1	-1
2	0	Employers' National Insurance contribution on actuarial differences	0	2
3	1	Employers' National Insurance contribution on the pension cost for the year	1	3
13	**14**	**Employers' National Insurance contribution liability at 31 December**	**11**	**12**
39	84	Net pension liability unsecured scheme at 1 January	87	43
84	86	Net pension liability unsecured scheme at 31 December	88	87

Total secured and unsecured schemes

Parent bank			Group	
2017	2018	Sammendrag forpliktelse	2018	2017
40	84	Net pension liability at 1 January	87	119
84	86	Net pension liability at 31 December	88	87

Actuarial gains and losses (changes in estimates)

Parent bank			Group	
2017	2018		2018	2017
-7	-3	Actuarial gains and losses pre-tax recognized in other comprehensive income	-3	-7
194	197	Cumulative actuarial gains and losses pre-tax recognized in other comprehensive income	197	199

Parent bank	2018	2017	2016	2015	2014
Present value of pension liability	86	117	57	862	944
Fair value of pension assets	0	32	17	599	583
Deficit / surplus	**86**	**84**	**40**	**262**	**361**
Experience adjustments to pension liabilities	2	20	-5	-74	63
Experience adjustments to pension assets	0	14	-13	-17	6

Group	2018	2017	2016	2015	2014
Present value of pension liability	88	120	399	905	989
Fair value of pension assets	0	32	280	626	605
Deficit / surplus	**88**	**87**	**119**	**279**	**384**
Experienced adjustments to pension liabilities	2	20	28	-78	65
Experienced adjustments to pension assets	0	14	-25	-16	5

Composition of the Group's pension assets	2018	2017
Fixed income funds and current bonds	64,8 %	60,8 %
Term bonds	11,5 %	10,1 %
Mutual funds	10,9 %	11,2 %
Money market	12,8 %	17,7 %
Other	0,0 %	0,2 %

Note 25 — Other operating expenses

Parent bank			Group	
2017	2018		2018	2017
240	248	IT-expenses	264	279
68	67	Marketing	102	109
81	79	External fees	102	98
69	79	Operating expenses property	10	96
8	10	Wealth tax	83	8
82	84	Other operating expenses	167	214
548	**566**	**Total other operating expenses**	**728**	**804**
		Auditor's fee (NOK thousands)		
1 173	1 170	Statutory audit	2 575	2 173
28	72	Tax consulting	192	108
780	1 155	Other attestation services	1 246	1 028
1 247	101	Other services	175	1 577
3 227	**2 497**	**Total, including VAT**	**4 188**	**4 886**

Other services in 2017 included TNOK 796 related to IPO process and TNOK 245 related to the EMTN Programme.

Note 26 — Taxes

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
1 373	1 722	Profit before tax	1 735	1 618
-299	-648	+/- permanent differences *	-450	-217
0	-250	+/- changes in temporary differences	-252	-38
-7	-350	+/- tax effect recorded directly against equity	-25	-7
1 067	**820**	**Tax base/taxable income for the year**	**1 008**	**1 357**
266	205	Of which is tax payable 25% (24%, 23%)	248	340
7	72	Change in deferred tax 25% (24%, 23%)	69	15
1	-1	Excess/insufficient tax allocation in previous years	-1	1
-3	0	Excess/insufficient deferred tax allocation in previous years	-	-3
2	-1	+/- of which change not recorded in income statement	5	2
272	**275**	**Total tax expense**	**321**	**356**
		Explanation of why the tax charge for the year is not 25% (24%, 23%) of the year's profit before tax		
343	430	25% (24%, 23%) tax on profit before tax	433	427
-69	-155	25% (24%, 23%) of permanent differences*	-111	-69
1	-1	Excess/insufficient tax allocation in previous years	-1	1
-3	0	Excess/insufficient deferred tax allocation in previous years	0	-3
0	0	Reduction in the tax rate for deferred tax assets from 23 % to 22 % (24 % to 23 %)	0	-1
272	**275**	**Total tax expense**	**321**	**356**
20 %	**16 %**	**Effective tax rate (%)**	**19 %**	**22 %**
		Composition of deferred tax assets recognized in the balance sheet		
-34	-25	Total deferred tax assets	-26	-36
31	94	Total deferred tax	228	158
-3	**69**	**Net deferred tax/deferred tax asset**	**202**	**122**
		Specification of temporary differences		
8	6	Gains and loss account	6	12
-84	-86	Pension liabilities	-86	-86
58	46	Operating equipment	543	599
-21	250	Differences in finacial items	250	-21
28	59	Other temporary differences	105	-1
0	0	Carry forward tax loss	-4	-13
-11	**275**	**Total temporary differences**	**814**	**490**
25 %	25 %	Tax rate applied	25% (23%, 22%)	25% (24%, 23%)

*) Includes tax-exempted dividends, tax-deductible expenses recogninized as equity transactions, non-tax-deductible expenses, net tax-exempt gains on realisation of shares in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

Pursuant to IFRS, wealth tax is classified as a levy and not as a tax charge. Wealth tax of NOK 10 million was recognised as a cost in 2018 (NOK 8 million in 2017) and classified as other operating costs.

Note 27 — 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

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

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivatives	0	582	0	582
- Certificates and bonds	0	8 883	0	8 883
- Fixed-rate loans to customers	0	0	5 254	5 254
- Equity instruments	0	0	0	0
Financial assets available for sale				
- Equity instruments	258	0	237	495
- Other financial assets	0	0	40	40
Total assets	**258**	**9 465**	**5 531**	**15 254**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives	0	307	0	307
- Securities issued	0	11 543	0	11 543
- Subordinated loan capital	0	503	0	503
- Fixed-rate deposits from customers	0	406	0	406
- Term deposit	0	0	9	9
Total liabilities	**0**	**12 758**	**9**	**12 767**

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

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

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

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

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

- Fair value of fixed-rate loans to customers is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus a calculated marked premium.
- Fair value of floating rate mortgages is estimated based on carrying amount and expected credit losses.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments.

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

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

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

Specification of fair value, instruments classified in level 3:

2018	Fixed-rate loans to customers	Equity instruments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6 470	207	56 902	4	**63 584**
Fair value adjustment	1	72	-43	0	**30**
Closing balance	6 471	279	56 859	4	**63 614**

2017	Fixed-rate loans to customers	Equity instruments	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	5 190	167	-9	4	**5 351**
Fair value adjustment	64	71	0	36	**171**
Closing balance	5 254	237	-9	40	**5 522**

Sensitivity, instruments classified as level 3

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

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

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued bases on carrying amounts and expected credit losses. Mortgages that do not have a significantly higher credit risk than they did upon initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With the current assumptions on expected credit loss, the fair value adjustment amounts to NOK -42 million. 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 28 — Classification of financial instruments

Parent bank 2018	Financial investments at fair value: Mantadory at fair value through profit and loss	Designated at fair value through profit and loss	Mandatory at fair vallue through other comprehensive income	Designated at fair value through profit and loss and OCI	Financial instruments assessed at amortised cost [1]	Total
Assets						
Cash and deposits with central banks	0	0	0	0	1 878	1 878
Loans to and receivables from credit institutions	0	0	0	0	7 487	7 487
Net loans to and receivables from customers	0	6 471	56 859	0	27 548	90 878
Certificates, bonds and fixed income funds	14 446	0	0	0	0	14 446
Financial derivatives	819	0	0	0	0	819
Shares, units and other equity interests	594	0	0	0	0	594
Total assets	**15 859**	**6 471**	**56 859**	**0**	**36 913**	**116 102**
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	2 704	2 704
Deposits from and liabilities to customers	0	0	0	0	71 540	71 540
Liabilities arising from issuance of securities	0	0	0	4 831	27 153	31 984
Financial derivatives	354	0	0	0	0	354
Subordinated loan capital	0	0	0	0	1 102	1 102
Total liabilities	**354**	**0**	**0**	**4 831**	**102 499**	**107 684**

Group 2018	Financial investments at fair value: Held for trading	To be recognised at fair value	Financial investments held to maturity	Designated at fair value through profit and loss and OCI	Financial instruments assessed at amortised cost [1]	Total
Assets						
Cash and deposits with central banks	0	0	0	0	1 878	1 878
Loans to and receivables from credit institutions	0	0	0	0	1 023	1 023
Net loans to and receivables from customers	0	6 471	56 859	0	35 276	98 606
Certificates and bonds	14 446	0	0	0	0	14 446
Financial derivatives	819	0	0	0	0	819
Shares, units and other equity interests	594	0	0	0	0	594
Total assets	**15 859**	**6 471**	**56 859**	**0**	**38 177**	**117 366**
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	2 636	2 636
Deposits from and liabilities to customers	0	0	0	0	71 497	71 497
Liabilities arising from issuance of securities	0	0	0	4 831	27 153	31 984
Financial derivatives	354	0	0	0	0	354
Subordinated loan capital	0	0	0	0	1 102	1 102
Total liabilities	**354**	**0**	**0**	**4 831**	**102 387**	**107 572**

Parent bank 2017	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale	Financial instruments assessed at amortised cost [1]	Total
Assets						
Cash and deposits with central banks	0	0	0	0	672	672
Loans to and receivables from credit institutions	0	0	0	0	7 669	7 669
Gross loans to and receivables from customers	0	5 254	0	0	78 100	83 355
- Individual loan impairments to cover losses on loans	0	0	0	0	-126	-126
- Collective loan impairments to cover losses on loans	0	0	0	0	-198	-198
Net loans to and receivables from customers	0	5 254	0	0	77 776	83 030
Certificates and bonds	0	8 883	0	0	0	8 883
Financial derivatives	339	0	243	0	0	582
Shares, units and other equity interests	0	0	0	494	0	494
Total assets	**339**	**14 137**	**243**	**494**	**86 118**	**101 330**
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	2 288	2 288
Deposits from and liabilities to customers	0	406	0	0	65 607	66 013
Liabilities arising from issuance of securities	0	11 543	0	0	12 143	23 686
Financial derivatives	297	0	10	0	0	307
Subordinated loan capital	0	503	0	0	1 203	1 706
Total liabilities	**297**	**12 451**	**10**	**0**	**81 241**	**93 999**

Group 2017	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale	Financial instruments assessed at amortised cost [1]	Total
Assets						
Cash and deposits with central banks	0	0	0	0	673	673
Loans to and receivables from credit institutions	0	0	0	0	1 808	1 808
Gross loans to and receivables from customers	0	5 254	0	0	85 206	90 460
- Individual loan impairments to cover losses on loans	0	0	0	0	-142	-142
- Collective loan impairments to cover losses on loans	0	0	0	0	-221	-221
Net loans to and receivables from customers	0	5 254	0	0	84 843	90 098
Certificates and bonds	0	8 883	0	0	0	8 883
Financial derivatives	339	0	243	0	0	582
Shares, units and other equity interests	0	0	0	495	0	495
Total assets	**339**	**14 137**	**243**	**495**	**87 324**	**102 538**
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	2 286	2 286
Deposits from and liabilities to customers	0	406	0	0	65 580	65 985
Liabilities arising from issuance of securities	0	11 543	0	0	12 143	23 686
Financial derivatives	297	0	10	0	0	307
Subordinated loan capital	0	503	0	0	1 203	1 706
Total liabilities	**297**	**12 451**	**10**	**0**	**81 211**	**93 969**

1) Liabilities arising from issuance of securities includes secured liabilities.

Note 29 — Information about fair value

Parent bank	Book value 2018	Fair value 2018	Level in the valuation hierarchy	Book value 2017	Fair value 2017	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	7 487	7 487	2	7 669	7 669	2
Net loans to and receivables from customers						
Retail banking	60 326	60 326	2,3	55 675	55 675	2,3
Corporate banking	30 834	30 834	2,3	27 355	27 355	2,3
Securities	15 039	15 039	1,2,3	9 377	9 377	1,2,3
Derivatives	819	819	2	582	582	2
Total financial assets	**114 505**	**114 505**		**100 658**	100 658	
LIABILITIES						
Liabilities to credit institutions	2 704	2 704	2	2 288	2 288	2
Deposits from and liabilities to customers	71 540	71 540	2	66 013	66 013	2,3
Liabilities arising from issuance of securities	31 984		2	23 686	23 790	2
Derivatives	354	354	2	307	307	2
Subordinated loan capital	1 102		2	1 706	1 711	2
Total financial liabilities	**107 684**	**74 598**		**93 999**	**94 109**	

Group	Book value 2018	Fair value 2018	Level in the valuation hierarchy	Book value 2017	Fair value 2017	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	1 023	1 023	2	1 808	1 808	2
Net loans to and receivables from customers						
Retail banking	63 544	63 544	2,3	58 734	58 734	2,3
Corporate banking	35 397	35 397	2,3	31 364	31 364	2,3
Securities	15 039	15 039	1,2,3	9 378	9 378	1,2,3
Derivatives	819	819	2	582	582	2
Total financial assets	**115 821**	**115 821**		**101 866**	**101 866**	
LIABILITIES						
Liabilities to credit institutions	2 636	2 636	2	2 286	2 286	2
Deposits from and liabilities to customers	71 497	71 497	2	65 985	65 985	2,3
Liabilities arising from issuance of securities	31 984	32 001	2	23 686	23 790	2
Derivatives	354	354	2	307	307	2
Subordinated loan capital	1 102	1 094	2	1 706	1 711	2
Total financial liabilities	**107 573**	**107 582**		**93 969**	**94 079**	

General

Financial instruments assessed at fair value
Financial instruments – with the exception of debt to credit institutions, deposits from customers and loans to customers with floating interest rates that is not part of a business model which involve transfer to associated covered bond companies, are assessed at fair value. For a more detailed description, see note 2 and 3.

Financial instruments assessed at amortised cost
Financial instruments that are not assessed at fair value are recognised at amortised cost. See note 2 for a more detailed description. Amortised costs entails assessing balance sheet items after originally agreed cash flows and, as applicable, adjusted for write-downs.

Assessment at fair value will always be subject to uncertainty.

Assessment at fair value of items recognised at amortised cost
In connection with assessment at fair value of items recognised at amortised cost, we divide items into the following categories: loans to and receivables from credit institutions, loans to retail and corporate customers, deposits from and liabilities to customers, and liabilities to credit institutions.

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:

- Loans to and receivables from credit institutions are priced using NIBOR.
- Loans to retail market customers are priced using floating and fixed customer interest rates.
- Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

All fixed-rate loans are recognised at fair value in the Bank's accounts.

It is the Bank's view that loans in the retail and corporate market with floating interest rates always have a fair market price. The justification for this is that floating interest is subject to continuous assessment and adjustment to the interest rates in the capital market and changes in the competition situation. This portfolio has in the bank opinion a correct price in the market. The other NIBOR loans can be renegotiated continuously. The bank endeavors that these loans have the right market value at any time.

Liabilities to credit institutions and deposits from customers
For deposits to customers and liabilities to credit institutions, fair value is estimated to be equal to book value, since they generally have floating rates of interest.

In the light of these assessments, there is no difference between book value and real value in the table above.

Note 30 — Certificates, bonds and fixed-income funds

Parent Bank and Group		
Certificates and bonds by sector of issuers	**2018**	**2017**
Government		
Nominal value	450	50
Fair value	462	56
Other public sector issuers		
Nominal value	1 620	1 202
Fair value	1 629	1 210
Financial institutions		
Nominal value	12 183	7 531
Fair value	12 282	7 615
Non-financial institutions		
Nominal value	73	2
Fair value	73	2
Total fixed-income papers, nominal value	**14 326**	**8 786**
Total fixed-income papers at fair value through profit	**14 446**	**8 883**

Fair value is presented including accrued interest (dirty price). Accrued interest in the Parent bank amounts to NOK 44 million i 2018 and NOK 19 million in 2017.
Accrued interest in the Group amounts to NOK 44 million in 2018 and NOK 19 million in 2017.

Note 31 — Financial derivatives

Parent bank and Group	**2018**		
	Contract amount	**Fair value**	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	2 196	24	39
Currency swaps	1 118	8	64
Total currency instruments	**3 314**	**32**	**102**
Interest rate instruments			
Interest rate swaps (including cross-currency)	34 858	787	252
Other interest rate contracts	2 984	1	0
Total interest rate instruments	**37 841**	**787**	**252**
Total currency instruments	**3 314**	**32**	**102**
Total interest rate instruments	**37 841**	**787**	**252**
Total financial derivatives	**41 155**	**819**	**354**

	2017		
	Contract amount	**Fair value**	
At fair value through profit and loss		**Assets**	**Liabilities**
Currency instruments			
Currency forward contracts	1 263	12	14
Currency swaps	1 576	4	29
Total currency instruments	**2 838**	**16**	**42**
Interest rate instruments			
Interest rate swaps (including cross-currency)	23 631	566	264
Other interest rate contracts	0	0	0
Total interest rate instruments	**23 631**	**566**	**264**
Total currency instruments	**2 838**	**16**	**42**
Total interest rate instruments	**23 631**	**566**	**264**
Total financial derivatives	**26 469**	**582**	**307**

Note 32 — Shares and other equity interests

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
0	594	At fair value through profit or loss (FV)	594	0
	268	*Listed*	*268*	
	326	*Unlisted*	*326*	
494	0	Available for sale (AFS)	0	495
258		*Listed*		*258*
236		*Unlisted*		*237*
494	**594**	**Total shares and units**	**594**	**495**

Spesification (Group)

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition	Market value/ book value
Visa Inc. (shares, NYSE)	VV	0,0 %	73 400	8	84
Totens Sparebank (equity capital certificates, OSE)	VV	24,6 %	1 503 661	101	183
Total listed shares and equity certificates				**109**	**268**

Unlisted companies	Classification	Ownership (%)	No. of shares	Cost of acquisition	Market value/ book value
Eksportfinans ASA	VV	1,3 %	3 499	45	71
NorgesInvestor Proto AS	VV	16,9 %	150 000	15	21
Oslo Kongressenter Folkets Hus AS	VV	13,7 %	70 638	7	54
SpareBank 1 Markets AS	VV	5,8 %	184 210	57	39
Visa Inc. preference shares	VV	0,0 %	1 913	17	26
VN Norge AS (number of shares in billion)	VV	2,8 %	28 071 986	40	39
Hybrid securities in SpareBank 1 Boligkreditt AS	VV			46	47
Others	VV			27	30
Total shares unlisted companies				**255**	**326**
Total shares, units and equity certificates				**364**	**594**

Note 33 — Goodwill and other intangible assets

Parent bank 2018 Intangible assets	Parent bank 2018 Goodwill	Parent bank 2018 Total		Group 2018 Total	Group 2018 Goodwill	Group 2018 Intangible assets
147	22	169	Acquisition cost at 1 January	455	288	167
9	0	9	Acquisitions	55	40	11
0	0	0	Disposals	4	0	0
156	22	178	Acquisition cost at 31 December	506	329	178
69	0	69	Accumulated write-downs at 1 January	89	20	69
0	0	0	Current year's disposals	0	0	0
13	0	13	Current year's write-downs	17	4	13
82	0	82	Accumulated write-downs at 31 December	106	24	82
74	**22**	**96**	**Closing balance at 31 December**	**400**	**304**	**96**

			Distribution of closing balance			
0	0	0	Acquisition of finance function and accounting company TheVIT AS, 2018	44	40	4
35	22	57	Acquisition of portfolio from Bank 1 Oslo Akershus AS, Hamar branch in 2006	57	26	32
0	0	0	Acquisition of SpareBank 1 Regnskapshuset AS, 2011	0	0	0
0	0	0	Acquisition of shares in Bank 1 Oslo Akershus AS, 2016	151	151	0
15	0	15	Acquisition of portfolio from SpareBank 1 Ringerike Hadeland, 2011	13	0	13
14	0	14	Acquisition of portfolio from Bank 1 Oslo Akershus AS Årnes, 2012	15	0	15
0	0	0	From EiendomsMegler 1 Hedmark Eiendom AS	11	10	1
0	0	0	Acquisition of accounting company TheVIT AS (earlier SpareBank 1 Regnskapshuset AS)	94	78	16
0	0	0	Intangible assets from other subsidiaries	6	0	5
9	0	9	Proprietary software	9	0	9
74	**22**	**96**	**Closing balance at 31 December**	**400**	**304**	**96**

Parent bank 2017 Intangible assets	Goodwill	Total		Group 2017 Total	Goodwill	Intangible assets
139	22	161	Acquisition cost at 1 January	450	290	160
8	0	8	Acquisitions	8	0	8
0	0	0	Disposals	2	2	0
147	22	169	Acquisition cost at 31 December	455	288	167
59	0	59	Accumulated write-downs at 1 January	79	20	59
0	0	0	Current year's disposals	0	0	0
10	0	10	Current year's write-downs	10	0	10
69	0	69	Accumulated write-downs at 31 December	89	20	69
78	**22**	**100**	**Closing balance at 31 December**	**366**	**268**	**98**
			Distribution of closing balance			
35	22	57	Acquisition of portfolio from Bank 1 Oslo Akershus AS, Hamar branch in 2006	61	26	36
0	0	0	Acquisition of SpareBank 1 Regnskapshuset AS, 2011	4	4	0
0	0	0	Acquisition of shares in Bank 1 Oslo Akershus AS, 2016	151	151	0
15	0	15	Acqusition of portfolio from SpareBank 1 Ringerike Hadeland, 2011	15	0	15
14	0	14	Acqusition of portfolio from Bank 1 Oslo Akershus AS Årnes, 2012	17	0	17
0	0	0	From EiendomsMegler 1 Hedmark Eiendom AS, 2011	11	10	1
0	0	0	Acquisition of accounting offices in SpareBank 1 Regnskapshuset AS	94	78	16
0	0	0	Intaglible assets from other subsidiaries	0	0	0
13	0	13	Proprietary software	13	0	13
78	**22**	**100**	**Closing balance at 31 December**	**366**	**268**	**98**

Goodwill is defined as the difference between the purchase price and the value of the acquired business included on the balance sheet, after the acquisition cost has been allotted to identifiable tangible and intangible assets, liabilities and contingent liabilities. Goodwill is not amortised, but is subject to an annual impairment test with a view to ascertaining any impairment, in accordance with IAS 36. When assessing impairment, the assessment is carried out at the lowest level where it is possible to identify cash flows. Any write-down of goodwill cannot be reversed. Negative goodwill is recognised as income immediately. Negative goodwill relating to investments in associated companies and joint ventures is recognised as income immediately according to the equity method of accounting. Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

Note 34 — Property, plant and equipment

Parent bank Buildings, land and other property	Fixtures, fittings and vehicles	Total		Group Buildings, land and other property	Fixtures, fittings and vehicles	Total
407	229	636	Acquisition cost at 1 January 2017	696	459	1 155
12	135	148	Changes after buying B1OA	-65	-157	-222
17	32	50	Acquisitions	141	50	191
14	13	27	Disposals	14	14	28
423	**383**	**806**	**Acquisition cost at 31 December 2017**	**758**	**339**	**1 097**
168	164	333	Accumulated depreciation and impairments at 1 January 2017	259	310	569
1	76	77	Changes after buying B1OA	-1	-109	-110
11	35	47	Current year's depreciation	21	53	74
0	0	0	Current year's impairment provisions	0	0	0
2	13	15	Current year's disposal	2	14	16
178	**262**	**441**	**Accumulated depreciation and impairments at 31 December 2017**	**277**	**241**	**517**
245	**121**	**365**	**Book value at 31 December 2017**	**482**	**98**	**578**
423	383	806	Acquisition cost at 1 January 2018	758	339	1 097
9	18	28	Acquisitions	9	41	50
1	10	11	Disposals	1	11	11
432	**391**	**823**	**Acquisition cost at 31 December 2018**	**767**	**369**	**1 136**
178	262	441	Accumulated depreciation and impairments at 1 January 2018	277	241	517
12	44	56	Current year's depreciation	23	56	79
0	0	0	Current year's impairment provisions	0	7	7
1	10	11	Current year's disposal	1	10	11
189	**296**	**486**	**Accumulated depreciation and impairments at 31 December 2018**	**299**	**294**	**593**
242	**96**	**337**	**Book value at 31 December 2018**	**467**	**76**	**543**

Collateral security
The Bank has not pledged or accepted any other limitations on its right to dispose of the fixed assets.

Acquisition cost of depreciated assets
The acquisition cost of fully depreciated assets still in use in the Bank in 2018 was NOK 226 million.
The corresponding figure for 2017 was NOK 195 million.

Gross value of fixed assets temporarily not in operation.
The Group did not have any fixed assets temporarily out off operation at 31 December 2018.

Investment properties (NOK thousands)

Parent bank						Group				
Value 01.01.2018	**Acqu./depr.**	**Value 31.12.2018**	**Rent**	**Rented on 31.12.2018**		**Value 01.01.2018**	**Acqu./depr.**	**Value 31.12.2018**	**Rent**	**Rented on 31.12.2018**
5 294	453	5 747	652	100 %	Brugata 7 - Brumunddal	5 294	453	5 747	436	66 %
5 294	**453**	**5 747**	**652**		**Totalt**	**5 294**	**453**	**5 747**	**436**	
		8 391			Fair value			8 391		

Investment properties (NOK thousands)

Parent bank						Group				
Value 01.01.2017	**Acqu./depr.**	**Value 31.12.2017**	**Rent**	**Rented on 31.12.2017**		**Value 01.01.2017**	**Acqu./depr.**	**Value 31.12.2017**	**Rent**	**Rented on 31.12.2017**
5 294	-208	5 085	633	100 %	Brugata 7 - Brumunddal	5 294	-208	5 085	438	66 %
5 294	**-208**	**5 085**	**633**		**Totalt**	**5 294**	**-208**	**5 085**	**438**	
		8 391			Fair value			8 391		

Fair value of investment properties is based on an appraisal by an independent appraiser.

Note 35 — Other assets

Parent bank			Group	
2017	**2018**		**2018**	**2017**
273	273	Capital payments into pension fund	273	273
54	37	Accrued income, not yet received	39	55
66	94	Prepaid costs, not yet incurred	149	135
2	0	Unsettled trades	0	2
249	295	Other assets	581	445
645	**699**	**Other assets**	**1 041**	**910**

Note 36 — Deposits from and liabilities to customers

Parent bank			Group	
2017	**2018**	**Deposits from and liabilities to customers**	**2018**	**2017**
57 814	62 769	Deposits from and liabilities to customers at call	62 726	57 786
8 199	8 771	Deposits from and liabilities to customers with agreed maturity dates	8 771	8 199
0	0	Accrued interest	0	0
66 013	**71 540**	**Total deposits from and liabilities to customers**	**71 497**	**65 985**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
406	*3 677*	*Fixed-rate deposits, book value*	*3 677*	*406*
19	*10*	*Term deposits, book value*	*10*	*19*

2017	2018	Deposits by sector and industry	2018	2017
38 682	40 886	Private customers	40 886	38 682
4 329	5 880	Public sector	5 880	4 329
874	868	Primary industries	868	874
266	275	Paper and pulp industries	275	266
826	754	Other industry	754	826
1 602	1 779	Building and construction	1 779	1 602
139	87	Power and water supply	87	139
1 388	1 496	Wholesale and retail trade	1 496	1 388
267	290	Hotel and restaurants	290	267
3 549	3 826	Real estate	3 826	3 549
12 993	14 338	Commercial services	14 295	12 965
1 013	1 060	Transport and communications	1 060	1 013
84	0	Other operations	0	84
66 013	**71 540**	**Total deposits by sector and industry**	**71 497**	**65 985**

2017	2018	Deposits by geographic area	2018	2017
31 570	34 094	Hedmark County	34 051	31 542
19 147	19 890	Oslo County	19 890	19 147
8 487	10 328	Akershus County	10 328	8 487
1 394	1 693	Oppland County	1 693	1 394
4 222	4 365	Rest of Norway	4 365	4 222
1 193	1 169	Abroad	1 169	1 193
66 013	**71 540**	**Total deposits by geographic area**	**71 497**	**65 985**

Note 37 — Debt securities issued

Parent Bank and Group

	2018	2017
Bond debt		
- nominal value	31 165	23 109
- book value	31 984	23 686
Subordinated loan capital		
- nominal value	1 100	1 700
- book value	1 102	1 706
Total liabilities arising from issuance of securities, nominal value	**31 165**	**23 109**
Total subordinated loan capital, nominal value	**1 100**	**1 700**
Total liabilities arising from issuance of securities, book value	**31 984**	**23 686**
Total subordinated loan capital, book value	**1 102**	**1 706**
Average interest rate on bond debt	1,9 %	1,9 %
Average interest rate on subordinated loan capital	2,6 %	2,9 %

Debt securities issued	**2018**	**2017**
2018		4 244
2019	3 091	4 032
2020	4 992	4 592
2021	8 283	4 450
2022	3 700	3 400
2023	7 422	2 197
2024	1 500	0
2025	97	0
2026	270	270
2027	761	761
2028	141	141
2029	94	94
2030	146	146
2031	0	0
2032	715	484
2033	1 055	0
Total debt securities issued, nominal value	**32 265**	**24 809**

Parent bank

Changes in debt securities issued	**2018**	**Issued**	**Due / redeemed**	**Other changes**	**2017**
Bond debt, nominal value	31 165	12 241	-4 400	215	23 109
Subordinated loan capital, nominal value	1 100	400	-1 000	0	1 700
Accrued interest	231	0	0	23	207
Adjustments	591	0	0	216	375
Total debt raised through issuance of securities and subordinated loan capital, book value	**33 087**	**12 641**	**-5 400**	**455**	**25 391**

Changes in debt securities issued	**2017**	**Issued**	**Due / redeemed**	**Other changes**	**2016**
Bond debt, nominal value	23 109	5 764	-2 603	7 854	12 093
Subordinated loan capital, nominal value	1 700	500	0	700	500
Accrued interest	207	0	0	84	123
Adjustments	375	0	0	186	189
Total debt raised through issuance of securities and subordinated loan capital, book value	**25 391**	**6 264**	**-2 603**	**8 824**	**12 906**

Group

Changes in debt securities issued	2018	Issued	Due / redeemed	Other changes	2017
Bond debt, nominal value	31 165	12 241	-4 400	215	23 109
Subordinated loan capital, nominal value	1 100	400	-1 000	0	1 700
Accrued interest	231	0	0	23	207
Adjustments	591	0	0	216	375
Total debt raised through issuance of securities and subordinated loan capital, book value	**33 087**	**12 641**	**-5 400**	**455**	**25 391**

Changes in debt securities issued	2017	Issued	Due / redeemed	Other changes	2016
Bond debt, nominal value	23 109	5 764	-3 203	-651	21 199
Subordinated loan capital, nominal value	1 700	500	0	0	1 200
Accrued interest	207	0	0	-14	221
Adjustments	375	0	0	-145	520
Total debt raised through issuance of securities and subordinated loan capital, book value	**25 391**	**6 264**	**-3 203**	**-810**	**23 140**

Parent bank

			Other effects				
Change in liabilities from financing	**2017**	**Cash flow**	**Acquisitions**	**Accrued interest**	**Currency effects**	**Value adjustments**	**2018**
Liabilities arising from issuance of securities	23 685	8 057	0	24	344	-126	31 984
Subordinated loan capital	1 706	-601	0	-1	0	-2	1 102
Total	**25 391**	**7 456**	**0**	**23**	**344**	**-128**	**33 087**

			Other effects				
Change in liabilities from financing	**2016**	**Cash flow**	**Acquisitions**	**Accrued interest**	**Currency effects**	**Value adjustments**	**2017**
Liabilities arising from issuance of securities	12 404	2 440	8 573	82	74	112	23 685
Subordinated loan capital	502	500	702	2	0	0	1 706
Total	**12 906**	**2 940**	**9 275**	**84**	**74**	**112**	**25 391**

Group

			Other effects				
Change in liabilities from financing	**2017**	**Cash flow**	**Acquisitions**	**Accrued interest**	**Currency effects**	**Value adjustments**	**2018**
Liabilities arising from issuance of securities	23 685	8 057	0	24	344	-126	31 984
Subordinated loan capital	1 706	-601	0	-1	0	-2	1 102
Total	**25 391**	**7 456**	**0**	**23**	**344**	**-128**	**33 087**

			Other effects				
Change in liabilities from financing	**2016**	**Cash flow**	**Acquisitions**	**Accrued interest**	**Currency effects**	**Value adjustments**	**2017**
Liabilities arising from issuance of securities	21 937	1 910	0	-14	74	-222	23 685
Subordinated loan capital	1 203	500	0	0	0	3	1 706
Total	**23 140**	**2 410**	**0**	**-14**	**74**	**-219**	**25 391**

The issued securities are presented net own holdings. Book values include the associated accrued interest (dirty price).

The issued securities are presented net own holdings. Book values include accrued interest.

For the Group's issued securities designated at fair value, the isolated effect of increased credit spreads in 2018 have reduced book value with NOK 23 million. The effect is calculated as the difference between the market value of the issued securities on the balance sheet date and an estimated market value on the same holding with a spread curve indicated at the end of 2017. By comparison, due to reduced credit spreads in 2017 the book value of issued securities increased by estimated NOK 71 million.

After the transition to IFRS 9, the amount of change in the fair value of the issued securities that is attributable to changes in the credit risk of that liability is presented in other comprehensive income. In 2017 all changes in fair value was recognised in profit and loss.

As at 31 December 2018, there is an accumulated loss, including related derivatives, that amounts to NOK 26 million concerning the Group's issued securities designated at fair value.

As at 31 December 2018, an accumulated NOK 26 million unrealised loss, inclusive of hedging derivatives, was recognised in connection with the assessment of the Group's issued securities at fair value.

Note 38 — Hedge accounting

Market risk is the risk of loss due to changes in observable market variables. Market risk related to interest rate risk arises as a consequence of interest-bearing assets and liabilities having different remaining fixed-rate periods. Market risk is managed through Board-approved limits that are established in the annual revision of the market risk strategy with associated policies. Risk exposure and development are continuously monitored and reported to the bank's Board and executive management team. The bank's Board has approved limits for the total interest risk with respect to parallel shifts in the yield curve and distortion in the yield curve (yield curve risk). The interest rate risk is kept satisfactorily low by matching the binding interest rate for the bank's liabilities with the binding interest rate for the bank's assets. Reference is made to Note 16 for further details, as well as a specification of interest rate risk per instrument type and underlying yield curve risk.

The coupon for issued securities consists of a market interest rate component and an issuer specific credit risk markup. For securities borrowing at fixed interest rates, the bank hedges itself against value changes due to changes in market interest rates (IBOR). Both IBOR and the credit risk premium are material components on calculating the fair value of fixed interest-rate borrowing, but the IBOR component dominates. For a NOK issue with a 5-year term as of 31.12.2018, the coupon's ratio between the IBOR component and the credit risk premium would have been an estimated 70/30 per cent.

The bank uses fair value hedging, whereby the securities issues are part of a hedging relationship with individually costumised hedging derivatives. In all of Bank's the hedging relationships as of 31.12.2018, the hedged item and the hedging instrument have the same principal and equivalent duration, and coupon interest for the fixed leg (1:1 hedging). The fixed interest rate is swapped to a floating interest rate on a three-month basis. As a consequence, net cash flows for securities issues at fixed interest rates in hedging structures are equivalent to the cash flow for an equivalent securities issue at a variable 3-month IBOR interest rate. Reference is made to Note 18 for maturity-distributed cash flows related to issued securities and related derivatives.

Parent Bank and Group

Information concerning hedging instruments

	Nominal amount of the hedging instrument	Book amount of the hedging instrument		Line of the balance sheet	Changes in fair value used to calculate inefficiency
		Assets	Liabilities		
Fair value hedging (interest rate risk)					
Issued securities in NOK	7 281	132	22	Financial derivatives	-87
Issued securities in EUR	7 787	311	0	Financial derivatives	122
Total	**15 068**	**443**	**22**		**35**

Information concerning hedged items

	Nominal amount of the hedged item	Booked amount of the hedged item	Accumulated value change in the hedged item as a consequence of the hedging of fair value	Line of the balance sheet	Changes in fair value used to calculate inefficiency
Issued securities in NOK	7 281	7 415	15	Issued securities	85
Issued securities in EUR	7 787	8 187	118	Issued securities	-120
Total	**15 068**	**15 602**	**133**		**-36**

Details of hedging inefficiency

	Inefficiency recognised in profit or loss	Line of the income statement
Fair value hedging (interest rate risk)		
Issued securities in NOK	-2	Net income from financial assets and liabilities
Issued securities in EUR	2	Net income from financial assets and liabilities
Total	**0**	

Maturity structure and interest rates on the hedging instruments

	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Issued securities in NOK , nominal amount	750	400	3 800	2 331	**7 281**
Issued securities in NOK, average interest rate on fixed leg	3,7 %	3,5 %	3,1 %	2,6 %	**3,0 %**
Issued securities in EUR, nominal amount			5 840	1 947	**7 787**
Issued securities in EUR, average interest rate on fixed leg			0,8 %	1,6 %	**1,0 %**

Inefficiency in the bank's hedging structure mainly arises on the basis of fair value adjustments of the variable leg of the hedging instrument. Other sources of inefficiency are assessed to be insignificant.

In the hedging of issued securities in EUR, hedging instruments (interest and currency swaps) are used that include a currency basis spread. The basis spred is held outside the hedging structure in accordance with 6.5.16 of IFRS 9, and value changes due to changes in the basis spread are recognised on separate lines in other comprehensive income. In 2018, basis spred changes for NOK 51 million led to a tax-adjusted reduction of the comprehensive result and equity of NOK 38 million.

Note 39 — Other debt and liabilities

Parent bank			Group	
2017	**2018**	**Other debt and liabilities recognised in the balance sheet**	**2018**	**2017**
88	94	Accrued costs and prepaid income	141	135
4	25	Guarantee provisions	25	4
84	86	Pension liabilities (note 24)	87	87
81	83	Accounts payable	91	88
0	0	Unsettled trades	0	0
173	244	Other debt and liabilities recognised in the balance sheet	343	227
431	**532**	**Total other debt and liabilities recognised in the balance sheet**	**687**	**541**
		Guarantee commitments etc. (amounts guaranteed)		
497	398	Payment guarantees	396	497
545	482	Contract guarantees	390	453
7	71	Loan guarantees	71	7
5	0	Guarantees for taxes	0	5
106	255	Other guarantees	255	106
1 160	**1 206**	**Total guarantees**	**1 112**	**1 068**
		Other liabilities - not on the balance sheet		
9 176	17 413	Unutilized credit lines	10 064	8 478
1 557	2 722	Loans approved (not discounted)	3 088	1 795
0	0	Other liabilities	0	0
10 733	**20 135**	**Total other liabilities**	**13 152**	**10 273**
12 324	**21 873**	**Total liabilities**	**14 951**	**11 882**

Buildings	Securities	Total	Assets pledged as security	Buildings	Securities	Total
			Assets pledged as security in 2018			
0	7 553	7 553	Related liabilities 2018	0	7 553	7 553
			Assets pledged as security in 2017			
0	5 438	5 438	Related liabilities 2017	0	5 438	5 438

SpareBank SpareBank 1 Boligkreditt AS

Together with the other shareholders of SpareBank 1 Boligkreditt AS, SpareBank 1 Østlandet agreed in 2010 to provide a liquidity facility to SpareBank 1 Boligkreditt AS. This involves the banks committing themselves to buying residential mortgage bonds with a maximum total value corresponding to SpareBank 1 Boligkreditt's debt maturing over the next twelve months minus the firm's own holdings of liquidity. The agreement means that each shareholder has principal responsibility for his share of the requirement, and secondary responsibility for double the value of his principal responsibility. The bonds can be deposited with Norges Bank, which means that they do not significantly increase the Bank's risk exposure.

Secured debt

Debt secured against financial instruments is made up entirely of securities lodged as collateral for access to overnight loans with Norges Bank.

Ongoing lawsuits

The Group is involved in some legal disputes whose financial implications are deemed not to have significant impact on its financial position. The Group has made provisions for losses in the cases in which there is a probability that it will suffer losses as a consequence of the lawsuits.

Note 40 — Equity capital certificates and ownership structure

Parent Bank	2018	2017
Equity capital certificates	5 766	5 359
Dividend equalisation fund	2 112	1 584
Dividend	477	424
Premium fund	830	547
A. Equity capital certificate owners' capital	**9 185**	**7 914**
Primary capital	3 690	3 432
Dividend customers return	222	204
Other paid-up equity	166	165
B. Total primary capital	**4 078**	**3 801**
Fund for unrealised gains	252	279
Provision for gifts	15	20
Total other equity	**267**	**299**
Other equity	0	-
Hybrid capital	400	400
Interest cost for hybrid capital	-30	-8
Total equity	**13 900**	**12 406**
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	**69,3 %**	**67,6 %**
Equity certificates issued 31.12.2018	**115 319 521**	**107 179 987**
Equity certificates with the rigt to dividend[1)]	**115 829 789**	

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

20 largest owners of equity certificates:	No. Of EC's	Share in %
Sparebankstiftelsen Hedmark	60 404 892	52,38 %
Landsorganisasjonen LO sentralt	11 528 863	10,00 %
Tredje AP-Fonden	2 806 615	2,43 %
Fellesforbundet	1 950 901	1,69 %
Danske Invest Norske	1 847 725	1,60 %
ODIN Norge	1 621 218	1,41 %
Norsk Nærings og Nytelsesmiddelarbeiderforbund	1 219 526	1,06 %
VPF EIKA Egenkapitalbevis	1 046 599	0,91 %
SpareBank 1 BV	1 039 523	0,90 %
Fidelity PUR.TRUST:F Intrinsic Opportunit	1 000 000	0,87 %
Danske Invest Norske aksjer	993 400	0,86 %
SEB Nordenfond	866 680	0,75 %
SpareBank 1 Østfold Akershus	839 930	0,73 %
State Street Bank and A/C Client Omnibus	806 728	0,70 %
Landkreditt Utbytte	800 000	0,69 %
DnB NOR Bank ASA	755 803	0,66 %
State Street Bank and S/A SSB Client Omnibus	723 227	0,63 %
Arctic Funds PLC	657 066	0,57 %
JPMorgan Chase Bank	545 030	0,47 %
Skandinaviska Enskilda Banken	535 218	0,46 %

Dividend policy

SpareBank 1 Østlandet believes it is important to provide its owners with a competitive, stable cash dividend based on good profitability and a high dividend capacity. The Bank's goal is to pay out 50 per cent of each year's profit after tax (majorityshare of group profit) as dividends to equity certificate holders and customer dividends from the primary capital. The Bank's long-term profitability target is a return on equity of 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 41 — Investments in subsidiaries, associates and joint ventures

Company	Type of business	Date of acquisition.	Business office, headquarters [2]	Percentage ownership[1]
Investments in subsidiaries				
Shares owned by the parent bank				
Vato AS	Rental of real estate	1981	Hamar, Norway	100,00 %
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norway	100,00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	95,00 %
EiendomsMegler 1 Oslo Akershus AS Group	Real estate	2016	Oslo, Norway	100,00 %
Youngstorget 5 AS	Rental of real estate	2017	Oslo, Norway	100,00 %
SpareBank 1 Østlandet VIT AS Group	Accounting	2018	Hamar, Norway	70,68 %
Investeringer i tilknyttede selskaper				
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	21,61 %
SpareBank 1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	13,35 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	20,50 %
SpareBank 1 Betaling AS	Payment services	2015	Oslo, Norway	18,74 %
Betr AS	Develop and coordinate cooperation in SpareBank 1 Alliansen	2017	Tromsø, Norway	20,00 %
SMB Lab AS	Consulting	2017	Trondheim, Norway	20,00 %
Investeringer i felleskontrollert virksomhet				
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway	12,40 %
SpareBank 1 Banksamarbeidet DA	Develop and coordinate cooperation in SpareBank 1 Alliansen	2006	Oslo, Norway	18,00 %

1) The voting share corresponds to the ownership interest in all the companies.

2) Registered office and head quarters are the same for all companies exept SpareBank 1 Gruppen AS whose headquarters is placed in Oslo.

Shares in subsidiaries parent bank

Investments are recognised at cost in the parent bank. The figures are fully consolidated in the consolidated financial statements.

2018	The company's share capital	No. of shares	Assets [3]	Short-term debt	Long-term debt	Total income	Total expenses	company profit	Book value
SpareBank 1 Finans Østlandet AS	1 270	1 206 500	8 006	98	6 513	297	92	139	1 207
Total investments in credit institutions			**8 006**	**98**	**6 513**	**297**	**92**	**139**	**1 207**
EiendomsMegler 1 Hedmark Eiendom AS	12	12 400	71	21	25	120	109	8	20
EiendomsMegler 1 Oslo Akerhus AS - Group	1	1	76	16	21	214	206	3	58
SpareBank 1 Østlandet VIT AS - Group	30	212 040	134	39	24	164	174	-9	81
Vato AS	1	352	18	1	3	5	2	2	9
Youngstorget 5 AS	23	231 948	122	4	7	15	18	-2	148
Total investments in other subsidiaries			**420**	**81**	**79**	**518**	**510**	**3**	**315**
Total investments in Group companies parent bank			**8 426**	**179**	**6 592**	**815**	**602**	**142**	**1 521**

2017	The company's share capital	No. of shares	Assets [3]	Short-term debt	Long-term debt	Total income	Total expenses	company profit	Book value
SpareBank 1 Finans Østlandet AS	1 055	1 054 500	7 247	52	5 964	273	89	118	1 055
Total investments in credit institutions			**7 247**	**52**	**5 964**	**273**	**89**	**118**	**1 055**
EiendomsMegler 1 Hedmark Eiendom AS	12	12400	61	21	12	109	95	10	20
EiendomsMegler 1 Oslo Akerhus AS	1	1	84	28	21	194	205	-12	58
SpareBank 1 Regnskapshuset Østlandet AS	38	1 250 000	130	30	23	147	150	-3	81
Vato AS	1	352	17	1	3	5	3	2	9
Youngstorget 5 AS	23	231 948	128	2	8	15	10	4	148
Total investments in other subsidiaries			**420**	**81**	**67**	**469**	**463**	**2**	**315**
Total investments in Group companies parent bank			**7 667**	**134**	**6 030**	**742**	**552**	**120**	**1 370**

3) Assets classified as fixed assets

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised at cost in the parent bank. Consolidated figures are presented according to the equity method of accounting.

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
1 681	3 336	Book value at 1 January	3 929	3 618
1 654	305	Acquisitions/disposals*	299	288
0	-6	Reclassification from associated company to subsidiary	-6	0
0	0	Impairment provisions	0	0
0	0	Changes in equity	-54	4
0	0	Share of the profit	199	190
0	0	Dividend paid	-244	-170
3 336	**3 635**	**Book value at 31 December**	**4 124**	**3 929**

*)In the merger between Sparebanken Hedmark and Bank1 Oslo Akershus AS, investments in associated and jointly controlled companies totaled NOK 1,338 million

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2017	2018		2018	2017
145	182	Dividend SpareBank 1 Gruppen AS	0	0
22	15	Dividend SpareBank 1 Boligkreditt AS	0	0
15	10	Dividend EiendomsMegler 1 Hedmark Eiendom AS	0	0
81	112	Dividend SpareBank 1 Finans Østlandet AS	0	0
0	44	Dividend SpareBank 1 Kredittkort AS	0	0
0	4	Dividend Youngstorget 5 AS	0	0
2	4	Dividend from others	0	0
0	0	Share of the profit SpareBank 1 Gruppen AS	184	222
0	0	Share of the profit SpareBank 1 Boligkreditt AS	-8	-44
0	0	Share of the profit SpareBank 1 Næringskreditt AS	3	1
0	0	Share of the profit SpareBank 1 Kredittkort AS	27	17
0	0	Share of the profit SpareBank 1 Mobilbetaling AS	0	-15
0	0	Share of the profit SpareBank 1 Betaling AS	-12	-7
0	0	Share of the profit SpareBank 1 Østlandet VIT AS Group	-9	0
0	0	Share of the profit from others	-3	1
9	-13	Impairment provisions	9	0
1	9	Gains/losses on realisation of ownership investments	7	19
275	**369**	**Total income**	**198**	**194**

The Group's stake in joint ventures

2018	Sparebank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Total joint ventures
Ownership in per cent	12,40 %	18,00 %	
Number of shares	242 594		
Current assets	6 785	26	
Fixed assets	2 563	183	
Total assets	**9 348**	**209**	
Short-term liabilities	879	79	
Long-term liabilities	7 451	101	
Equity capital	1 018	29	
Total equity capital and liabilities	**9 348**	**209**	
Income	1 701	223	
Operating expenses	1 529	222	
Profit/loss before tax	172	1	
Tax	-12	-0	
Result for the accounting year	**184**	**1**	
Comprehensive income	**1**	**0**	
Book value Parent Bank	**663**	**19**	**682**
Book value Group	**1 204**	**19**	**1 223**

2017	Sparebank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Total joint ventures
Ownership in per cent	12,40 %	18,00 %	50,00 %	
Number of shares	242 594		8 000	
Current assets	6 343	18	1	
Fixed assets	2 418	182	19	
Total assets	**8 761**	**200**	**21**	
Short-term liabilities	565	86	0	
Long-term liabilities	7 170	85	10	
Equity capital	1 025	29	10	
Total equity capital and liabilities	**8 761**	**200**	**21**	
Income	2 221	202	2	
Operating expenses	1 947	198	1	
Profit/loss before tax	274	4	2	
Tax	49	0	0	
Result for the accounting year	**225**	**3**	**1**	
Comprehensive income	**5**	**0**	**0**	
Book value Parent Bank	**663**	**19**	**8**	**691**
Book value Group	**1 211**	**19**	**10**	**1 241**

Group's stake in associates companies

2018	SpareBank 1 Boligkreditt AS *)	SpareBank 1 Næringskreditt AS *)	SpareBank 1 Kredittkort AS	SpareBank 1 Betaling AS	Other associated companies	Total associated companies
Ownership in per cent	21,61 %	13,35 %	20,50 %	18,73 %		
Number of shares	15 539 102	2 167 241	592 169	3 120 482		
Current assets	53 057	1 784	1 176	0	7	
Fixed assets	0	0	43	123	12	
Total assets	**53 057**	**1 784**	**1 219**	**123**	**19**	
Short-term liabilities	270	17	55	0	2	
Long-term liabilities	50 284	1 490	943	0	0	
Equity capital	2 503	277	222	123	17	
Total equity capital and liabilities	**53 057**	**1 784**	**1 219**	**123**	**19**	
Income	9	10	116	0	0	
Operating expenses	7	2	80	10	0	
Profit/loss before tax	1	8	36	-10	0	
Tax	0	1	9	0	0	
Result for the accounting year	**1**	**7**	**27**	**-10**	**0**	
Comprehensive income	**- 45**	**0**	**0**	**0**	**0**	
Book value Parent Bank	**2 332**	**273**	**188**	**136**	**23**	**2 952**
Book value Group	**2 248**	**277**	**232**	**123**	**20**	**2 901**

*) The banks share of profit shown in the table above deviates from the banks profit share in the consolidatet result. This is due to changes in ownership interests throughout the year and the Group's earnings ratio has been adjusted for interest on hybrid capital.

2017	SpareBank 1 Boligkreditt AS*	SpareBank 1 Næringskreditt AS*	SpareBank 1 Kredittkort AS	SpareBank 1 Mobilbetaling AS	Other associated companies	Total associated companies
Ownership in per cent	21,08 %	12,40 %	19,59 %	21,20 %		
Number of shares	14 271 965	1 810 992	565 589	1 760		
Current assets	55 271	1 329	1 092	4	10	
Fixed assets	0	218	78	57	11	
Total assets	**55 271**	**1 547**	**1 170**	**61**	**20**	
Short-term liabilities	5 170	3	40	0	1	
Long-term liabilities	47 725	1 290	901	0	0	
Equity capital	2 376	254	228	61	19	
Total equity capital and liabilities	**55 271**	**1 547**	**1 170**	**61**	**20**	
Income	731	34	99	0	0	
Operating expenses	782	24	77	7	0	
Profit/loss before tax	-50	10	22	-7	0	
Tax	13	2	5	0	0	
Result for the accounting year	**-38**	**7**	**16**	**-7**	**0**	
Comprehensive income	**0**	**0**	**0**	**0**	**0**	
Book value Parent Bank	**2 142**	**229**	**177**	**68**	**29**	**2 645**
Book value Group	**2 127**	**233**	**239**	**61**	**29**	**2 689**

*) The banks share of profit shown in the table above deviates from the banks profit share in the consolidatet result. This is due to changes in ownership interests throughout the year and the Group's earnings ratio has been adjusted for interest on hybrid capital.

Contingent liabilities related to investments in joint ventures and associates are disclosed in note 39.

Note 42 — Material transactions with related parties

Related parties are here considered to be associated companies, joint ventures, subsidiaries and companies held for sale and in which the Bank has a significant influence. These companies are specified in Note 41. In this context, associated companies also include our largest owners (see Note 40) and SpareBank 1 Gruppen AS with associated companies because they are subject to the same joint control pursuant to the assessment rules in IAS 24, point 9.b ii-iv.

The Bank's outstanding balances with Group management and board members are shown in note 23.

Subsidiaries

2018	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	6 465	0	2	110	0	11	4	0	0
EiendomsMegler 1 Hedmark Eiendom AS	22	0	4	0	1	0	5	3	0
EiendsomsMegler 1 Oslo Akershus AS Group	0	0	12	0	1	0	4	2	92
SpareBank 1 Østlandet VIT AS - Group	23	0	7	0	1	0	1	0	2
Other subsidiaries	-3	0	16	0	0	0	0	16	0
Total subsidiaries	**6 507**	**0**	**42**	**110**	**2**	**11**	**14**	**21**	**94**

2017	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	5 912	0	2	92	0	9	2	0	0
EiendomsMegler 1 Hedmark Eiendom AS	12	0	4	0	0	0	3	2	0
EiendsomsMegler 1 Oslo Akershus konsern	1	0	5	0	0	0	4	1	92
SpareBank 1 Regnskapshuset Østlandet AS	18	0	8	1	0	0	0	0	1
Other subsidiaries	3	0	3	0	0	0	1	16	0
Total subsidiaries	**5 946**	**0**	**23**	**94**	**0**	**9**	**10**	**19**	**93**

Associated companies and joint ventures

2018	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Boligkreditt AS	0	448	0	8	0	348	0	0	0
SpareBank 1 Næringskreditt AS	0	0	0	0	0	17	0	0	0
SpareBank 1 Gruppen AS	550	0	0	21	0	172	0	0	0
SpareBank 1 Kredittkort AS	940	17	0	27	0	66	0	0	0
Other associated companies and joint ventures	565	0	6 948	27	44	24	0	0	12
Total associated companies and joint ventures	**2 056**	**465**	**6 948**	**83**	**44**	**628**	**0**	**0**	**12**

2017	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Boligkreditt AS	0	147	0	5	0	362	0	0	0
SpareBank 1 Næringskreditt AS	0	21	0	1	0	15	0	0	0
SpareBank 1 Gruppen AS	466	0	5	7	3	177	0	0	0
SpareBank 1 Kredittkort AS	940	17	0	25	0	62	0	0	0
Other associated companies and joint ventures	518	0	5 698	25	55	20	0	0	7
Total associated companies and joint ventures	**1 924**	**186**	**5 703**	**62**	**57**	**635**	**0**	**0**	**7**

All loans to related parties are recognised in the Parent bank. In addition, loand have been transferred to SpareBank 1 Boligkreditt AS for NOK 39,792 million and SpareBank 1 Næringskreditt AS for NOK 1,433 million per 31.12.2018. The corresponding figures for 2017 was NOK 37,451 million to SpareBank 1 Boligkreditt AS and NOK 1,624 million to SpareBank 1 Næringskreditt AS.

Note 43 — IFRS 16 Leases

In connection with the implementation of IFRS 16 Leases as from 01.01.2019, 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. The following transitional provisions have been determined:

- The Group will use the opportunity to apply the modified retrospective method to the transition to IFRS 16. 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 the whole effect is taken to the opening balance in 2019. This choice has been made for all agreements.

- The Group makes use of the exemptions on recognition of short-term leases (defined as 12 months or less) and low-value leases (below USD 5,000). Leases that are covered by these exemptions are recognised on a continuous basis as other operating costs.

- The right of use will be presented in the balance sheet as part of “Property, plant and equipment”, while the lease obligation will be presented as “Other debt” under liabilities.

- Fixed non-lease components built into the lease contract will be separated and will not be recognised as part of the obligation.

- The lease obligation will be discounted at the bank's marginal lending rate.

The various rights of use are subject to impairment testing as of the transition date.

Effects on the Balance sheet due to the implementation of IFRS 16

Parent Bank			Group	
IAS 17	IFRS 16		IFRS 16	IAS 17
31.12.2018	01.01.2019		01.01.2019	31.12.2018
0	224	Right of use	170	0
0	224	Lease obligation	170	0

The increase in assets and liabilities as at the implementation date is not significant compared to the Group's total balance sheet and total capital adequacy ratio. The effects on the result as a consequence of the new standard are also not assumed to have a significant effect on the Group's operating profit, but the costs will be reclassified from other operating costs to depreciation and interest costs.

Note 44 — GRI Index

The Global Reporting Initiative (GRI) is the leading standard for sustainability reporting. The GRI guidelines consist of principles, guidance and performance indicators that can be used by companies to measure and report on economic, environmental and social matters. Sparebank 1 Østlandet has reported according to the GRI standard since 2017. For more information on the GRI, see globalreporting.org.

GENERAL DISCLOSURES		
GRI indicator	**Description**	**SpareBank 1 Østlandet's reporting**
Organisational profile		
102-1	Name of the organisation	SpareBank 1 Østlandet
102-2	Most important products and/or services	Annual report page 6, chapter "About Sparebank 1 Østlandet"
102-3	Location of headquarters	Annual report page 6, chapter "About Sparebank 1 Østlandet"
102-4	Number of countries where the business operates	Annual report page 6, chapter "About Sparebank 1 Østlandet"
102-5	Ownership and legal form	Annual report page 34, chapter "Corporate governance" and Note 40 "Equity certificates and ownership structure" page 118
102-6	Markets served	Annual report page 6, chapter "About Sparebank 1 Østlandet" and chapter "A responsible banking provider", Figure showing lending portfolio page 18
102-7	Scale of the organisation	Annual Report page 4 "Main figures from the Group", page 62 "Income Statement", page 31 "Social accounts", page 47 "Report of the Board of Directors"
102-8	Total number of employees by employment type, contract and region, by gender	Annual Report page 31, "Social accounts" and page 28, chapter "Keeping our own house in order" (own figure.)
102-9	Description of the company's supply chain	Annual report page 22, chapter "A responsible banking provider" section "Procurement and requirements for suppliers"
102-10	Significant changes during the reporting period relating to size, structure and ownership	One bank branch closed down. See "About Sparebank 1 Østlandet" page 6 and "A look back" page 45 about the share issue. "A responsible banking provider" page 22 (about suppliers).
102-11	Description of whether and how the precautionary principle is applied in the organisation	The Bank refers to the Global Compact, Principle 7, and to chapter "A responsible banking provider", section "Responsible lending" page 17
102-12	External initiatives, charters or principles concerning financial, environment and social areas to which the organisation supports or has committed itself to	Annual report "Organisations and initiatives we support" page 12
102-13	Membership of industry organisations or other associations, and national/ international lobbying groups	Annual report page 16. Member of Finance Norway and the waterways association for Mjøsa.
Strategy		
102-14	Statement from the Chief Executive	Annual report page 3 "A word from the CEO"
Ethics and integrity		
102-16	The company's values, principles, standards and norms for behaviour.	Annual Report page 7 "About Sparebank 1 Østlandet" (table) and page 27, chapter "Keeping our own house in order", section "Ethics" https://www.sparebank1.no/content/dam/SB1/bank/ostlandet/omoss/samfunn/SB1O_Etiske_retningslinjer.pdf
Governance		
102-18	The company's governance structure, including supreme authority and committees responsible for making decisions on financial, environmental and social topics.	Annual report, chapter "How we manage sustainability" page 8, "Corporate governance," page 32, "Report of the Board of Directors" page 58
Stakeholder engagement		
102-40	Stakeholder groups to which the organisation is talking	Annual report page 14 chapter "Stakeholder engagement" and "Stakeholder map" page 15

102-41	Percentage of employees covered by collective bargaining agreements	100 per cent of employees are covered by collective bargaining agreements 74 per cent are members of a trade union.
102-42	Description of how the business chooses relevant stakeholders	Annual report, chapter "Stakeholder engagement" page 14, and materiality analysis page 11
102-43	Approach to stakeholder engagement, including how often the stakeholders are involved, by type and stakeholder group.	Annual report, chapter "Stakeholder engagement" page 14
102-44	Key topics and concerns raised through dialogue with stakeholders and the company's response.	Annual report chapter "Stakeholder engagement" page 14, "Stakeholder map" page 16, "How we manage sustainability" page 8, Materiality matrix page 11, chapter "A responsible banking provider"
Reporting practice		
102-45	Overview of all entities included in the organisation's consolidated financial statements or equivalent documents	Annual report Note 1 "General Information" page 69, Note 41 "Investments in subsidiaries, associates and joint ventures" page 119
102-46	Description of the process for defining the report's content and boundaries, as well as implementation of the reporting principles	Annual Report "How we manage sustainability" page 8, and "Stakeholder engagement" page 14.
102-47	List of material topics	Annual report chapter "How we manage sustainability", section "Our key sustainability issues" page 11
102-48	Restatements of historical information from previous reports	None
102-49	Material changes from previous report with respect to the content's scope, report boundaries, or measurement methods	None
102-50	Reporting period	2018
102-51	Date of most recent report	March 2018
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report or content	karoline.bakka.hjerto@sb1ostlandet.no
102-54	Reporting level	GRI standard level "core"
102-55	GRI index	Annual report page 124
102-56	Applicable practice for external assurance of reporting	The report has not been externally verified

SPECIFIC INFORMATION			
GRI indicator	**Description**	**SpareBank 1 Østlandet's reporting**	**Partial reporting**
FINANCES			
103-1	Explanation of material topics and their boundaries	Annual Report "How we manage sustainability" page 8, and "Income statement" page 62	
103-2	Description of the management approach that covers material topics	Annual Report "How we manage sustainability" page 8, "Corporate governance" page 32, and "Income statement" page 62	
103-3	Evaluation of the management approach	Annual Report "How we manage sustainability" page 8, "Corporate governance" page 32, and "Income statement" page 62	
Economic Performance			
201-1	Direct economic value generated and distributed	Annual Report "Main Figures from the Group" page 4, and "Income statement" page 62	
201-2	Financial implications and other risks and opportunities due to climate change Reports on risks and opportunities as drivers of innovation and product adaptation, but not methods and financial calculations.	Annual Report "Climate and climate risk" page 19, "A responsible banking provider", section "Green products and sustainable innovation" page 20, and "High rate of innovation in the bank" page 41	
Indirect economic impacts			
203-1	Infrastructure investments and other services	Annual report "A responsible banking provider" page 17, section "Green products and sustainable innovation" page 20, and "High rate of innovation in the bank" page 41	

SOCIETY			
103-1	Explanation of material topics and their boundaries	Annual Report chapter "How we manage sustainability" page 8, and chapter "Economic crime and anti-corruption" page 23	
103-2	Description of management system that covers important topics	Annual Report chapter "How we manage sustainability" page 8, and chapter "Economic crime and anti-corruption" page 23	
103-3	Evaluation of the control system	Annual Report chapter "How we manage sustainability" page 8, and chapter "Economic crime and anti-corruption" page 23	
Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Annual report chapter Economic crime and anti-corruption", section "The Bank's work against corruption" page 23, and "Training" page 24	
205-3	Confirmed incidents of corruption and corrective actions	Annual report "Economic crime and anti-corruption" page 23 The Bank had no incidents related to corruption in 2018.	
ENVIRONMENT			
103-1	Explanation of material topics and their boundaries	Annual Report "How we manage sustainability" page 8, "Climate and climate risk" page 19, and "Procurement and requirements for suppliers" page 22.	
103-2	Description of management system that covers important topics	Annual Report "How we manage sustainability" page 8, "Climate and climate risk" page 19, "The Bank's environmental work" page 27, and "Procurement and requirements for suppliers" page 22.	
103-3	Evaluation of the control system	Annual Report "How we manage sustainability" page 8, "Climate and climate risk" page 19, "The Bank's environmental work" page 27, and "Procurement and requirements for suppliers" page 22.	
Environmental impact of procurement			
308-2	Negative Impact in the supply chain	Annual report "Procurement and requirements for suppliers" page 22	
EMPLOYEES			
103-1	Explanation of material topics and their boundaries	Annual Report "How we manage sustainability" page 8, "Keeping our own house in order" page 26.	
103-2	Description of management system that covers important topics	Annual Report "How we manage sustainability" page 8, "Keeping our own house in order" page 26.	
103-3	Evaluation of the control system	Annual Report "How we manage sustainability" page 8, "Keeping our own house in order" page 26.	
Work			
401-1	Number of new hires	Annual report "Social accounts" page 31	Not broken down by gender, age and region.
	Turnover	Annual report "Social accounts" page 31	
401-2	Benefits given to full-time employees, and not to temporary or part-time employees. Includes minimum life cover, health care, disability and invalidity benefit, parental leave, pension scheme, share ownership.	These schemes apply to all permanent staff in full and part-time employment. Temporary staff are not covered by the Bank's staff insurance schemes.	
401-3	Number of employees, broken down by gender, who are entitled to parental leave	100 per cent	
	Number of employees, broken down by gender, who took parental leave	28 in total, 16 women and 12 men	
	Number of employees, broken down by gender, who returned to work during the reporting period after the end of parental leave	28 in total, 16 women and 12 men	
	Number of employees, broken down by gender, who were still employed for 12 months after returning to work from parental leave	Not currently possible to extract from HR system.	
	Enter "work rate"	100 per cent	
	Enter "retention rate"	100 per cent	

Training			
404-1	Average hours of training per year per employee	Annual Report chapter "Training" page 24	Reports on training schemes. Training is not broken down by hours per employee.
404-2	Programmes for upgrading employee skills and transitioning to retirement.	Annual Report chapter "Training" section "Training of employees" page 24	Reports on programmes for further education.
404-3	Percentage of employees receiving regular performance and career development reviews	100 per cent	
Diversity and equal opportunity			
405-1	Diversity of governance bodies and executive management team	Annual Report chapter "Keeping our own house in order" page 26, and Group Management page 141.	Gender composition reported for managers and the Board. Not broken down by other position or age categories.
405-2	Pay differences between men and women	Annual Report chapter 'Keeping our own house in order', section on 'labour rights, equality and diversity' page 27	The pay ratio between men and women is not broken by position category and workplace.
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Annual Report chapter 'Keeping our own house in order', section on 'labour rights, equality and diversity' page 27	
PURCHASING			
103-1	Explanation of material topics and their boundaries	Annual Report "How we manage sustainability" page 8, "Procurement and requirements for suppliers" page 22.	
103-2	Description of management system that covers important topics	Annual Report "How we manage sustainability" page 8, "Procurement and requirements for suppliers" page 22.	
103-3	Evaluation of the control system	Annual Report "How we manage sustainability" page 8, "Procurement and requirements for suppliers" page 22.	
Social impact of Procurement			
414-2	Negative social impact in the supply chain	Annual Report chapter "A responsible banking provider", section "Procurement and requirements for suppliers", page 22	
MARKETING AND PRIVACY PROTECTION			
103-1	Explanation of material topics and their boundaries	Annual Report "How we manage sustainability" page 8, "A responsible banking provider" section "Ethical marketing" page 22, and "Economic crime and anti-corruption", section "Privacy/GDPR" page 24.	
103-2	Description of management system that covers important topics	Annual Report "How we manage sustainability" page 8, "A responsible banking provider" section "Ethical marketing", page 22 and "Economic crime and anti-corruption" section "Privacy/GDPR" page 24.	
103-3	Evaluation of the control system	Annual Report "How we manage sustainability" page 8, "A responsible banking provider" section "Ethical marketing" page 22, and "Economic crime and anti-corruption", section "Privacy/GDPR" page 24.	
Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information and labelling	Annual Report chapter "A responsible banking provider" section "Ethical marketing" page 22	
417-3	Incidents of non-compliance concerning marketing communications	Annual Report chapter "A responsible banking provider", section "Ethical marketing" page 22	
Data protection			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual Report chapter "Economic crime and anti-corruption", section "Privacy/GDPR" page 24	

PRODUCT LIABILITY AND ACTIVE OWNERSHIP			
103-1	Explanation of material topics and their boundaries	Annual Report "How we manage sustaina-bility" page 8, and "A responsible banking provider", section "Responsible lending" page 17	
103-2	Description of management system that covers important topics	Annual Report "How we manage sustaina-bility" page 8, and "A responsible banking provider", section "Responsible lending" page 17, and "Green products and sustainable innovation" page 20	
103-3	Evaluation of the management approach	Annual Report "How we manage sustaina-bility" page 8, and "A responsible banking provider", section "Responsible lending" page 17, and "Green products and sustainable innovation" page 20	
Product liability			
FS7	Report on monetary value of products and services designed to deliver a specific social benefit	Annual Report chapter "A responsible banking provider", section "Responsible lending" page 17, and "Green products and the commencement of innovation" page 20	
FS8	Report on monetary value of products and services designed to deliver a specific environmental benefit	Annual report chapter "A responsible banking provider", section "Responsible lending" page 17, and "Green products and sustainable innovation" page 20	
Active ownership			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	Annual Report chapter "A responsible banking provider", section "Responsible and active ownership" page 21, and "Requirements for fund providers" page 21	
FS-11	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	Annual Report chapter "A responsible banking provider", section "Responsible and active ownership" page 21, and "Responsible investments in liquidity management" page 21.	

Note 45 Events occurring after the balance sheet day

On 28 January 2019, SpareBank 1 Østlandet received a binding advance notification from the Norwegian Tax Administration that the bank's customer dividends paid out are tax-deductible. On 19 April 2018, dividends of NOK 202 million were paid to the bank's loan and deposit customers. The payout gives a tax deduction of NOK 51 million for the income year 2018. The tax deduction is recognised in accordance with IAS 12 as a reduction in tax costs for 2018.

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

Statement from the Board of Directors and Chief Executive Officer

We confirm that according to our firm belief the annual accounts for the period from 1 January to 31 December 2018 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-5.

The Board of the Directors of SpareBank 1 Østlandet
Hamar, 4. March 2019

Siri J. Strømmevold
Chair of the board

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen
Employee representative

Guro Nina Vestvik

Vibeke Hanvold Larsen
Employee representative

Morten Herud

Hans-Christian Gabrielsen

Richard Heiberg
CEO

To the General Meeting of SpareBank 1 Østlandet

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 Østlandet, which comprise:

- The financial statements of the parent company SpareBank 1 Østlandet (the Company), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SpareBank 1 Østlandet and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Bank's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events that qualified as new Key Audit Matters. The implementation of IFRS 9 has altered the way we audited the valuation of loans to customers, but our focus areas have been the same for 2018 as the previous year.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Auditors Report - SpareBank 1 Østlandet

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of loans to customers

Loans to customers represents a considerable part of the Bank's total assets. The assessment of impairment losses is a model based framework which includes elements of management judgement. The framework is complex and includes a considerable volume of data and judgemental parameters.

We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling.

IFRS 9 took effect on 1 January 2018. The most significant change compared to the previous regime is the fact that the impairment model now is based on expected credit losses rather than incurred losses. The implementation of a new accounting standard adds to the complexity, and consequently the inherent risk of errors, in the modelling

The use of models to determine expected credit losses entails judgement, specifically with respect to:

- classification of the various credit portfolios by risk and asset type;
- identification of impaired loans or loans presenting a significant increase in credit risk;
- the categorisation of loans into stages; and
- the parameters such as the probability of default and loss given default and loss scenarios.

The Bank's business is concentrated on the provision of vehicle and property finance

Our work in the area of the impairment of loans and advances to customers on account of credit risk focused on analysing, assessing and verifying the control environment and performing tests of details with respect to the provisions estimated collectively and individually. As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with:

- the calculation and methodologies used by management;
- whether the management-approved model was in compliance with the framework and the model worked as intended;
- the reliability of the sources of the data used in the model.

Our testing of internal controls did not indicate material errors in the modelling or deviation from IFRS9.

For loans where the impairment amounts were individually calculated, we tested a sample by assessing the estimated future cash flows used by management to substantiate the impairment calculation. We challenged management's assumptions by interviewing key credit personnel and management both to assess the information received from customers and to assess how the reliability of the information were evaluated. We compared the assumptions made by management to external documentation when available. The result of the testing of individual impairments showed that management's assumptions in the calculation of impairment amounts were reasonable.

Refer to note 2, note 3, note 6, note 8, note 11 and 12 in the annual report for the description of the Bank's model and processes to estimate loan-loss impairment provisions and the implementation of IFRS 9. We read the notes and found them to be adequate and to give a balanced overview of the model, parameters and judgemental assumptions used.

(2)

Auditors Report - SpareBank 1 Østlandet

to private customers and financing for different purposes to corporate customers. It's internal model is designed to estimate loan-loss impairment provisions for each of these segments. In addition individual provisions are made for loans with incurred credit losses. This assessment requires judgements by management.	
Valuation of financial instruments at fair value The valuation of the Groups financial instruments is key to the audit due to the significance of the amounts. Further, management exercise material judgement in valuation of some of these financial assets and liabilities were only limited external information is available to support the values. Management have developed a model for calculating the value of the financial instruments at the balance sheet date. Refer to note 3 for description of the valuations	We assessed and tested the design and operational effectiveness of the established controls over valuation of financial instruments. These controls includes reasonableness controls over pricing calculated in the investment system for each object and ongoing benchmarking against external pricing providers. We concluded that we could rely on these controls for the purpose of our audit. We performed our own independent assessment of the input data used as public available pricing data. We tested the pricing performed by the Bank against other external parties and have formed our own opinion of the pricing. Our judgements and calculations resulted in no material deviations from the judgments and calculations made by management.
IT-systems supporting financial reporting We have focused on this area because the Banks financial reporting systems and operations is depending on complex IT-systems. Possible weaknesses in automated processes and supporting IT-dependent manual controls can cause problems in relation to the ongoing operation of the IT-systems and risk of error.	The Bank make use of external service providers for operating some significant IT-systems. The service providers auditor is used to evaluate the design and effectiveness of and testing of established controls to ensure the integrity of IT- and payment systems relevant for financial reporting. PwC have assessed the final reports and we evaluated possible deficiencies and actions. We have also performed testing of access controls and segregation of duties in areas essential to our audit. Our evaluations and testing show that we can rely on the Banks IT- and payment systems for the purpose of our audit.

(3)

Auditors Report - SpareBank 1 Østlandet

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 4 March 2019

PricewaterhouseCoopers AS

Magne Sem

State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

To: Board of Directors in SpareBank 1 Østlandet

Independent statement regarding SpareBank 1 Østlandet's sustainability reporting

We have examined whether SpareBank 1 Østlandet has developed GRI Index for 2018 and measurements and reporting of key performance indicators for sustainability (sustainability reporting).

SpareBank 1 Østlandet's GRI Index is an overview of which principles, aspects and indicators from the The Global Reporting Initiative guidelines that SpareBank 1 Østlandet use to measure and report on sustainability; together with a reference to where material sustainability information is reported. SpareBank 1 Østlandet's GRI Index 2018 is available on SpareBank 1 Østlandet's website (https://www.sparebank1.no/nb/ostlandet/om-oss/investor/rapporter.html). We have examined whether SpareBank 1 Østlandet has developed a GRI Index for 2018 and whether mandatory disclosures are presented according the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Key performance indicators for sustainability are the tables containing sustainability indicators that SpareBank 1 Østlandet measure and control. The tables titled «*Social accounts 2018» and «Energy and climate accounts 2018*» are available and included in SpareBank 1 Østlandet's annual report 2018, specifically at the end of the chapter titled «*Sustainability report for 2018*». SpareBank 1 Østlandet has defined the key performance indicators and explained how they are measured in the tables (criteria). We have examined the basis for the measurements and checked the calculations of the measurements.

Tasks and responsibilities of management
Management is responsible for the GRI Index and that the index is developed in accordance with the Standards published by The Global Reporting Initiative. Management is also responsible for key performance indicators for sustainability and that these are developed in accordance with the definitions given in the tables titled «*Social accounts 2018» and «Energy and climate accounts 2018*». Their responsibility includes developing, implementing and maintaining internal controls that ensure the development and reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control
We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities
Our responsibility is to express an opinion on the subject matter based on our control. We have performed our work and will issue our statement in accordance with the Standard on Assurance

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Engagements ISAE 3000: “Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that Sparebank 1 Østlandet’s GRI Index 2018 and key performance indicators for sustainability are developed in accordance with the Standards published by The Global Reporting Initiative and the criteria for reporting and measurement that are given in relation to each table containing key performance indicators. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole are free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

Our controls include meetings with representatives from Sparebank 1 Østlandet that are responsible for the key areas covered by the sustainability reporting, including HR, procurement, risk and compliance, credit and capital markets, to evaluate internal controls and procedures related to reporting key performance indicators for sustainability; collecting and reviewing relevant information that supports the presentation of key performance indicators; evaluating the completeness and accuracy of the key performance indicators; and controlling the calculations of key performance indicators based on an assessment of the risk that the key performance indicators contain information that is incorrect.

In our opinion, sufficient evidence has been obtained and we consider that our work provides an appropriate basis to form our conclusion with a limited level of assurance.

Conclusion
In our opinion

The GRI Index is, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative; and

Key performance indicators for sustainability is, in all material aspects, developed, measured and reported in accordance with the definitions and explanations provided in relation to each table containing key performance indicators.

Oslo, 6. March 2019
PricewaterhouseCoopers AS

Magne Sem
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

(2)

Subsidiaries

EiendomsMegler 1 Hedmark Eiendom AS

2018 was another good year with continued strong growth. Revenue increased from NOK 108.6 million in 2017 to NOK 120.1 million in 2018.

Its operating profit amounted to NOK 10.8 million, which results in an operating margin of 9 per cent. The result is somewhat weaker than the previous year, mainly due to one large loss and one-off expense items.

The company sold 2007 properties in 2018. That is 78 more than in 2017. The increase comes mainly through resales, which increased by 122 units. The number of sales of new homes and settlement jobs decreased slightly in 2018. The sales amount to around 32 per cent of all freely traded properties in the market area. The total sale value of the properties was around NOK 4.7 billion.

In 2018, the company was in the top 10 on the 'Great Place to Work' list of the best workplaces in the country. The company has very high measured customer satisfaction and a high recommendation rate among its customers.

The company is geared for growth and has ambitions to achieve the same market share as the parent company in the respective regions.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of SpareBank 1 Østlandet and is part of the EiendomsMegler 1 Alliance, Norway's largest chain of real estate agents. The company is the market leader in real estate brokerage in the Interior Region. The organisation has 69 employees across 11 branches located in all major cities and towns in Hedmark, as well as a branch in Nes in Akershus and one in Gjøvik in Oppland.

For more information see eiendomsmegler1.no/hedmark

EiendomsMegler 1 Oslo Akershus AS

2018 was a good year for the company. Revenue increased from NOK 193 million in 2017 to NOK 209 million in 2018, a growth of 8.3 per cent measured against the previous year.

The company's operating results for 2018 shows a profit of NOK 3.9 million, an improvement of NOK 18.3 million from 2017. In 2018, the company had in some high operating costs due to losses from writing down impairment of investments in a new core system, as well as tidying missing pension provisions, totalling around NOK 6.5 million.

The market in Oslo and Akershus in 2018 was characterised by good volumes and stable prices. But the competition is fierce. A heavy over-supply of real estate agents in Oslo and to some extent in Akershus puts pressure on brokerage fees and calls for sales efficiency. Combined with the fact that the company was going through a change process in 2018, this contributed to slightly weaker than hoped for sales efficiency. on the resale side.

The company also has one of the region's largest new build departments, which sold 526 units in 2018 compared to 474 in 2017. There has been a growth of approximately 11 per cent in volume, and the top line increased by around 16 per cent. The new build market in Oslo and Akershus maintained good volume in 2018, but fewer general permits were granted in 2017 and 2018. This could affect the volumes in the future.

The company sold a total of 3,021 homes in 2018 against a total of 2,878 in 2017, an increase of about 5 per cent. Its market share in Oslo Akershus ended 2018 at 8.6 per cent for used homes, an increase from 8.3 per cent the year before. The company was the fastest grower in its market for 2018. The target for 2019 is a market share of 9 per cent.

The company is investing substantial resources to strengthen its market position and consolidate its foothold as one of the region's leading real estate agencies. As a bank-owned brokerage, the main focus for the Group in 2019 is to be aggressive in response to the intensifying competition in the market. The goal is to grow organically by recruiting good heads of departments and brokers in the current department structure. At the same time, it is important that the company strengthens its collaboration with the company's owner, SpareBank 1 Østlandet.

About EiendomsMegler 1 Oslo Akershus AS

EiendomsMegler 1 Oslo Akershus is a wholly owned subsidiary of SpareBank 1 Østlandet and part of the EiendomsMegler 1 Alliance, which has been Norway's largest chain of real estate agents for ten years in a row. In 2018, there were an average of 143 full-time equivalents in the company. The aim is to grow by 10 new brokerage FTEs (net) through 2019. The company has 10 branches in Akershus and 10 in Oslo, as well as one of the region's largest new build departments with 11 FTEs.

For more information see eiendomsmegler1.no/osloakershus

SpareBank 1 Finans Østlandet AS

The company achieved a pre-tax profit of NOK 139.6 million in 2018, an increase from NOK 117.9 million the year before. The Board is very satisfied with the company's financial development.

SpareBank 1 Finans Østlandet AS is a financing company that offers leasing and loans through distributors and collaborating banks, as well as directly to customers.

The return on equity after tax increased from 11.3 per cent in 2017 to 11.4 per cent in 2018. In 2018, SpareBank 1 Finans Østlandet AS saw an increase in total new sales (last year's figures in brackets) of 2.5 (10.8) per cent. New sales of unsecured loans amounted to NOK 2,235 (2,161) million. New leasing sales amounted to NOK 1,730 (1,704) million. Consumer loans amounted to NOK 90 (90) million).

The company's book equity as at 31 December 2018 was NOK 1,395.0 (1,230.7) million.

Its total assets at the end of the year were NOK 8,006 (7,258) million. This represents growth in total assets of 10.3 (12.0) per cent. The company's net loans and receivables from customers amounted to NOK 7,902 (7,176) million.

Losses amounted to 0.24 (0.36) per cent of gross lending. Commitments that have at least 90 consecutive days of arrears of more than NOK 1,000 on day 90 are regarded as non-performing. At year end, the proportion of non-performing commitments was 0.8 (0.6) per cent.

Given its satisfactory financial strength, good earnings, good market outlook, and continued good risk management, the Board expects SpareBank 1 Finans Østlandet AS to achieve good results in 2019 as well.

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet has 53 employees and is owned by SpareBank 1 Østlandet (95 per cent) and SpareBank 1 Ringerike Hadeland (5 per cent). The company's head office is in Hamar and it has regional offices in Lillestrøm, Lillehammer, Gjøvik, and Fredrikstad.

For more information see sb1fo.no

SpareBank 1 Østlandet VIT AS

The SpareBank 1 Østlandet VIT AS Group turned over NOK 174 million in 2018. The Group recorded a pre-tax loss of NOK 10.8 million in 2018, compared with a pre-tax profit of NOK 5.3 million in 2017.

The deficit comes from the Group's accounting business, while the subsidiary that provides financial and HR services is showing a satisfactory profit. The restructuring of the accounting business started too late and was more costly than anticipated. In the autumn of 2018, the Board adopted a new restructuring plan, and positive results are expected from all parts of the Group's business areas in 2019.

In May 2018, the operations of SpareBank 1 Regnskapshuset Østlandet AS were merged with those of TheVIT AS by way of ownership through a shared, newly established holding company, SpareBank 1 Østlandet VIT AS. The holding company owns 100 per cent of the shares in both SpareBank 1 Regnskapshuset Østlandet AS, which has also changed its name to TheVIT AS, and in the former TheVIT AS. Both of the subsidiaries, which now bear the same name, will continue as independent companies with a shared MD and management functions. The two companies will merge with accounting effect from 1 January 2019.

SpareBank 1 Regnskapshuset Østlandet was merged with TheVIT because further strategic action was needed to develop the business to become more profitable and to achieve the desired growth. The owners' shared ambition is to create a profitable and powerful business in accounting/payroll, finance, HR and consulting, with Eastern Norway as the primary market area.

The original TheVIT AS has brought considerable skills to the present business strategically, technologically and in breadth of specialist expertise. The TheVIT companies' overall customer portfolio will help strengthen the Group's operations further.

In 2018, there was a great focus on developing a forward-thinking and sustainable strategy with associated actions and an emphasis on cultural development and coordination between the companies. This work will continue in 2019.

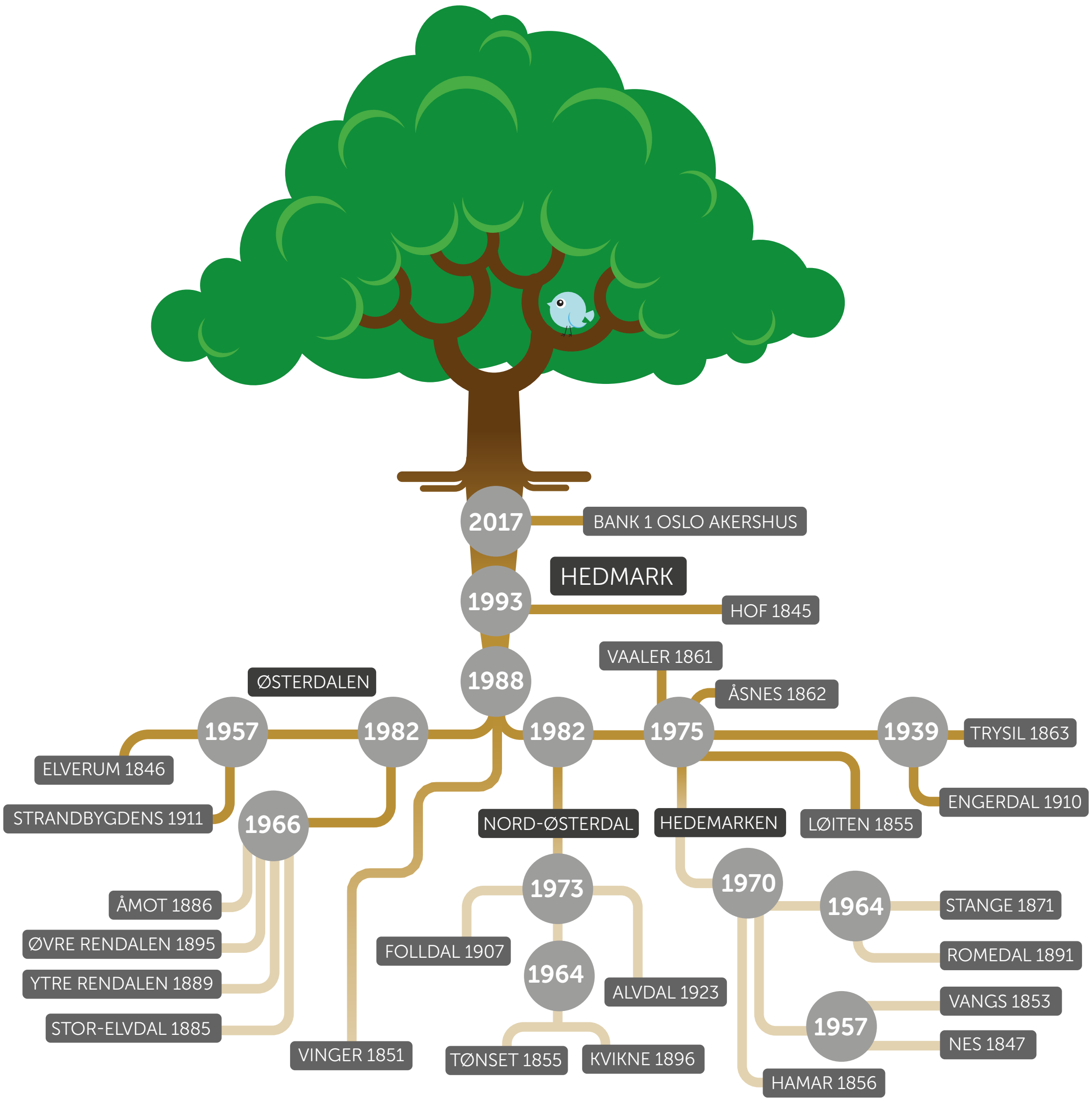
About TheVIT AS

TheVIT AS provides services to small and medium-sized enterprises in all industries and has expertise in business development, management, finance, accounting/payroll, HR and business intelligence. The company is 70 per cent owned by SpareBank 1 Østlandet. The remaining shares are owned by managing director Stein-Ragnar Noreng and Christian Martinsen. TheVIT AS has 12 offices located in Ringebu, Lillehammer, Moelv, Hamar, Tynset, Elverum, Kongsvinger, Jessheim, Lillestrøm, Oslo (Økern and Munkedamsveien) and Fredrikstad. The company had around 200 employees at the end of the year.

For more information see thevit.no

SpareBank 1 Østlandet

- local roots



In 2016, Bank 1 Oslo Akerhus AS became a wholly owned subsidiary of SpareBanken Hedmark. After the merger between the two banks in 2017, the Bank took the name SpareBank 1 Østlandet.

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Online bank
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Group administration
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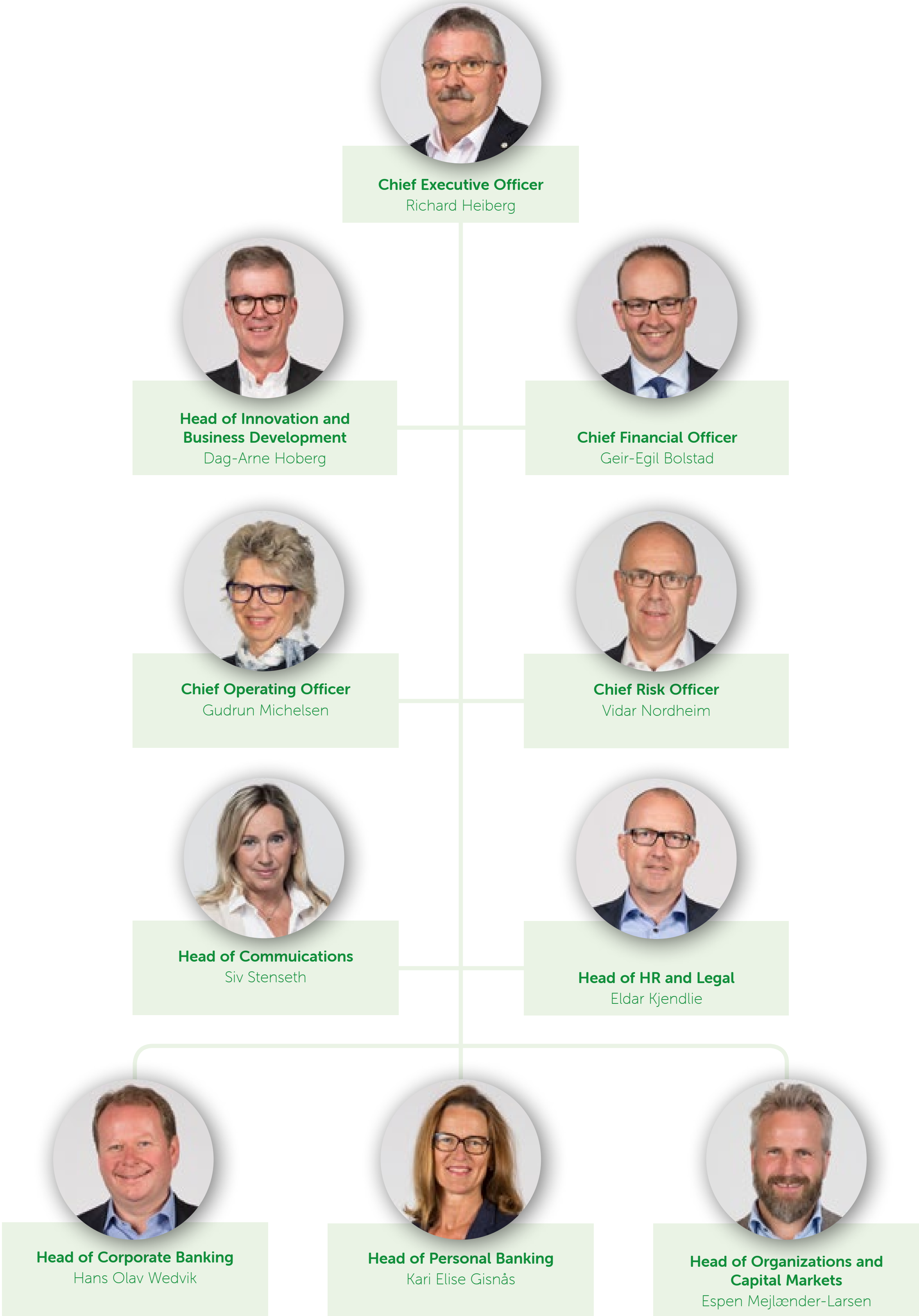
Organisation no.: 920 426 530

Executive management team 2018



Alternative performance measures

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

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

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

Alternative performance measures	Definition and rationale
Profit after tax incl. interest hybrid capital	*Profit after tax - Interest expences on hybrid capital* The key figure shows Result after tax adjusted for interest on hybrid capital. Hybrid capital is according to IFRS classified as equity and interest expences are booked as an equity transaction. Hybrid capital has many similarities with debt items and differs from other equity in that it is interest-bearing and is not entitled to dividend payments. The key figure shows what profit after tax would have been if the interest expenses related to the hybrid capital had been recognized in the income statement.
Return on equity capital	$\frac{(\text{Profit after tax} - \text{Interest expenses on hybrid capital}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Average equity} - \text{Average hybrid capital}}$ The return on equity after tax is one of SpareBank 1 Østlandet's most important financial measures and provides relevant information about the company's profitability in that it measures the company's profitability in relation to the capital invested in the business. The result is corrected for interest on hybrid capital, which is classified as equity under IFRS, but which it is more natural in this context to treat as debt, as hybrid capital is interest-bearing and is not entitled to dividend payments.
Underlaying banking operations	*Operating profit before losses on loans and guarantees – Net income from financial assets and liabilities – Notable items* The result from underlying banking operations provides relevant information about the profitability of the Bank's core business.
Cost-income-ratio	$\frac{\text{Total operating costs}}{\text{Total net income}}$ This indicator provides information about the relationship between revenue and costs, and is a useful measure to assess the cost-effectiveness of the enterprise. It is calculated as total operating costs divided by total revenue.
Lending margin	*Weighted average interest rate on lending to customers and loans transferred to covered bond companies – Average NIBOR 3 MND* The loan margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' lending activities. Loans transferred to covered bond companies are included in the selection as they are included in the total lending activity.
Deposit margin	*Average NIBOR 3 MND – Weighted average interest rate on deposits from customers* The deposit margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' deposit activities.
Net interest margin	*Lending margin + Deposit margin* The net interest margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' overall lending and deposit activities. Loans transferred to covered bond companies are included in the selection as they are included in the total lending activity.
Net interest income inclusive of commissions from covered bond companies	*Net interest income + Commissions from loans and credit transferred to covered bond companies* Loans transferred to covered bond companies are part of total lending, but the income and expenses associated with these loans are recognised as commission income. The indicator is presented because it gives a good impression of net income from the overall lending and deposit activities.
Adjusted total assets	*Total assets + Loans transferred to covered bond companies* Total assets is an established industry-specific name for all assets plus loans transferred to covered bond companies included in the lending business.
Gross loans to customers including loans transferred to tcovered bond companies	$\frac{\text{Gross loans to customers}}{\text{Gross loans to customers 12 months ago}} - 1$ 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.

Alternative performance measures	Definition and rationale
Deposit to loan ratio including loans transferred to covered bond companies	$\frac{\text{Deposit from and liabilities to customers}}{\text{Gross loans to customers + Loans transferred to covered bond companies}}$
	The deposit coverage ratio provides information about the financing mix in the overall lending business. Deposits from customers are an important means of financing the Bank's lending business and the indicator provides important information about the dependence of the overall lending business on market financing.
Growth in loans during the last 12 months	$\frac{\text{Gross loans to customers}}{\text{Gross loans to customers 12 months ago}} - 1$
	This indicator provides information about activity and growth in the Bank's lending activity.
Growth in loans including loans transferred to covered bond companies (CB) in the last 12 months	$\frac{\text{Gross loans to customers + Loans transferred to CB}}{\text{Gross loans to customers 12 months ago + Loans transferred to CB 12 moths ago}} - 1$
	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.
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	$\frac{\text{(Losses on loans and guarantees) x (}\frac{\text{Act}}{\text{Act}}\text{)}}{\text{Gross loans to customers}}$
	The indicator shows the impairment loss in relation to gross lending and provides relevant information about the company's impairment losses in relation to lending volume. This provides useful additional information to the recognised impairment losses as the cost is also viewed in the context of lending volume and is thus better suited for comparison with other banks.
Commitments in default as percentage of gross loans	$\frac{\text{Gross defaulted commitments for more than 90 days}}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Other doubtful commitments as percentage of gross loans	$\frac{\text{Gross doubtful commitments not in default}}{\text{Gross loans to customers}}$
	The indicator provides relevant information about the Bank's credit risk and is considered as useful additional information to the notes on losses.
Net commitments in default and other doubtful commitments in percentage of gross loans	$\frac{\text{Net defaulted commitments + Net doubtful commitments}}{\text{Gross loans to customers}}$
	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.
Book equity per EC	$\frac{\text{(Tot.EC – Min.int. – Gifts – Hybrid cap. + Tot.interest expense on hybrid cap.) × EC certi.ratio}}{\text{Number of Equity certificates issued}}$
	The indicator provides information about the value of the book equity per equity certificate. This allows the reader to assess the reasonableness of the quoted price for the equity certificate. It is calculated as the equity certificate holders' share of the equity at the end of the period divided by the number of equity certificates.
Price/Earnings per EC	$\frac{\text{Listed price of EC}}{\text{Earnings per EC × (}\frac{\text{Act}}{\text{Act}}\text{)}}$
	The indicator provides information on earnings per equity certificate against the exchange price on the relevant date, helping to assess the reasonableness of the price for the equity certificate. It is calculated as the price per equity certificate divided by annualised earnings per equity certificate.

Alternative performance measures	Definition and rationale
Price/book equity	Listed price of EC / Book equity per EC
	The indicator provides information about the book value of the equity per equity certificate against the price at any given time. This allows the reader to assess the reasonableness of the quoted price for the equity certificate. It is calculated as the price per equity certificate divided by book equity per equity certificate (see definition of this measure above).
Average LTV (Loan to value)	Average amount on loans to customers / Average market value of asset encumbrance
	The indicator provides information about the loan-to-value ratio in the lending portfolio and is relevant for assessing risk of loss in the lending portfolio.
Loans transferred to covered bond (CB) companies	*Loans transferred to SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS and thus derecognised from the balance sheet*
	Loans transferred to covered bond companies are subtracted from the balance sheet, but are included in the total lending business. The indicator is used in calculating other APMs.
Act/Act	Total number of days in the year (365 or 366) / Number of days so far this year
	Act/Act is used to annualise the results figures included in the indicators. Results figures are annualised in the indicators to make them comparable with figures for other periods.
Notable items	*Identified costs considered to be non recurring*
	The indicator is used to calculate the underlying banking activity, which is shown as a separate APM.
Earnings per average equity certificate	Majority interest of the Group's profit after tax x ECC ratio / Average number of ECC in the accounting period
	NOK 1,408 million × 69,26 % / 107,893,590 equity capital certificates
	The indicator shows the equity capital certificate holders' share of profit after tax distributed by average number of equity capital certificates during the accounting period.
Diluted earnings per average equity certificate	Majority interest of the Group's profit after tax × ECC ratio / Average number of ECC in the accounting period + Number of ECC issued after the accounting period)
	NOK 1,408 million × 69,26 % / 107,893,590 equity capital certificates + 510,268 equity capital certificates
	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.

Foto: Getty

Creating together

SpareBank 1 Østlandet is a modern, digital bank with an almost 175-year history in central parts of Eastern Norway. The Bank has been and continues to be a cornerstone of many local communities with its numerous branches close to where people live. Sustainable growth and development are secured through, among other things, financing for private individuals and companies that want to realise good projects and ideas. This ensures that the Bank can help people build, live and work in the districts as well as in the cities. The Bank's vision is **Creating together** – long-term value for society and our customers, owners and employees. Its vision communicates that the Bank's fulfils its corporate social responsibility and that the Group's results are produced together with its customers and local communities.