2019
ANNUAL REPORT

Creating together

SpareBank 1 ØSTLANDET

Content

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Coverphoto: The world´s largest moose in Stor-Elvdal municipality. The moose was financed by Sparebanken Hedmark´s Art Fund and given to the municipality as a gift in 2015. Photo: Ricardofoto.
Other photos in this report:: Ricardofoto, Siv Stenseth and Juliane Kravik.

Creating good results together for 175 years

2019 was a good year for SpareBank 1 Østlandet. We achieved a very good consolidated profit, stronger banking operations, and customer growth. The Bank's history testifies to our 175-year long tradition of local engagement and good results for customers, the Bank, and society as a whole.

The Bank's operations have always been characterised by social engagement. The year just started will see the Bank's 175th anniversary. The Bank's most important capital now is, as it always has been, good partnerships, engaged customers and proficient employees. Our vision of *Creating together* expresses that it is precisely through good cooperation that we will achieve success. Therefore, it remains important to be close to our customers, to understand how society is changing, and to be proficient, nearby, and engaged in everything we do.

The Bank's operations contribute to activity for both private individuals and companies, and together we create solid results over time. This was also the case in 2019, which was a very good year for banking, with a result of more than NOK 1.9 billion. The strong consolidated profit was primarily the product of a significant improvement in underlying banking operations and the net result from ownership interests. Good cooperation between the Bank's employees and customers also makes for good outcomes.

We are proud of the result. Growth in lending and deposits was stable and high over the past 12 months, in both the retail and corporate markets. The growth in housing loans was highest in built-up and central areas. The Bank's losses remained low. We achieved customer growth of 5 per cent, in spite of extensive and demanding customer checks in connection with the anti-money laundering effort during the year. Both customer dividends and the agreement with the Norwegian Confederation of Trade Unions (LO) as its preferred bank contributed many new customers.

Sustainability is becoming an ever more integral part of all of our business areas with loans to companies being the most important one. The real estate and agricultural industries are the top priority. Loan applications are subject to due diligence assessments with a focus on sustainability, and in 2019 we launched green agriculture loans for solar panels for farming customers.

There was a heavy focus on the climate and climate risk in 2019. The physical climate risk in our market area is low and the Bank's portfolio has a low carbon footprint. SpareBank 1 Østlandet became the first Norwegian bank to sign up to the UN Principles for Responsible Banking and the second bank to sign up to the associated climate commitments. Having been eco-certified since 2008, the Bank is now launching Science Based Targets (STBs) for cutting our greenhouse gas emissions in line with the Paris Agreement. At the same time we are tightening climate and environmental requirements for customers. UN Sustainable Development Goal No. 17, which is about partnerships, is naturally a common thread in all of our work.

At the beginning of 2020, it is natural to take a look back after 10 years as the chief executive of this bank. The decade was largely characterised by the establishment of SpareBank 1 Østlandet. We broke through the county barrier by opening branches in Oppland in 2011. Since then, we have built ourselves up, brick by brick, to become a strategically well-placed bank in the region.

In 2017, we completed the merger with Bank 1 Oslo Akershus and became a publicly listed bank. We are not growing just for the sake of growing. Renewal and development are about being a strong, solid actor for the benefit and in the interests of the local communities and districts of which we are a part. At the same time we want to preserve the Bank's DNA.

In the last 10 years, we have doubled our customer base and staff, and extended our market area into Norway's most expansive region. This has turned us into one of the major banking actors in central Eastern Norway. Our equity has grown considerably, with a threefold increase in the last 10 years. The breadth of our product range, money-transfer services, digitalisation, and government regulations have all had a major impact on the Bank's operations. Overall, we have seen numerous, major changes in just a mere 10 years.

The Board of Directors has set aggressive goals for the Bank going forward, which shows that the Bank is financially strong, that we operate in the country's most stable region, and that we have a loan portfolio with good credit quality. Our focus is to balance financial strength, profitability, and growth for the benefit of the region, customers, owners, and employees. This has been the Bank's ambition and a common thread in our banking operations throughout our history.

I would like to thank all of the Bank's customers for their confidence, as well as my fine colleagues and staff for their good teamwork in the past year.

Here we stand, creating together!

Richard Heiberg
CEO

How to read our report

This annual report is an integrated report based on the IIRC's principles for integrated reporting. It describes how SpareBank 1 Østlandet contributes to sustainable growth and the development of our customers, owners, employees and society as a whole.

About SpareBank 1 Østlandet presents key figures from the Group and key information about the Bank, our operations, our customers and our role in the local communities of which the Bank is a part. The framework for our sustainability initiative and our materiality analysis show areas in which we can enhance the positive impact we have, while reducing our negative impact on people, the environment and society.

Corporate governance describes our principles for corporate governance and provides information about the Bank's Board of Directors.

A look back at 2019 provides an overview of important events for the Bank over the past year.

Sustainability and society – our material issues presents the Bank's work within the sustainability themes that are most important for us. It also describes the goals and guidelines on which our work is based and the sustainability goals they deliver on.

The *Reports and results* chapter forms the main part of the annual report and includes the Report of the Board of Directors, Income Statement, Balance Sheet, Changes in Equity, Cash Flow Statement, Notes, Statement from the Board of Directors and CEO, Audit Reports and Subsidiaries.

The main report is followed by an appendix and our history.

The appendix at the end of the report is called *Further facts about SpareBank 1 Østlandet's sustainability work.* This clarifies how our operations and work on sustainability are intertwined.

SpareBank 1 Østlandet fulfils the requirements of the leading international standard for reporting sustainability data, the Global Reporting Initiative (GRI). The reporting on sustainability is compiled according to the GRI Standards: Core option and has been verified by an external auditor. The annual report describes how the Bank reports in line with GRI and a number of other frameworks within sustainability.

This report is also available in a digital version, which can be downloaded as a PDF from our website:
https://www.sparebank1.no/en/ostlandet/about-us/investor/reports.html

1 About SpareBank 1 Østlandet

CHAPTER 1.1

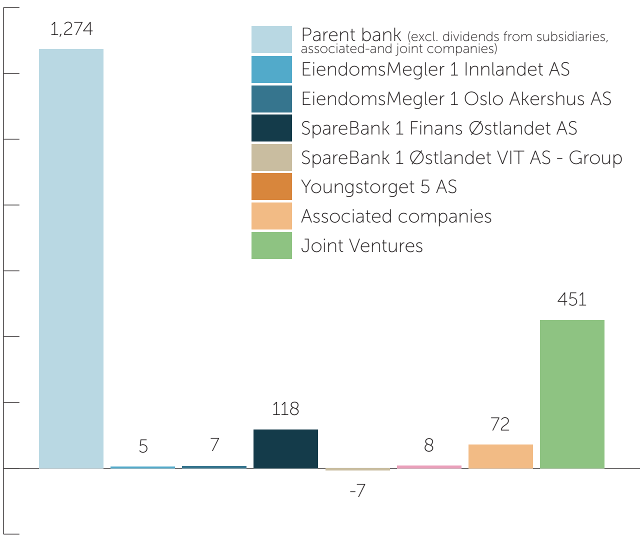
Main figures Group

Group		2019		2018
Summary (NOK mill and per cent of average toal assets)	**Amount**	**Per cent** [1]	**Amount**	**Per cent** [1]
Net interest income	2,166	1.66 %	2,074	1.77 %
Net commissions and other (non-interest) income	1,388	1.06 %	1,286	1.10 %
Net income from financial assets and liabilities	735	0.56 %	291	0.25 %
Total income	**4,289**	**3.29 %**	**3,651**	**3.11 %**
Total operating expenses	**1,930**	**1.48 %**	**1,881**	**1.60 %**
Operating profit before losses on loans and guarantees	**2,359**	**1.81 %**	**1,770**	**1.51 %**
Impairment on loans and guarantees	32	0.02 %	35	0.03 %
Pre-tax operating profit	**2,326**	**1.78 %**	**1,735**	**1.48 %**
Tax expense	398	0.31 %	321	0.27 %
Profit after tax	**1,928**	**1.48 %**	**1,414**	**1.20 %**
Interest expenses on hybrid capital	15	0.01 %	17	0.01 %
Profit after tax incl. Interest on hybrid capital [2]	1,913	1.47 %	1,396	1.19 %
Profitability	**Amount/ Per cent**		**Amount/ Per cent**	
Return on equity capital [2]	12.8 %		10.5 %	
Cost-income-ratio [2]	45.0 %		51.5 %	
From the balance sheet				
Gross loans to customers	107,035		98,940	
Gross loans to customers including loans transferred to covered bond companies [2]	150,688		140,165	
Growth in loans during the last 12 months [2]	8.2 %		9.4 %	
Growth in loans including loans transferred to covered bond companies in the last 12 months [2]	7.5 %		8.2 %	
Deposits from customers	78,494		71,497	
Growth in deposits in the last 12 months [2]	9.8 %		8.4 %	
Deposit-to-loan-ratio [2]	73.3 %		72.3 %	
Deposit to loan ratio incl. loans transferred to covered bond companies [2]	52.1 %		51.0 %	
Average total assets	130,394		117,358	
Total assets	134,783		123,472	
Total assets including loans transferred to covered bond companies [2]	178,436		164,696	
Losses and commitments in default				
Impairment on loans as a percentage of gross loans [2]	0.0 %		0.0 %	
Loans to and receivables from customers in stage 2. percentage of gross loans	7.4 %		6.4 %	
Loans to and receivables from customers in stage 3. percentage of gross loans	0.4 %		0.5 %	
Solidity and liquidity				
CET 1 capital ratio	17.2 %		16.8 %	
Tier 1 capital ratio	17.9 %		17.6 %	
Capital adequacy ratio	19.8 %		19.6 %	
Total eligible capital	15,463		14,672	
Equity ratio [2]	11.8 %		12.0 %	
Leverage Ratio	7.2 %		7.5 %	
LCR [3]	162.2 %		152.8 %	
LCR in NOK [3]	147.1 %		164.2 %	
LCR i EUR [3]	1,248.3 %		123.2 %	

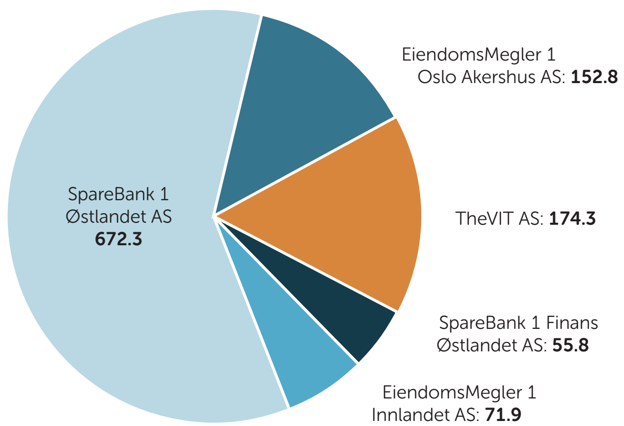
Equit capital certificates		
Market price (NOK)	92.50	83.00
Market capitalisation (NOK million)	10,714	9,572
Book equity per EC [2]	93.67	85.83
Earnings per EC. NOK [4]	11.55	8.46
Price/Earnings per EC [2]	8.01	9.81
Price/book equity [2]	0.99	0.97
Branches and staff		
Number of branches [5]	37	37
Number of fulltime equivalents	1,127	1,139
Sick leave [5]	4.5 %	4.0 %
Percentage of women [5]	52.2 %	53.0 %
Percentage of women in managerial positions [5]	35.8 %	39.0 %
Turnover [5]	4.6 %	2.0 %
Other		
Number of complaints	388	261

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 31.12.19 / number of EC's as at 31.12.2019.
5) Parent bank.

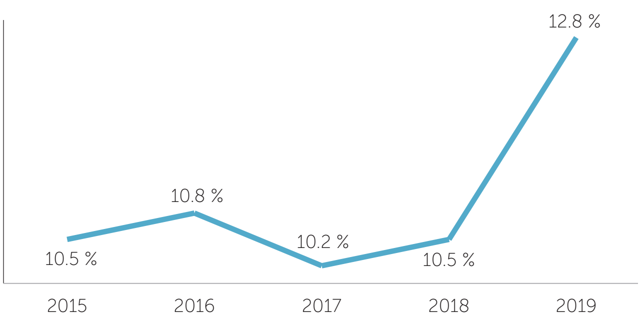
PROFIT AFTER TAX



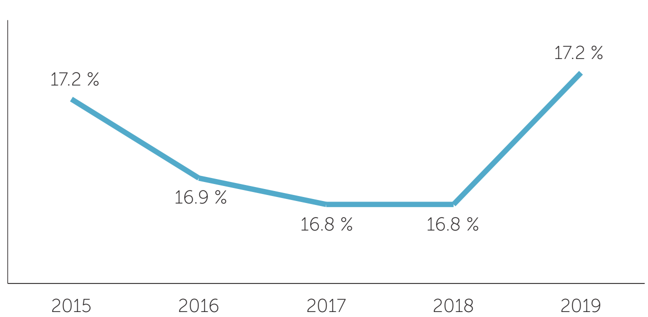
NUMBER OF FULL TIMES EQUIVALENTS



DEVELOPMENT ROE



DEVELOPMENT CET1



CHAPTER **1.2**

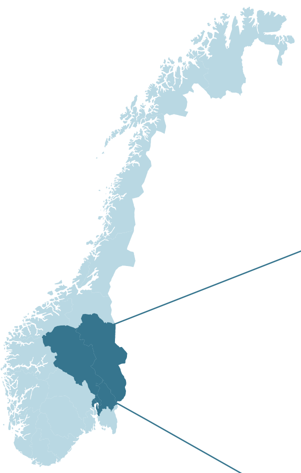
One of Norway's largest savings banks with roots in the country's most expansive market area

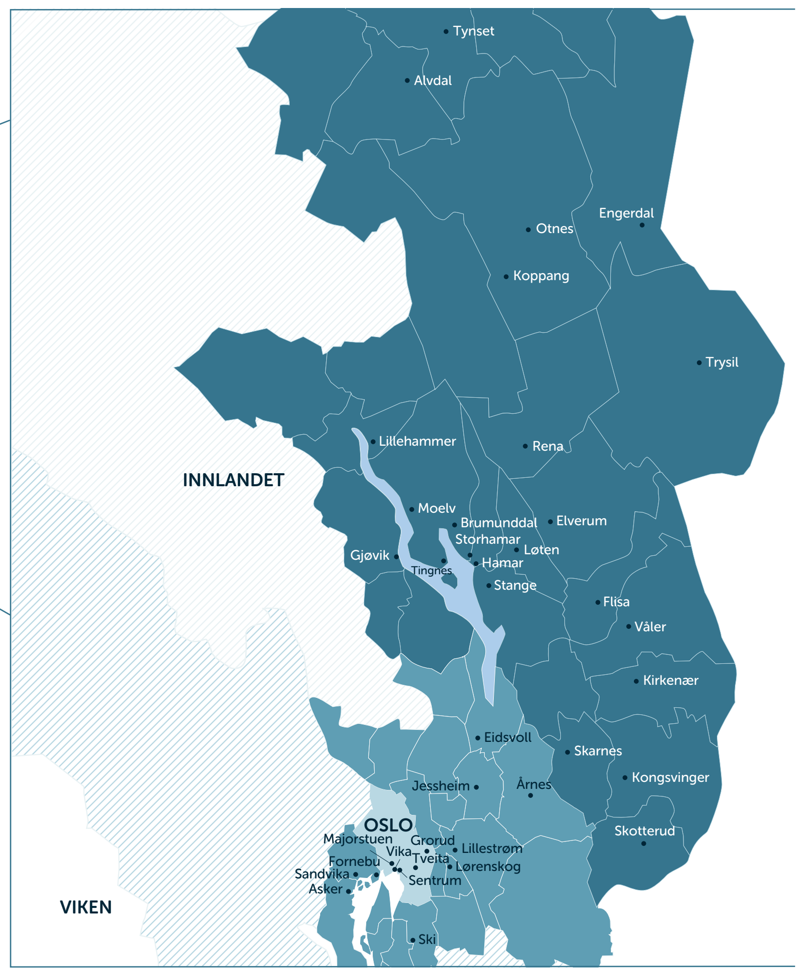
SpareBank 1 Østlandet is one of Norway's strongest regional financial services groups. The Bank is Norway's fourth largest savings bank and has a rich history of tradition spanning 175 years in central Eastern Norway.

SpareBank 1 Østlandet can trace its roots back to 1845 and has a unique competitive advantage thanks to its 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, most recently with the merger of Sparebanken Hedmark and Bank 1 Oslo Akershus AS in 2017.

Nearby

SpareBank 1 Østlandet has customers across the country. Its main market area is in the middle of Norway's most expansive region, which has a total of 1.7 million residents in the Inland Region, Oslo and the former county of Akershus. The Bank's head office is in Hamar and we have 37 branches spread across our entire market area. Strong local roots mean that both private individuals and companies are close to where decisions are taken.





370,000

residents in the Inland Region

1,300,000

residents in Oslo and the former county of Akershus

Our products and services

The Group offers a wide range of products within loans, deposits, insurance, pensions, payment services, real estate, accounting services, leasing and financing. The Group includes the subsidiaries EiendomsMegler 1 Innlandet AS, EiendomsMegler 1 Oslo og Akershus AS, SpareBank 1 Finans Østlandet AS and TheVIT AS. More than 1,100 proficient employees across the Group work on advice, payment services and development within financing, saving, products and services for our customers every day.

Our customers

The Bank is the market leader in the county of Hedmark and is working to strengthen its position in the fastest growing market in Norway, Oslo and the county of Akershus. The Bank is experiencing good customer growth after other competitors have withdrawn from parts of the region. The retail market position survey for 2019 shows significant progress for the Bank with respect to customer loyalty. While the Bank has maintained a strong position in Hedmark and Oppland, the progress in Oslo and Akershus between 2017 and 2019 was particularly strong.

CUSTOMERS RELATIONSHIPS

354,000 customers in total

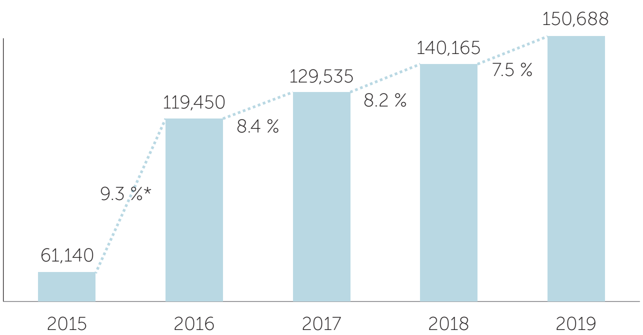
330,000 retail customers

24,000 corporate customers

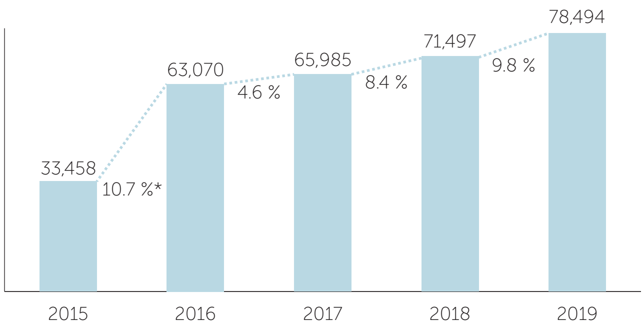
119 mill. transactions, card an bill payment

5 % customer growth

LOANS



DEPOSIT



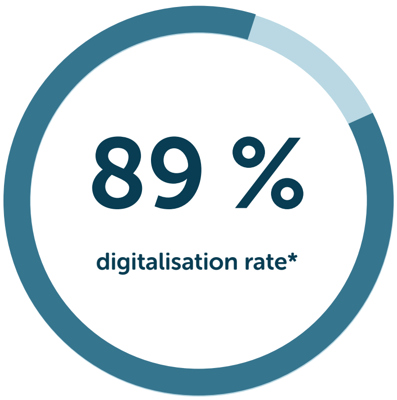
*The growth shows figures as if Bank 1 Oslo Akershus had been part of the Group in 2015.

DIGITAL CHANNELS

55 million visits to sb1ostlandet.no

55,000 followers on Facebook

80 % of loans started digitally



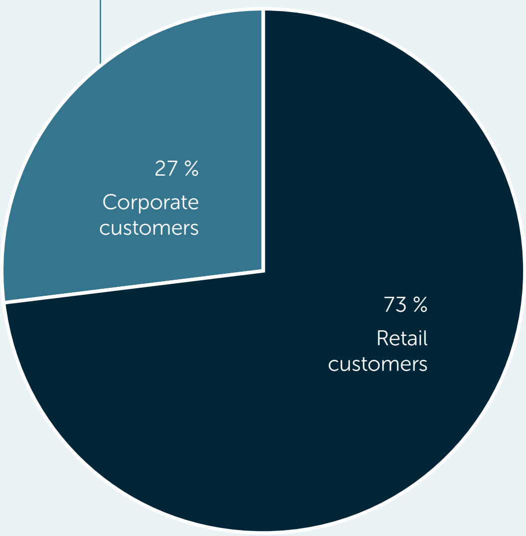
***) The digitalisation rate** shows how much customers do themselves via digital channels.

11 % increase

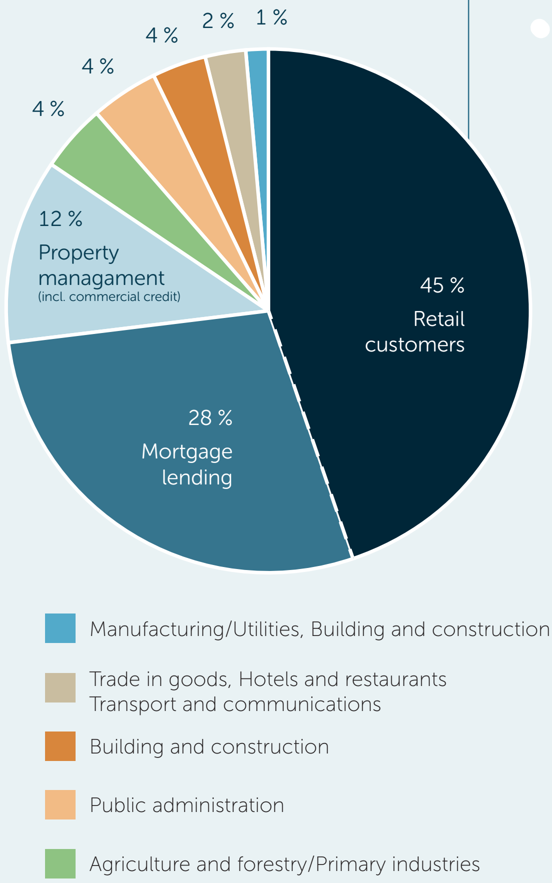
- digitalisation rate within loans, saving and everyday banking

LOAN PORTFOLIO

Distributed by retail customers and corporate customers



Distributed by retail customers and corporate customers, per sector



ONLINE BANK AND MOBILE BANK

140,000
online bank customers (retail)

12,000
online bank customers (corporate)

130,000
mobile bank customers (retail)

2,200
mobile bank customers (corporate)

ENQUIRES TO DIRECT BANK

356,000
enquiries via phone

136,000
written enquiries

195,000
enquiries via switchboard

33,000
enquiries via chat

ENQUIRIES TO THE COMPANY SERVICE CENTRE

36,000
enquiries via phone

65,000
enquiries written

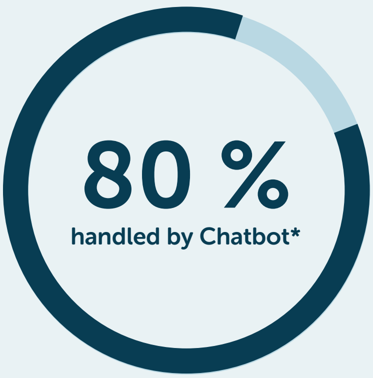
5,000
enquiries chat

106,000
enquiries total

ENQUIRIES CHATBOT

310,000
number of cases handled by Robot Process Automation

30,000
enquiries per month, Chatbot front line support



* 78-80% of chat enquiries are handled by the chatbot without being forwarded to Direct Bank advisers

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

*95% of customers over the age of 18 who save, save digitally

We make banking easy for customers

SpareBank 1 Østlandet is a modern digital bank. In 2019, we made self-service banking via our digital channels even easier for customers. Customers now have access to almost the same range of services in the mobile bank as they do in the online bank. More and more of our digital customers only use the mobile bank, which is why we are also seeing a fall in the use of the online bank.

The Bank is focusing on digitisation within financing. In 2019, the proportion of loan applications that were started digitally was no less than 80 per cent. The goal is to complete the first fully digital loan application during the course of 2020, in other words without any adviser involvement in the application.

Web meetings with customers are a supplement to face-to-face meetings. We hold hundreds of web meetings every year. This is a climate-friendly meeting arena that saves our customers both time and travel costs.

As a savings bank, we are interested in saving and initiated a number of projects in this area in 2019. The goal is to make it easier for both children and adults to save in the online and mobile banks. Customers set their own saving goals and choose how they want to save. The most popular saving goals are for holidays and travel. We also arrange a 'Savings Bank Week' every autumn, which focuses on saving and reuse for parents and children.

We are using machine learning to make it easier for customers to get an overview of their spending. For example, in the online and mobile banks, customers can see how much money they spend on groceries. Awareness of your own spending is also important from the perspective of sustainability.

Robotisation

Robot Process Automation (RPA) is contributing to faster customer service and more efficient administrative processing. It is also helping improve our range of services, increasing the quality of our data and freeing up the time of our customer service staff. The digital assistants perform many different tasks and dealt with more than 310,000 cases in 2019.

Chat is becoming an increasingly important channel for our communication with customers. In 2019, the Bank integrated serviced chat with ChatBot to provide customers with a seamless transition to a serviced chat operator if needed. The service is available from both the website and in online banking. See infographics page 11.

Artificial intelligence (AI) and using AI technology/machine learning is important for maintaining and strengthening our competitiveness. Capacity will be increased in 2020 to ensure that the Bank makes use of the potential inherent in automation and robot technology for the benefit of customers and employees.

Innovation

The Bank has a long tradition of innovation with respect to customer-friendly solutions. Sparebanken Hedmark was the first in Europe to launch an online bank in 1996 and has since pioneered several services within digital payment solutions.

The Bank has a dedicated innovation and development department and collaborates with SpareBank 1 Utvikling, academia, various external innovation environments and in the European FinTech arena.

In 2019, among other things we:

- Completed an open banking pilot together with the Finnish FinTech company Giosg. Here we test technology together with third parties to find solutions that make the Bank even more accessible for customers.
- Developed a solution, in an open banking partnership with the FinTech company Minna Technologies, that enables customers to keep track of, and optionally cancel subscriptions to, streaming services via the mobile bank.

Saving and sex	Men	Women
Accounts saving, deposits	49.86 %	50.14 %
BSU, deposits	50.91 %	49.09 %
Saving agreement in fund, saved amount	59.23 %	40.77 %
Single subscription fund	69.27 %	30.73 %

- Were the only bank to take part in the national, interdisciplinary, mobility innovation programme, '*Mobilitets-floken*', run by Æra. This programme is addressing changes in transport needs due to urbanisation, new patterns of consumption and stricter requirements regarding the climate, the environment and health.
- Implemented PSD2 and now let both our own and customers of other banks use our mobile bank.
- Held yet another successful 'Innovation Week' in which employees from the whole Bank worked on customer-oriented innovation across all departments.

Our employees

Proficient and engaged employees are the Bank's most important input factor. Behind our good results are 672 employees who strive, on a daily basis, to achieve our business goals and implement the Group's strategy. To succeed we have to work individually, in teams and across disciplines.

Equal opportunities and diversity

Our goal is to recruit employees who reflect the society of which we are a part. The Bank focuses on equal opportunities and diversity in its recruitment processes, when appointing people to senior positions and in pay settlements.

We want to be an attractive employer and strive to achieve a good balance between the sexes at all levels of the organisation. We have implemented a special programme focusing on female managers, with the aim of increasing the proportion of women from 36 to 45 per cent by 2021. The annual processes in connection with determining local pay rises focus especially on equal pay and equalising any disparities between men and women.

Working conditions

The Bank conducts annual organisational surveys in the Group. In 2019, the survey results were very good with a stable, high level of engagement among both employees and managers. We have strengthened our good implementation capacity in the departments and our ability to work across the Group even further. The survey concludes that our corporate-culture is now stronger, especially within transparency.

Employees	2019	2018
No. of FTEs, Parent Bank	672	697
Sick leave	4.5 %	4 %
Percentage of women	52 %	53 %
Proportion of female managers	35.8 %	39 %
Proportion of women on the Board	50 %	50 %
Proportion of women in the executive management team	30 %	30 %
Average age	47,5 years	48 years
Average time of service	15,7 years	16 years
Number recruited, Parent Bank, internally	21	12
Number recruited, Parent Bank, externally	35	35

Total number of employees by type of employment contract (permanent and temporary), by sex	Women	Men	Tot
Permanent	362	333	695
Temporary	6	6	12

Total number of employees by type of employment (full-time and part-time), by sex	Woman		Men		Tot	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
Permanent	35	327	7	325	42	653
Temporary		6		6		12

Women´s average salary as a percentage of men´s average salary	Women
Line functions	90.6 %
Managers and senior dedicated posts	93.3 %

We strive to avoid discrimination in all its forms. No cases were reported in 2019.

The Bank is an inclusive employer and takes a systematic approach to preventing and following up sick leave. We make special adjustments for employees who, because of illness, experience reduced capacity for work or who, for some other reason, require adaptation of their workplace and duties. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank takes on employees who need training and work experience.

Training and competence

The financial services industry and the banking market are changing fast. In the face of new technology, changed customer behaviour, competition from new actors, new regulatory requirements and changing threats, training is essential if we are to be well-equipped to run the bank of the future.

In 2019, the Bank introduced a new system for employee performance and career development interviews. The main aim is for the manager and employee to discuss the future, strategy and general goals, and then break these down into specific goals for each employee.

In 2019, 97 per cent of all employees had an employee performance and career development interview. These interviews clarify the need for support, training and skills development.

The Bank's employees were able to improve their digital skills through a number of different initiatives in 2019. We have surveyed basic digital skills based on the financial services industry's requirements. Everyone has received training in those areas where their skills were lacking.

Training and education is provided in cooperation with both internal and external partners such as Finance Norway, BI Norwegian Business School, the Norwegian University of Science and Technology (NTNU), universities and university colleges.

For more information about our employees, see the appendix: *Further facts about SpareBank 1 Østlandet's sustainability work,* page 180.

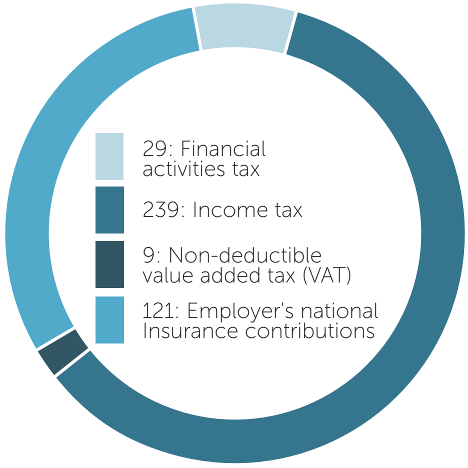
The role of the savings bank in local communities

The Bank is a cornerstone of many local communities with its numerous branches close to where people live. Through our core operations we meet many important needs in society. One important element of the Bank's social contribution is to finance good projects that contribute to job growth and development, which in turn contributes to local prosperity. In this way, the Bank helps people build, live and work in the various local communities outside the big cities as well.

We also contribute to economic development through extensive and active collaborations with business, research and education environments. The Bank thus has a mutually dependent relationship with the communities it serves. When these communities do well, the Bank does well, and vice versa.

We are also a large and important taxpayer, both directly, and also through being an employer of around 1,100 tax-paying staff.

Taxes paid, mill. NOK



Training in consumer finance

There is a great need to improve children's and young people's understanding of personal finance. That is why the Bank has had a traveling teacher who has taught thousands of students about personal finance and helped to improve their skills. In 2018, the Bank developed a virtual teaching programme in collaboration with EON Reality and the Inland Norway University of Applied Sciences. The pupils receive tuition in personal finance with the aid of tablets and AR technology. The program will be further developed and the solution will be available as a downloadable app in the spring 2020.

In 2019, around 4,300 pupils received tuition through the programmes *Economics and Career Choices* and *Boss of your Life*. During the year, the Bank also provided personal finance training to more than 70 refugees and immigrants.

Furthermore, the Bank has provided good consumer financial advice in a radio series on NRK P1 for many years. We continued to do this in 2019, as well as in other media, including the Bank's own news centre and social media.

We share our profits

In the spirit of good savings banks and sustainability, SpareBank 1 Østlandet has a long tradition of sharing its profits with its customers. In 2019, we distributed a total of NOK 222 million in customer dividends and NOK 477 million in dividends to our owners of the profits in 2018..

We also return some of the value we create directly to local communities by supporting both elite and grassroots sports. The Bank sponsors football, handball, cross-country skiing and ice hockey at both the elite and grassroots level.

Through the SpareBank 1-alliance, we are the main sponsor of the Norwegian Ski Federation. At the top level, we sponsor the football clubs Stabæk (men's and women's teams) and Kongsvinger (men's team), the ice hockey teams Frisk-Asker and Storhamar, and the handball teams Storhamar (women's team) and Elverum (men's team). In 2019, the Bank had 180 large and small sponsorship agreements and paid out more than NOK 17 million to sponsorship recipients. The Bank also awards talent scholarships to talented young people in sports, the arts and culture, see *A look back at 2019*.

In 2019, Sparebanken Hedmark's Art Fund continued approved arts grants to the municipalities of Løten and Stange. In addition, a new project has been approved as a gift to the municipality of Åsnes. All of the primary capital in the art fund has been converted to distributable capital for use in line with the purpose of the fund. In 2019, the art fund received NOK 2 million from Sparebankstiftelsen Hedmark.

From 2017, Sparebankstiftelsen Hedmark took over the processing of all applications for grants in SpareBank 1 Østlandet. The Foundation is SpareBank 1 Østlandet's largest owner and distributes funds from the Bank's profits to local clubs, teams and associations. Read more about Sparebankstiftelsen Hedmark and view the list of grants on the website: **www.sparebankstiftelsenhedmark.no**

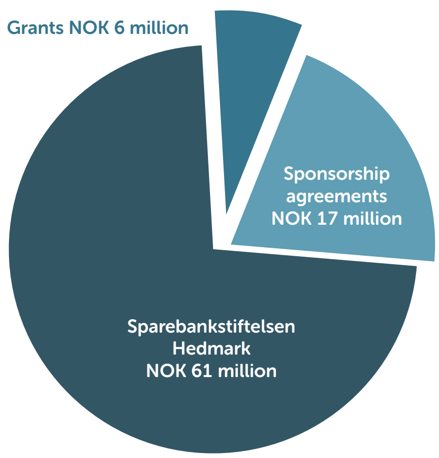
Although most grants now go through the Foundation, SpareBank 1 Østlandet still makes some individual grants for charitable purposes, see *A look back at 2019* for more information.

Stakeholder dialogue and collaboration

Dialogue and collaboration with stakeholders (see the stakeholder map on p. 16) are essential if the Bank is to achieve its ambitions and maintain its position in local communities. Among the most important stakeholders are customers, owners, employees, authorities, investors and organisations, all of which are increasingly interested in how SpareBank 1 Østlandet acts as a financial services institution, fulfils its social responsibility and delivers on sustainability.

In 2019, the Bank had meetings with stakeholders in various arenas and about many different topics. Dialogue and collaboration make us better. That is why sustainability goal 17 regarding partnerships is central to the Bank's sustainability efforts in the lead up to 2021. How and who we work with are described in more detail in various sections of the annual report. Also see the table containing an overview of the Bank's stakeholder dialogue in *Further facts about SpareBank 1 Østlandet's sustainability work.*

WE SHARE THE PROFIT



Stakeholder map

Stakeholders

- **Employees:** Parent Bank, subsidiaries, elected representatives, safety officers, pensioners' association.
- **Customers:** Retail customers, corporate customers, public organisation customers, founders.
- **Owners:** Sparebankstiftelsen Hedmark, the Norwegian Confederation of Trade Unions (LO), equity certificate holders.
- **Subsidiaries:** EiendomsMegler 1 Innlandet AS, EiendomsMegler 1 Oslo Akershus AS, SpareBank 1 TheVIT AS (SpareBank 1 Østlandet owns 70 per cent stake), Youngstorget 5 AS, Vato AS, and SpareBank 1 Finans Østlandet (SpareBank 1 Østlandet owns 95 per cent stake).
- **Associated companies and joint ventures:** SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA, SpareBank 1 Kredittkort AS, SMB Lab AS, Betr AS, SpareBank 1 Betaling AS, SpareBank 1 Boligkreditt AS, and 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, operations, market, auditing, consultancy, personnel, HSE, money transport, security, energy, tradesmen, and others.
- **Competitors:** Banks, insurance companies, fund managers, etc. Local, national and international actors.
- **Sponsorships:** Teams and organisations, clubs.
- **Partners:** SpareBank 1-alliance, central and local actors.
- **Grant recipients:** Recipients of grants from the Art Fund, talent stipends and other grants 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, the Rainforest Foundation, WWF, Norwegian People's Aid, Nature and Youth – Young Friends of the Earth Norway and Friends of the Earth Norway. (Not a complete overview.)
- **Industry organisations:** Norwegian Farmers Union, Norwegian Farmers and Smallholders Union, Norwegian Green Building Alliance and others.
- **Education and research environments:** Inland Norway University of Applied Sciences, Norwegian University of Science and Technology (NTNU) Gjøvik, Centre for International Climate and Environmental Research (CICERO).
- **Society, public opinion, public actors:** Non-customers, potential customers, the Norwegian Financial Services Complaints Board (FinKN), opinion-formers, politicians, emergency response: police/medical/fire.
- **Media:** Local free newspapers, local newspapers, regional media, national media, NRK (Norwegian Broadcasting Corporation - national and local), NTB (content provider).
- **Social media:** Public opinion in social media.
- **Rating agencies and analysts:** Moody's Analysts, Sustainalytics, MSCI.
- **Oslo Børs.**


LEKTERN
LEKTERN

CHAPTER **1.3**

Our strategic focus

Business concept, vision and values

Business concept

SpareBank 1 Østlandet offers financial, real estate and accounting services to private individuals, business and the public sector, so that customers can realise their ambitions through investments, savings, payments and insuring their life and assets. In addition, the company provides real estate agent, leasing and accountancy services. Based on positive customer experiences and proficient employees, we contribute to sustainable growth and development for society and our customers, owners and employees.

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.

Values

Proficient - Nearby - Engaged

Creating together

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

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' individual needs.
- We communicate simply, understandably and clearly.

ENGAGED

- We are visible and take the relevant measures for our customers, colleagues and partners.
- We produce engagement, 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.

Financial targets 2019 and actual performance

TARGETS	PERFORMANCE
Profitability: Return on equity at least 10 per cent	12.8 %
Dividends: 50 per cent pay-out ratio*	50 %
Solidity: CET1 at 16 per cent	17.2 %
Costs: Growth in operating costs in Parent bank within 2 per cent**	2.5 %

*Profit after tax and minority interests
**After restucturing costs

The Bank has seen good growth in customers in 2020 and the business capital is also growing.

Strategy and strategic priority areas

SpareBank 1 Østlandet's main strategy is the Bank's overarching governing document. The strategy contains six key main goals based on the Bank's most important strategic priority areas for the period 2018-2021. An overview of the main goals and what has been done in 2019 is provided below.

By the end of 2021:

1. We will be the third largest savings bank group in Norway
The Bank's business capital is growing. The Bank has also seen good growth in customers and gained 5 per cent more customers in 2019. This was due to among other things, the new residential mortgage agreement with the Norwegian Confederation of Trade Unions (LO) in which SpareBank 1 Østlandet was chosen as one of LO's two preferred partner banks (also see strategy goal 5).

2. We will have one of the most attractive equity certificates on the Oslo Børs
In 2019, trading activity in our equity certificate on the Oslo Børs was 46 per cent higher than in 2018. At the end of 2019, SpareBank 1 Østlandet was the third largest equity certificate bank in Norway. For more information about our equity certificate, SPOL, see *The equity certificate*.

3. We will clearly differentiate ourselves from the main competition and have increased our market share
The Bank was the first to introduce customer dividends in Norway in 2017, and the Bank's customer surveys show that customers appreciated the Bank sharing its profit with them in 2019 as well. Our strong local engagement via sponsorships, grants, focus on teaching about personal finance in schools and developing new digital services is helping grow our market share and strength customer loyalty. We deliver on our values, *proficient, nearby and engaged*, by being available to customers for personal advice via their preferred channel. We have a local presence, we know our customers and we have short decision-making processes. The LO agreement is an important success factor here.

4. We will have made banking easy for our customers and our employees
We are constantly striving to offer customers Norway's best digital bank online and via mobile phone. In 2019, we streamlined a number of customer and work processes, including with the aid of robot technology and ChatBot. New solutions are constantly being developed via good collaboration with SpareBank 1 Utvikling. You can read more in *We make banking easy for customers*.

5. We will be the best at across-the-board sales in the alliance and have exploited the potential for profitable collaboration in the Group
Following a tender competition, LO chose SpareBank 1 Østlandet as a provider of residential mortgages for its members. The agreement entails new, improved conditions for several types of residential mortgage in the LOfavør advantage programme. The LO agreement is one of the most important reasons for higher across-the-board sales and we have strong results here.

The Parent Bank and its subsidiaries increased their focus on cooperation in 2019. The Bank and SpareBank 1 Finans Østlandet achieved good results in sales of car loans in 2019. Cooperation with the Bank is also important when it comes to EiendomsMegler 1 Innlandet's new focus on agricultural brokerage.

6. We will have established ourselves as a bank with a distinct sustainability profile
The Bank further intensified its work on sustainability in 2019. The Sustainability Strategy was updated and a frame-

work with associated guidelines were adopted for all of the important themes and areas. Concrete goals were set for all business areas in the *Action Plan for Sustainability 2019-2021*. Responsibility for following up the strategy and action plan was delegated to the executive vice presidents of the various business areas. A materiality analysis was conducted that provides guidance on priorities and the main focus is on the Bank's core operations. Steering committees and working groups have been established and designated project managers appointed in all relevant fields.

You can read more about our sustainability work in *Sustainability and society – our material issues* and the appendix *Further facts about SpareBank 1 Østlandet's sustainability work.* The appendix also contains an overview of *Goals and secondary goals – sustainability, page 186.*

Implementation of the main strategy
The work on strategies, sub-strategies, goals and measures takes place in the individual divisions, staff groups and support departments.

Strategy is a topic in the executive management team's corporate governance meetings. Strategic decisions, status and results are communicated regularly, both in general videoconferences and on the Intranet.

Strategic goals and results also form part of employee performance and career development interviews and follow-up interviews.

CHAPTER 1.4

The equity certificate

An overview of the development of the SpareBank 1 Østlandet's equity certificate (SPOL) is provided below. More information can be found on www.sparebank1.no/en/ostlandet/about-us/investor.html

At the end of 2019, SpareBank 1 Østlandet was the third largest equity certificate bank in Norway with business capital of NOK 178 billion. The market value of the equity certificates was NOK 10.7 billion based on a closing price of NOK 92.50.

The total return on the SPOL equity certificate, including dividends, was 17.1 per cent, compared with 16.5 per cent for the Oslo Børs's total index (OSEBX) and 24.6 per cent for its equity index (OSEEX).

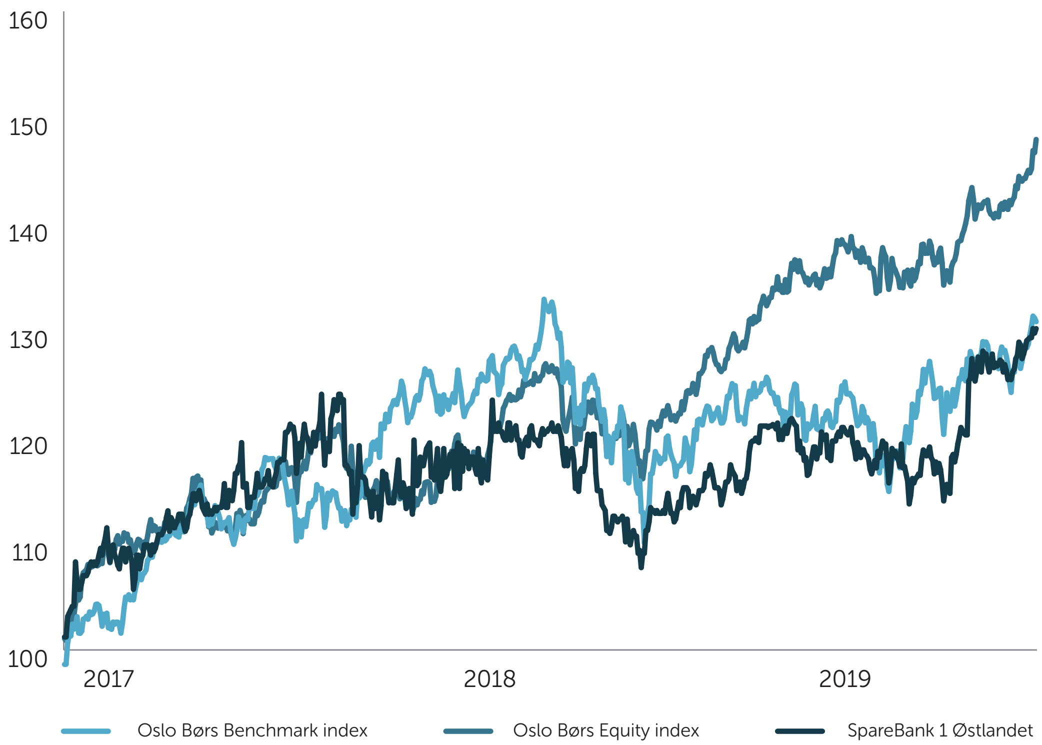
At the end of the year, the equity certificate was traded at NOK 92.50, which corresponds to 0.99 times book equity. The highest price in 2019 was NOK 93.60 in December, while the lowest was NOK 80 in September.

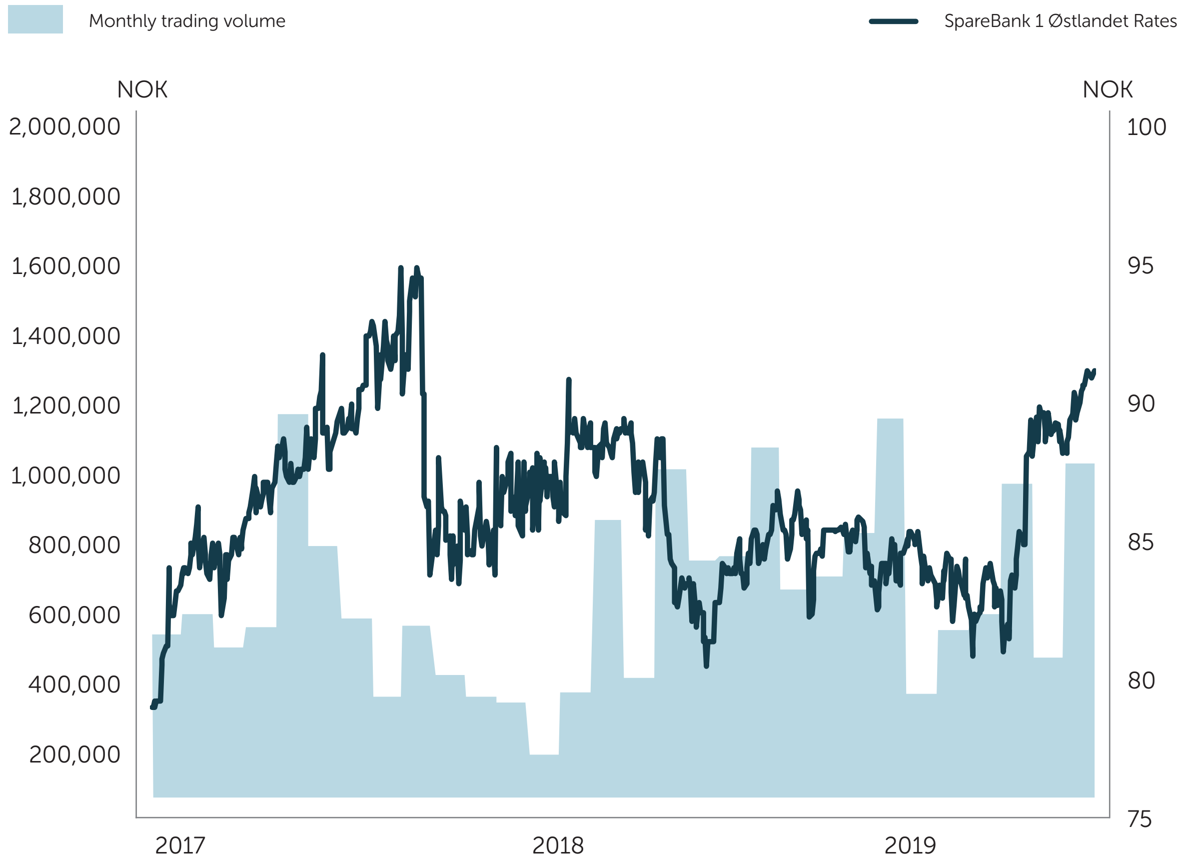
Trading

A total of 9.5 million SPOL equity certificates were traded in 2019. This is 46 per cent more than in 2018.

A subsequent issue for equity certificate holders unable to take part in the private placing in November 2018 was carried out in January, as was a repair issue for LO and an issue aimed at employees.

SpareBank 1 Østlandet is part of the Oslo Børs's Equity Index with an index weight of 10.2 per cent. Internationally, SPOL is also the only Norwegian savings bank in the MSCI World Small Cap Index.





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 (the majority's share of the consolidate profit) as dividends to equity certificate holders and customer dividends from the primary capital.

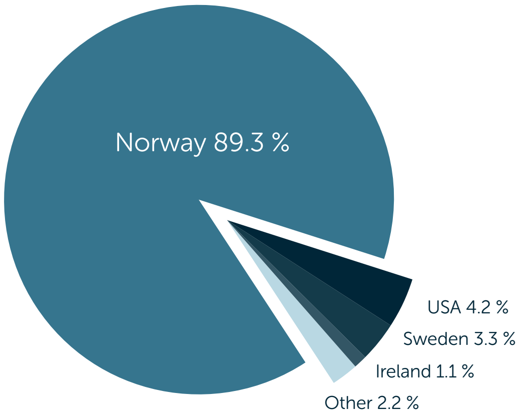
The Bank's long-term profitability target is a return on equity of 10 per cent. The return on equity target is slightly lower than those of comparable banks, which reflects SpareBank 1 Østlandet's goal of maintaining its well-established position as Norway's strongest regional savings bank.

The Bank's ambitions concerning its financial strength are reflected by its long-term core 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.

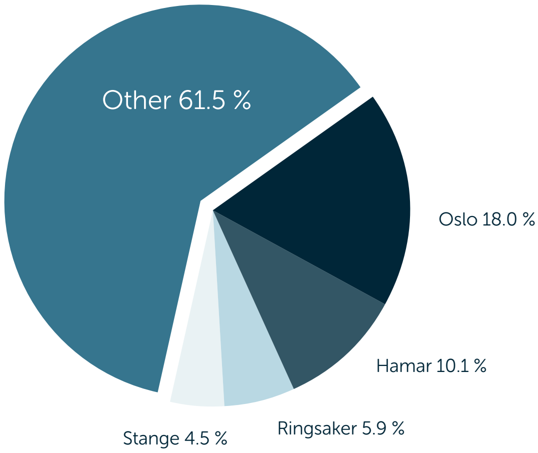
Equity certificates and ownership structure
Booked equity share capital at the end of 2019 amounted to NOK 5,791 million divided into 115.8 million equity certificates with a nominal value of NOK 50. SpareBank 1 Østlandet had 5,008 private and institutional investors at the end of the year. The largest owner is Sparebankstiftelsen Hedmark, which owns 52.1 per cent of the equity certificates. The Norwegian Confederation of Trade Unions (LO) is the second largest owner.

Measured in terms of market value, around 89 per cent of the equity certificates are held by Norwegian investors. The USA, Sweden and Ireland account for the largest groupings of international investors. The largest number of investors are from Oslo, followed by the municipalities of Hamar, Ringsaker and Stange.

Geographical distribution of investors (country)



Geographical distribution of number of investors (municipality)



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

Rating

SpareBank 1 Østlandet's deposits and senior unsecured debt are rated A1 (stable outlook) by Moody's Investor Service. SpareBank 1 Østlandet is thus rated on a par with the best-rated savings banks in Norway. The Bank, along with six other Norwegian banks, was adjusted from 'negative' to 'stable outlook' by Moody's on 3 June 2019. An updated credit assessment from 5 December maintained the Bank's very strong macro profile, solid capital level and low risk.

CHAPTER 1.5

Our organisation

Customer areas

Retail market (RM)
RM serves our 329,000 retail customers. The Bank's core operations meet many important needs, including saving, financing, money-transfer services, insurance, damage prevention and asset and investment management.

Corporate market (CM)
CM serves our 24,000 corporate customers, which are mainly small and medium-sized enterprises. An important part of the Bank's contribution to society involves financing good projects that stimulate job growth and development, which in turn contributes to local prosperity in our market area.

Organisation Market and Capital Market
Capital Market serves high-net-worth individuals and companies, providing good advice and solutions to achieve better returns (risk adjusted) on their available capital. The Bank's brokerage desk helps both import and export companies meet their foreign currency needs, and ensures that they get the assistance they require to cover a significant proportion of their currency and interest rate risk.

The Organisation Market (OM) serves the Norwegian Confederation of Trade Unions (LO) and LO affiliated associations and unions as important partners, owners, investors and customers. The department works closely with elected representatives in our market area in which OM's role is to highlight, present and train elected representatives and LO members in LO's advantage programme, including LOfavør residential mortgages.

Staff and support areas

The Group's support areas are responsible for tasks and services within innovation and business development, risk management and compliance, economy and finance, organisations and capital markets, HR and legal, business operations and communication.

Executive management team

Richard Heiberg

(born 1956), Chief Executive Officer (CEO)
Richard holds a degree in economics and business management from BI Norwegian Business School and an MBA from the University of Wisconsin, USA. He has held various management positions in Norske Skog, Forestia and Nordic Paper. Richard served on the board of Sparebanken Hedmark from 1995 onwards, including as its chair for 4 years, before becoming the Bank's CEO in 2010.

Geir-Egil Bolstad

(born 1967), Chief Financial Officer (CFO)
Geir-Egil holds a degree in economics and business management from BI Norwegian Business School, specialising in finance, and an MBA from NHH Norwegian School of Economics. He worked for SpareBank 1 Oslo Akershus for 11 years as a risk manager, CFO and deputy CEO. Geir-Egil was a member of Bank 1 Oslo Akershus's executive management team from 2009 onwards and joined SpareBank 1 Østlandet's executive management team in 2017.

Kari Elise Gisnås

(born 1964), Head of Retail Banking
Kari holds qualifications in economics from the Norwegian College of Agriculture, marketing management from BI Norwegian Business School, and sales/relationship management from NKI. She has marketing and managerial experience from the food industry. Kari joined Sparebanken Hedmark in 2001 and became part of the bank's executive management team the same year.

Hans Olav Wedvik

(born 1974) Head of Corporate Banking
Hans Olav holds a degree in economics and business management from BI Norwegian Business School and qualifications within finance and risk management from NHH Norwegian School of Economics. He has previously worked in DNB Finans and DNB Asset Management ASA, and was the CEO of SpareBank 1 Finans Østlandet AS from 2006 to 2016 before joining the Bank's executive management team the same year.

Eldar Kjendlie

(born 1965), Head of HR and Legal
Eldar holds a degree in business and a master's degree in management and employment law from BI Norwegian Business School. He worked in a variety of positions at Sparebanken Hedmark from 1988 onwards. Eldar and has experience in project management and committee work. He joined the Bank's executive management team in 2002.

Siv Stenseth

(born 1963), Head of Communications
Siv is a social worker (SHT) and journalist (NJH), and holds a master's degree in management, specialising in communication and management, from BI Norwegian Business School. She has extensive experience in the areas of media and communications and working with individuals. Siv has been responsible for communications and a member of the executive management team since 2003.

Dag-Arne Hoberg

(born 1957), Head of Innovation and Business Development
Dag-Arne graduated in engineering from Norges Tekniske Høgskole and continued his education in management and administration. He has extensive managerial experience from the Norwegian IT industry, and became the head of IT in Sparebanken Hedmark in autumn 1995. Dag-Arne has been a member of the executive management team since 2007.

Vidar Nordheim

(born 1962), Chief Risk Officer (CRO)
Vidar holds a degree in economics and business management from BI Norwegian Business School. He gained experience at Gjensidige Forsikring and held a number of positions in Sparebanken Hedmark from 1990 onwards. Vidar has been a member of the executive management team since 2006.

Espen Mejlænder-Larsen

(born 1969), Head of Organisations and Capital Markets
Espen holds a degree in economics and business management and has studied management in investment and financing at BI Norwegian Business School. He worked in several positions in Bank 1 Oslo Akershus from 1995 onwards, including Head of Treasury and Capital Markets. He also has experience from SEB as a bond broker. Espen became part of SpareBank 1 Oslo Akershus's executive management team in 2014 and joined SpareBank 1 Østlandet's executive management team in 2017.

Elin B. Ørbæk

(born 1963), Chief Operations Officer (COO)
Elin is a lawyer and has since 2012 been the legal director of the bank. Elin is also educated from the Police Academy and has a Master of Management from BI in HR, board work and combating economic crime. She has extensive experience from the police, has been a lawyer and partner in the law firm Campbell & Co and has worked in the Bank's credit management department. She has been working in the Bank since 2008. Elin joined the Bank's executive management team in 2019.

CHAPTER 1.6

17 PARTNERSHIPS FOR THE GOALS

Our part of the global responsibility

SpareBank 1 Østlandet wants to contribute to the global community effort. We will do our bit to achieve the Sustainable Development Goals by 2030 and the Paris Agreement's target of keeping the global temperature rise below 2 degrees Celsius. However, we cannot deliver on either our internal or external goals without partners. That is why we are a member of numerous initiatives and working groups. This is a way to improve our work, while supporting the work on sustainability in the financial services sector and other sectors.

Initiatives we support

UN Sustainable Development Goals

Banks impact, through the nature of their business, directly or indirectly all of the Sustainable Development Goals. We have identified seven goals where the Bank believes it has significant risk and opportunity for positiv or negativ impact. Within each of the goals we have identified relevant targets and linked these to our internal goals in our *Action Plan for Sustainability 2019-2021.* The goals have been integrated into our daily work.

UN Global Compact

SpareBank 1 Østlandet has been a member of Global Compact since 2017, and holds the post of deputy chair on the board of the Norwegian Global Compact Network. The GRI index shows how we deliver on the Global Compact's 10 principles.

The UN's Principles For Responsible Banking

The UN Environment Programme (UNEP) has a partnership with the financial services sector called the United Nations Environment Programme – Finance Initiative (UNEP FI). The Principles for Responsible Banking were officially launched in 2019. SpareBank 1 Østlandet was the first Norwegian bank to sign up to the principles, and one of the commitments is to conduct an impact analysis to identify where the Bank has the most significant impact.

UNEP FI's Collective Commitment to Climate Action.

In 2019, we were the second Norwegian bank to sign up to the UNEP FI's climate commitments. Our Climate and Climate Risk Policy and Action Plan shows how we intend to deliver on our commitments, including through concrete and time-specific goals for adjusting the loan portfolio in line with the Paris Agreement.

Finance Norway

We are members of multiple working groups in Finance Norway, including the reference group for sustainability and the working group on climate risk.

Frameworks we follow

OECD Guidelines for Multinational Enterprises

The guidelines are recommendations from the OECD countries for business and industry in all sectors, including financial services. SpareBank 1 Østlandet is working to comply with these guidelines. We actively use the guidelines in due diligence assessments for responsible business, especially in relation to the corporate market.

Global Reporting Initiative (GRI)

Large companies in Norway have a statutory duty to report on their corporate social responsibility work. SpareBank 1 Østlandet reports in line with GRI, the leading international standard for sustainability reporting, and also recommended by the Oslo Børs. One of the key principles is materiality. GRI reporting forms an integral part of the Bank's annual report.

Eco-Lighthouse

SpareBank 1 Østlandet has used the eco-management system, Eco-Lighthouse, since 2008 to reduce and report on its direct (scope 1) and indirect (scopes 2 and 3) greenhouse gas emissions. The reporting to Eco-Lighthouse provides the basis for the Bank's climate and energy accounts.

Science Based Target (SBT)

We have implemented a SBT for cutting greenhouse gas emissions in line with the goals of the Paris Agreement. For the time being, we will purchase climate quotas and use these to achieve climate neutrality during the strategy period.

CDP reporting

CDP delivers a global system for measuring, reporting and sharing climate and environmental information. SpareBank 1 Østlandet has not been asked to report according to CDP from investors, but has nonetheless chosen to report in line with CDP from and including 2019. We do so because an increasing number of stakeholders are interested in CDP information.

Climate, climate risk and TCFD

Far more important than the Bank's own climate footprint, is the Bank's ability to influence and motivate customers and suppliers to reduce their carbon footprint and thus help to realise Sustainable Development Goal No. 13 and the Paris Agreement.

Climate change is a risk to society, companies and banks. In 2015, the Financial Stability Board (FSB) set up the Task Force on Climate-related Financial Disclosures (TCFD). The aim was to explore how businesses can better understand and describe climate risks and opportunities, and how they can report on them. The TCFD delivered its recommendations on four areas in 2017:

- Governance
- Strategy
- Risk management
- Goals and methods

SpareBank 1 Østlandet reported in line with the TCFD for the first time in 2018. The goal has been to implement the work on climate risk in the Bank in 2019. This involves most business areas. The Bank is in the process of incorporating 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 advise customers on future risks to both the community and individual customers.

See Further facts about SpareBank 1 Østlandet's sustainability work: *Climate risk – reporting in line with the Task Force on Climate Related Financial Disclosure (TCFD), page 206.*

17 PARTNERSHIPS FOR THE GOALS

Framework for our sustainability initiative

Our ambition is to significantly enhance our positive impact while reducing our adverse impact on people, the environment and society.

Global compact, s 28.
UNEP FI, s 28.

4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Reinforce positive impact

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Reduce adverse impact

Eco-Lighthouse, SBT, TCFD and CDP p. 28-29 and the appendix Further facts about SpareBank 1 Østlandet's sustainability work.

Coherence between the UN's Sustainability Goals and targets, and SpareBank 1 Østlandet´s own goals in the Bank´s Action Plan for Sustainability.

1) We are a driving force for sustainable development in our market area.

4	8	9	12	13	15	16		
		9.4	12.2 12.8	13.3			1.1	We actively support customers' sustainability efforts and promote external sustainable innovation.
	8.10	9.4	12.8	13.3	15a 15b		1.2	We offer sustainable products and services, and promote sustainable innovation in-house.
			12.8			16.6	1.3	We initiate and support good sustainability activities.

2) We incorporate sustainability in both major and minor decisions, making it an integral part of our business.

4	8	9	12	13	15	16		
4.7			12.8	13.3		16.4	2.1	All employees are aware of our commitment to sustainability.
	8,5 8,8	9.3 9.4	12.2 12.6 12.8	13.3	15a	16.4 16.5 16.6 16.7	2.2	Sustainability is a part of our work processes.
4.7			12.6			16.6	2.3	We strive for openness and transparency in our work.

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	
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

SUSTAINABILITY AND SOCIETY – OUR MOST MATERIAL ISSUES

Economic crime: p. 54-55
Requirements for providers of financial services: p. 58-59
Ethics and anti-corruption: p. 56-57
Responsible lending: p. 50-53
Ethical marketing of products and services: p. 60

Also see our GRI index on pages 174-179 in the appendix.

2 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 in the best interests of equity capital certificate holders, customers and other stakeholders.

CHAPTER **2.1**

Corporate Governance in SpareBank 1 Østlandet

The corporate governance principles, and the implementation of these, are reviewed annually. SpareBank 1 Østlandet provides a comprehensive report on the principles and practice for corporate governance in accordance with section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance.

Norwegian Code of Practice for Corporate Governance
The description below describes how the 15 topics in the Norwegian Code of Practice for Corporate Governance of 17 October 2018 have been followed up in SpareBank 1 Østlandet.

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 capital certificates. Any deviations from the code are accounted for in the below text.

The company has given special emphasis to:

- a structure that ensures targeted and independent management and control
- systems that ensure measurement and accountability
- effective risk management
- holistic information and effective communication
- equal treatment of equity capital certificate holders and balanced relationships with other stakeholders
- compliance with laws, rules and ethical standards

Employees 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. 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.

Deviations from point 1 of the Code of Practice: None

Business operations

SpareBank 1 Østlandet is an independent financial services group and part of the SpareBank 1 Alliance. The company's vision is "Creating together". According to the Articles of Association of SpareBank 1 Østlandet, the business objective includes promoting savings by accepting deposits from an unrestricted group of depositors, providing services to the public, business community and public sector, and managing the funds it controls in a prudent manner in accordance with the 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.

SpareBank 1 Østlandet'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 county, Oslo and the former Akershus county, 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. We intend to contribute to the growth and development of the community of which we are a part, based on good customer experiences and capable employees.

The Board of Directors of SpareBank 1 Østlandet is responsible for, and leads, the company's strategic planning. The Board will also make decisions that form the basis for the company's management to prepare and implement investments and structural measures. Goals, strategies and risk profiles are assessed at least annually.

The company's ethical rules are available on the company's web pages.

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

CSR and sustainability are integrated in the company's operations, and it is expressed through strategies, measures and activities that the company plans and implements. This is expressed through the asset management and through the dialogue with employees, owners, customers, local communities and other stakeholders.

CSR and sustainability is available on the company's web pages, and the topic is dedicated a chapter in the annual report.

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

Company 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 closer discussion 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 web pages.

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 web pages.

Each year, the Supervisory Board approves the proportion of the profit after tax that will be allocated to equity capital 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 annual customer dividends. The customer dividends arrangement prevents dilution of the equity capital certificate holders' ownership interest. The equity capital certificate holders' share of the profit is divided between dividends and the equalisation fund.

Deficits

If a loss occurs, it shall first be covered by a transfer of funds from the primary capital, including the endowment fund and then the equity share capital that exceeds the equity share capital stipulated in the Articles of Association, including the equalization fund. Losses not covered in this manner are covered by a transfer of funds from the share premium reserve, and then by a reduction in the equity share capital as stipulated in the Articles of Association.

Purchases of own equity capital certificates

The Board has been granted authorisation to purchase the Bank's own equity capital certificates for up to 5 per cent of the Bank's equity certificate capital. Each equity capital certificate should be purchased for a price between NOK 50 and NOK 150. The Board of Directors is free to decide how the acquisition, pledging, or disposal of equity capital certificate takes place.

Capital increases

The Board holds the authority to increase the equity certificate capital pursuant to section 10-10 (2) of the Norwegian Financial Enterprises Act, see also the Norwegian Public Limited Liability Companies 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 is NOK 50 per equity capital certificate. The equity capital certificate holders' preferential rights can be waived. The authorisation can be used to strengthen the Bank's equity if necessary, issue equity capital certificates as remuneration when acquiring business consistent with the purpose of the Bank, or in connection with the sale of equity capital certificates to employees and/or employee representatives. The authorisation covers the increase of equity share capital in assets other than cash or the right for the Bank to assume certain obligations in accordance with § 10-2 of the Public Limited Liability Companies Act, but not decisions concerning mergers in accordance with § 13-5 of the Public Limited Liability Companies Act. The authorisation replaces earlier authorisations to increase the equity certificate capital and is valid until the 2020 meeting of the Supervisory Board, although not after 30 June 2020.

Deviations from point 3 of the Code of Practice: None

The dividend policy for SpareBank 1 Østlandet shall at all times be clear en predictable.

Non-discrimination of shareholders and transactions with related parties

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

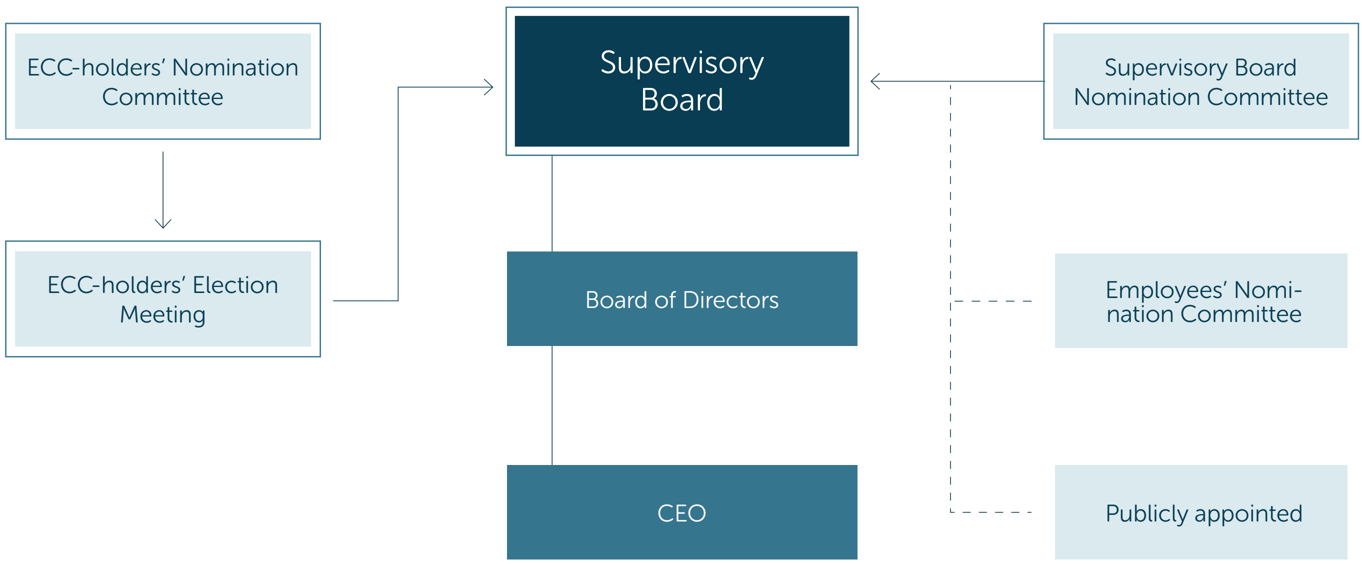
In the event of an increase of equity share capital, existing owners have pre-emptive rights unless special circumstances call for deviations from this rule. Any such deviation will be explained. SpareBank 1 Østlandet will at irregular intervals have the opportunity to launch private placements towards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

Transactions with related parties

There should be an independent valuation of non-material transactions between SpareBank 1 Østlandet and equity capital certificate holders. This does not apply when the Supervisory Board processes the transaction in accordance with the Public Limited Liability Companies Act's rules on agreements with related parties and intra-group transactions. According to the law, the Supervisory Board shall approve certain agreements between the company and equity capital certificate holders when the consideration amounts to more than one-twentieth of the share capital at the time of the acquisition. In this connection, the Board shall ensure that an independent expert, such as a state-authorised or registered auditor, prepares a statement of the agreement/assets, etc.

Deviations from point 4 of the Code of Practice: None

Governing bodies and election structure in SpareBank 1 Østlandet



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.

Free transferability

The company's equity capital 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

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 (general meeting)

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

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 equity capital certificate 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. ECC 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 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.

Equity capital certificate holders' election meeting

Annually, an election meeting for equity capital certificate holders is held where representatives to the Supervisory Board are elected and information is provided about the company's financial situation. Equity capital certificate 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. The voting will be held in writing unless all participants agree that voting can be conducted differently.

Election Committee

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

Election committee for the Supervisory Board

The Supervisory Board shall elect a nomination committee from among the 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

SpareBank 1 Østlandet's EC's is quoted on the Oslo Stock Exchange and is freely transferable.

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 equity capital certificate holders
The election committee prepares the equity capital certificate holders' elections of members and substitute members to the Employees' Election Committee. Elections are held at the election meeting of the equity capital certificate holders.

In addition, the committee shall prepare elections of members and substitute members to the election committee for the equity capital certificate holders. Members to the committee are elected by and among the 12 members of the equity capital certificate 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.

The Board of Directors, composition and independence

The Board consists of eight regularly attending members, of which four are women and four are men. There are 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.

The chief executive officer (CEO) 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 shall be elected by the Supervisory Board in special elections. 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

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 company's strategy, budget and market and organisational objectives. The Board appoints and dismisses the company CEO.

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.

Any agreement between the company and a Board member or the company CEO must be approved by the Board. The Board must also approve 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 in deciding an issue.

The Board is appointed by 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.

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.

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 established 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 Audit and Risk 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 and objectivity.

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 established 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 remuneration policy. The 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

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 Pillar 3 Report contains a description of risk management and capital management. The report is available on the company's web pages.

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 Common Equity Tier 1 ratio.

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 of SpareBank 1 Østlandet 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 policies adopted by the Board. Risk management at SpareBank 1 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 chief 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 as well as a full audit 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 for the company are outsourced and these services cover the parent bank and subsidiaries subject to risk management and internal control regulations.

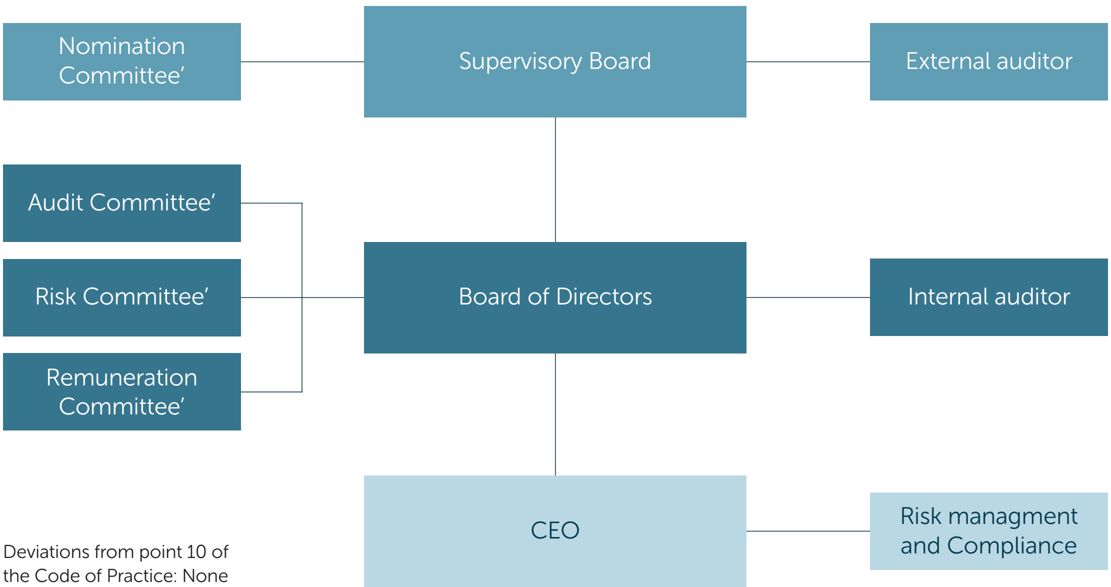
The internal audit function reports semi-annually to the Board, which adopts annual plans and budgets for the internal audit function. The internal audit's reports and recommendations are reviewed and improvements implemented on a continuous basis.

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 web pages.

Deviations from point 10 of the Code of Practice: None

Risk management and controlling bodies in SpareBank 1 Østlandet



Deviations from point 10 of the Code of Practice: None

Remuneration to the Board of Directors

The Board of Directors' fees recommended by the nomination committee of the Supervisory Board and imposed by the Supervisory Board are not result dependent and no options are issued to the directors. The Board's chair is remunerated separately, and members participating in Board committees receive 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, Audit Committee and Remuneration Committee is shown in note 23 in the annual report.

Deviations from point 11 of the Code of Practice: None

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, cf 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

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 separate web pages 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

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 Sparebankstiftelsen Hedmark (the Foundation) will at all times own at least 1/3 per cent of the equity capital certificates, 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 capital certificate capital. An overview of the largest ECC 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.

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 the same 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 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.

Equity investments and sustainability monitoring

The Bank has stakes in 36 companies (cooperative memberships excluded), where six of the companies are subsidiaries. Two of the subsidiaries are pure property companies integrated into operations and without employees. Here, the Bank's guidelines for sustainability and corporate social responsibility fully apply.

Four of the subsidiaries operate independent businesses within property management, financing/leasing and accounting/analysis. The executive management team conducts governance reviews in which corporate social responsibility and sustainability are one of three pillars, besides profitability and cooperation. The four subsidiaries are in the process of preparing their own strategies and guidelines for the area of sustainability based on the Group's template.

10 of the 36 businesses are alliance companies the Bank works closely with in all relevant governance areas, including environmental and social matters.

In the other 20 companies, the Bank's ownership is less active. Through the framework for corporate governance, the Bank's goal is to contribute to ensuring that the company's core values and guidelines for corporate social responsibility and sustainability matches the owners' core values. Any exercise of ownership takes place through boards, general meetings and other meetings of owners. In half of these investments, the Bank has a small and immaterial stake (less than NOK 1.5 million). All 36 companies are regarded as passing (negative) screening by a good margin.

CHAPTER **2.2**

Information about the Board of Directors

Siri J. Strømmevold

(born 1961) Chair, lives in Tynset.

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

Nina Cecilie Lier

(born 1972) board member, Deputy Chair, 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.

Hans-Christian Gabrielsen

(born 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). Board member since 2016.

Tore Anstein Dobloug

(born 1962), board member, lives in Furnes.

Dobloug holds a Cand. Polit. degree from the University of Oslo and a PhD in Economic Geography from Lund University. He has been a director in Energy Future Invest, CFO in Hedmark Energi and a bank executive and the CFO in Sparebanken Hedmark. He is now the director of Sparebankstiftelsen Hedmark. Board member since 2019.

Alexander Sandberg Lund

(born 1969) board member, lives in Oslo.

Lund holds a Cand. Jur. degree with education from the University of Oslo. He has been a deputy judge at Trondenes District Court and an associate, lawyer and partner in Wikborg Rein, Oslo. He is currently a partner/lawyer in CLP. Board member since 2019.

Espen Bjørklund Larsen

(born 1976) board member, lives in Elverum.

Larsen holds a university college candidate degree in economics and administration, took a 1-year advanced course in innovation, and also graduated as an Executive Master of Management from BI Norwegian Business School. Larsen has been the Bank's chief employee representative on the Board since 2008.

Vibeke Hanvold Larsen

(born 1977), board member, lives in Ottestad.

Larsen holds a bachelor's degree in business and is also a market economist. She has worked for Coop Prix and Santander. She is currently a full-time union representative in SpareBank 1 Østlandet. She became a board member in 2016 and is the bank employees' representative.

Guro Nina Vestvik

(born 1967), board member, lives in Hamar.

Vestvik holds a bachelor's degree in Business and Administration and further qualifications in organisation and management. She has worked for Gjensidige and also been the CFO of Moelven Industrier and a project manager for the city region programme in ElverumRegionen Næringsutvikling. She is currently an urban developer with Hamar Municipality. Board member since 2016.

3 A look back at 2019

Subsequent issue and employee issue
In January, the Bank carries out a repair issue for the Norwegian Confederation of Trade Unions (LO), a subsequent issue for other owners and an employee issue. The total gross proceeds from the issues amount to around NOK 31 million.

Cooperation with NTNU on finance and digitalisation
In January, SpareBank 1 Østlandet and NTNU, Gjøvik, sign a cooperation agreement regarding student collaboration, cyber security, digitalisation within financial services, sustainability, big data analysis, machine learning, and the development of a dedicated professional unit within industrial economics and technology management. The agreement is for 3 years.

First Norwegian bank to support the UN's Principles For Responsible Banking
In January, SpareBank 1 Østlandet becomes the first Norwegian bank to sign up to the new UN's Principles for Responsible Banking. It aims to be a driving force behind achieving the Sustainable Development Goals and fulfilling the Paris Agreement. Later in the year we also sign up to the UNEP FI's climate commitments for banks.

The mobile bank is opened for everyone
The EU's PSD2 facilitates simpler and more seamless money-transfer services. In March, we enable customers to see account information from other banks in the mobile bank. Later that same month, customers can gather accounts from multiple banks in our mobile bank.

Genderbell on the Oslo Stock Exchange from 8 March
International Women's Day is marked on stock exchanges across the entire world, and SpareBank 1 Østlandet takes part in the bell ceremony #Genderbell at Oslo Stock Exchange. We are one of three actors to give a talk to the female managers of tomorrow.

NOK 222 million paid out in customer dividends
In April, SpareBank 1 Østlandet pays out customer dividends for the second time. A total of NOK 222 million is paid out to the Bank's deposit and loan customers.

Consumers name SpareBank 1 Norway's most sustainable bank
For the third year in a row, SpareBank 1 tops the Sustainable Brand Index, Norway's largest sustainable brand survey. SpareBank 1 Østlandet accepts the award on behalf of the entire SpareBank 1-alliance at the Sustainable Brand Index Awards.

We cheer for e-sports and become the main partner of eSerien
E-sport has enjoyed enormous growth in recent years and in April another major new Norwegian venture starts. eSerien is Norway's e-sports league in FIFA and SpareBank 1 is its main partner.

Partnership with the electricity retailer Eidsiva
The Bank enters into a partnership agreement with the electricity retailer Eidsiva to provide customers with green, sustainable options. The partnership involves joint information about the Bank's green loans and Eidsiva's solar panels. Together, this means we can contribute to more people choosing green solutions.

Green agriculture loans launched
SpareBank 1 Østlandet wants to support sustainable measures in agriculture. In May, the Bank launches green agriculture loans with favourable interest rates for customers who want to install solar panels on their farm and thus reduce their climate footprint.

Interest rate changes
In June, SpareBank 1 Østlandet raises interest rates on loans, largely by 0.25 percentage points. The best residential mortgage rate is 2.80 per cent for people under 34.

SpareBank 1 Østlandet achieves an 'A' rating for ESG
The recognised ratings agency, MSCI, which has more than 40 years' experience in corporate social responsibility and sustainability ratings (ESG) awards SpareBank 1 Østlandet an 'A'.

Q3

Tender win for residential mortgages for LO
In August, following a tender competition, Norway's largest employee organisation, the Norwegian Confederation of Trade Unions (LO), chooses SpareBank 1 Østlandet from among all of the SpareBank 1 banks as its partner for residential mortgages for its members. LO members thus gain access to one of the country's best mortgage rates, especially for first time buyers.

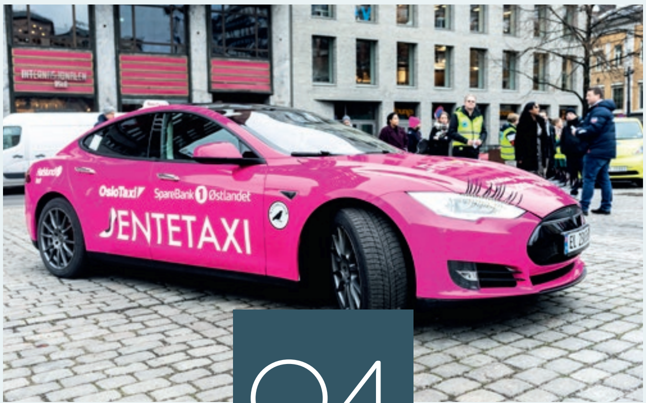
Special climate event at Arendalsuka
Arendalsuka is an important national forum for stakeholders within politics, society and business. SpareBank 1 Østlandet has an active presence and at an event it is hosting asks for input on the Bank's climate work from various commentators. Representatives of special interest groups, political parties and research contribute input on our future work.

NOK 2.5 million in talent grants
In September, SpareBank 1 Østlandet awards talent grants for the sixth time. The money is shared between 90 talented young people within sports, the arts and culture from Innlandet, Oslo and Akershus.

Interest rate changes
In September, SpareBank 1 Østlandet raises interest rates on mortgages by up to 0.25 percentage points due to higher borrowing costs. The Bank's best mortgage rate is now 2.90 per cent for first-time buyers.

Leadership conference focuses on sustainability
In September, the theme is "how to create an economy the world can tolerate" when the Bank invites private and public enterprises to its annual leadership conference in Hamar Cultural Centre. The conference brings together more than 200 people from society and business in Innlandet.

Agenda Innlandet established
SpareBank 1 Østlandet, NHO, LO and Innlandet County Authority together take the initiative to establish a new and long-term collaboration: Agenda Innlandet. Hedmark and Oppland were merged into a single county in January 2020 and the aim now is to put the new Innlandet County on the national agenda.



Q4

Open-banking partnership provides an overview of subscriptions in the mobile bank
In October, our customers learn they will soon be able to maintain an overview of, and cancel, various subscriptions in their mobile bank. The solution was initiated by SpareBank 1 Østlandet and developed via a partnership and FinTech collaboration with the company Minna Technologies.

Swap weekend for skiing equipment arranged
To reduce the costs associated with sports and make skiing equipment more available for more people, SpareBank 1 Østlandet and the Norwegian Ski Federation Cross Country arranges a swap weekend in November involving clubs in the region. This has become a well-visited tradition.

Free women-only taxis before Christmas in the capital
In Oslo, SpareBank 1 Østlandet together with Natteravnene take the initiative to arrange free women-only taxis to help women get home safely from the city centre during the Christmas party season. It is a popular service.

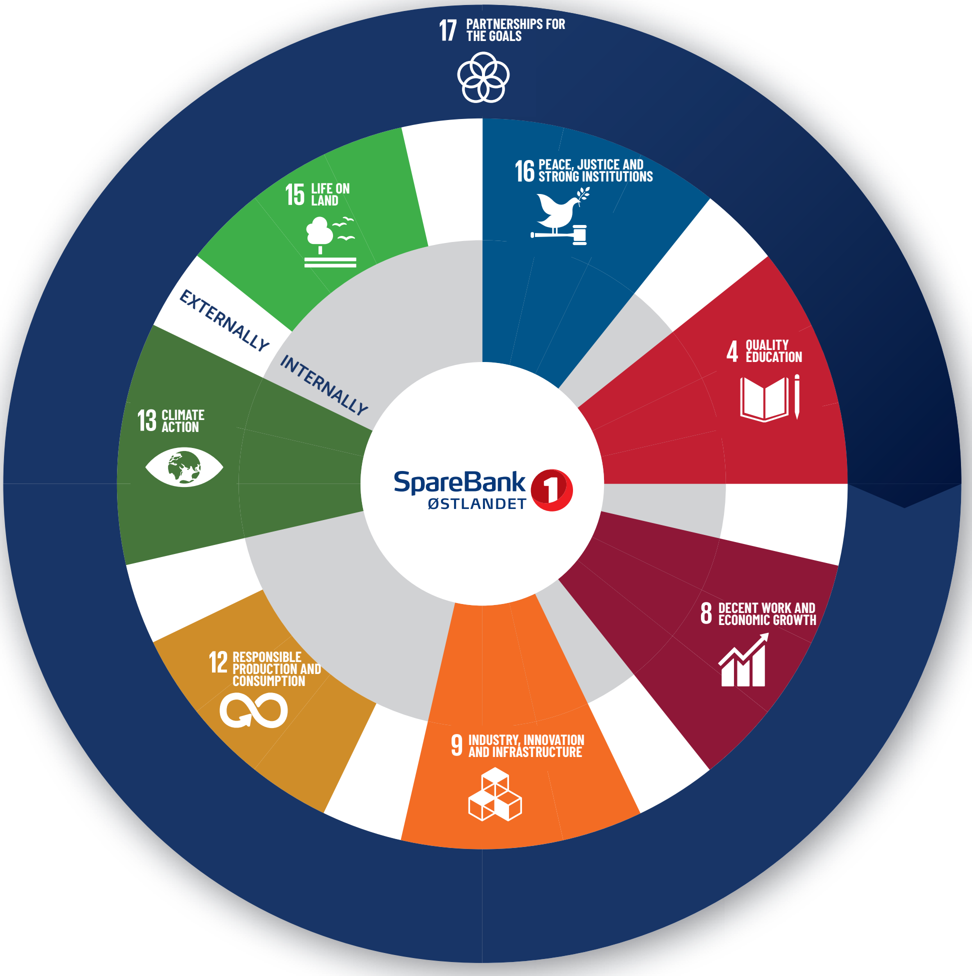
Campaigning for more foster homes
Every year, there are around 200 children in Oslo who, for a variety of reasons, can no longer live at home with their parents. In December, SpareBank 1 Østlandet therefore takes part in a business campaign to recruit more foster homes.

Christmas gift for the Blue Cross and crisis shelters
Instead of giving Christmas gifts to customers or employees, the Bank has an annual tradition of donating a decent amount to a good cause. This year the money is shared between the Blue Cross in Oslo and crisis centres in Hamar, Kongsvinger, Lillehammer and Gjøvik.

SpareBank 1 Østlandet in top 3 on customer service
The analysis agency Kantar, in collaboration with Tekna, conducts an annual survey of customer service in various industries. This is Norway's largest customer service survey in which more than 20,000 customers have their say on the various companies' customer service. SpareBank 1 Østlandet is proud to make it onto the podium in the banking industry in the survey and thanks everyone for their confidence.

4 Sustainability and society – our material themes

Ever since the time of small savings banks, the Bank has aimed at being a committed and responsible partner to community development. Today, the Bank´s ambition is to significantly enhance our positive impact while reducing our negative impact on people, the environment and society.



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. The figure shows the sustainability goals the Bank has a particularly strong impact on. 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. Goal 17 is a method goal and gives an indication of how we will work.

In 2017, the Bank conducted a materiality analysis via a comprehensive stakeholder dialogue.

The analysis identified where the Bank can reinforce its positive impact and reduce its negative impact within sustainability. The most material issues from the analysis are:

- Responsible lending.
- Combating economic crime.
- Setting requirements for providers of financial services.
- Work on ethics and anti-corruption.
- Ethical marketing of products and services.

The stakeholders also considered the following topics important: privacy, negative screening, new products and green innovation, positive screening and active ownership. This provides a basis for setting the Bank's priorities within sustainability, and a section has been dedicated to each key theme in this report.

An own appendix provides further facts about the material issues. The appendix also includes facts about other topics in our sustainability initiative and materiality analysis.

CHAPTER **4.1**

Responsible lending

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Why is this a key theme for the Bank?

Providing loans to retail and corporate customers is the Bank's core business. Responsible lending has been an important part of our social mission as a regional savings bank for 175 years. Today, this is reflected in our vision *Creating together* and our values: *proficient, nearby and engaged*. Responsible lending has become the Bank's main focus in its sustainability efforts.

The corporate market (CM) is the main priority, and the head of corporate banking has been given responsibility for the initiative. A steering group has been established consisting of the head of credit and two regional bank executives, as well as the head of sustainability. Working groups have also been established for all of the projects. The CM initiative is specifically linked to Sustainable Development Goals 8, 9, 12, 13, 15 and 16.

In the retail market (RM), the head of the division also bears primary responsibility, in close cooperation with a regional bank executive who bears operational responsibility. The initiative is specifically aimed at Sustainable Development Goals 8, 12 and 13. Besides this, the sustainability initiatives have been incorporated into all relevant existing committees and working groups, both in RM and CM, with support from staff functions.

What did we achieve in 2019?

Corporate market (CM)

2019 was the year in which we thoroughly incorporated sustainability into assessments of lending to companies. CM accounts for only about a quarter of the Bank's lending. However, this is where we have the greatest opportunity to have a positive impact and the greatest risk of having a negative impact on the environment, nature and the climate, human and labour rights, and economic crime and governance (often abbreviated to ESG). This was confirmed by the overarching ESG risk analysis we conducted in 2019, which involved key people from all of the Bank's business areas. Based on the analysis, it was concluded that we have the greatest risk and potential within real estate and agriculture, our two largest industries. These are linked to Sustainable Development Goals 12 (real estate) and 15 (agriculture).

In 2019, we implemented our guidelines for corporate social responsibility and sustainability in lending processes. You will find our absolute requirements and expectations in the appendix: *Further facts about SpareBank 1 Østlandet's sustainability work* under *Responsible lending*, page 210. Our routines for processing loan applications include requirements for both ESG dialogues with customers and ESG due diligence analyses. The Bank uses due diligence assessments to identify which customers and projects have a high risk of having a negative impact and the potential for a positive impact. The Bank uses the methodological framework in the OECD's Due Diligence Guidance for Responsible Business Conduct, which was launched in 2018.

In 2019, the Bank developed due diligence assessments within all of the relevant industries. Advisers with industry-specific expertise were involved in the work. The Bank bases its work on the industry's roadmap for green competitiveness and maintains a good, close dialogue with customers, industry organisations and special interest groups concerning the development of the assessments. This is in line with Sustainable Development Goal 17 regarding partnerships.

Strategic anchoring and goals for the area

Important guidelines: *Corporate Social Responsibility and Sustainability Strategy, General Guidelines for Corporate Social Responsibility and Sustainability, Guidelines for Corporate Social Responsibility and Sustainability for the Retail Market, and Guidelines for the Corporate Social Responsibility and Sustainability for the Corporate Market.*

Goals from the Action Plan for Sustainability: *1.1 We actively support customers' sustainability efforts and promote external sustainable innovation. 1.2 We offer sustainable products and services, and promote sustainable innovation internally.*

2.2 Sustainability is included in our work processes.

GRI indicators: F7, F8, F10 and F11. Training: 404-2,3.

SDG: 8.10, 9.4, 12.2, 12.6, 12.8, 13.3, 15a, 15b and 16.4.

Number of due diligence assessments conducted per customer group

82
corporate customers within agriculture

10
customers within commercial property

In addition to this, our advisers are required to maintain a dialogue with customers concerning their approach to sustainability in their business. There were around 3,200 credit cases in CM in 2019 and, following the introduction of the requirement and training, it is estimated that sustainability was part of the dialogue with around 1,600 customers.

Within agriculture, due diligence assessments were carried out in almost all loan cases in the fourth quarter of 2019, a total of 82 cases in all. We have around 1,600 agricultural customers and there were 625 loan cases within agriculture in 2019. Within commercial property, assessments were carried out for around 10 customers. Work on due diligence assessments in other industries started in the fourth quarter.

If a customer is determined to be a medium or high risk, the advisor must ask for risk mitigation and improvement measures to be taken. This can be set as a requirement for granting a loan. If a customer does not take adequate risk mitigation measures, the case may be passed up to the Sustainability Section for a professional assessment. In the case of high risk, the case is passed up in the normal way to the credit committee. We refused two loan applications for ESG reasons in 2019.

New products and green innovation in the corporate market

In 2018, the Bank developed a coarse fodder loan to help farmers through the summer of drought. In 2019, we expanded the product portfolio with a green agriculture loan of up to NOK 250,000 for the installation of solar panels. The loan provides farmers with very favourable interest rates when they choose a climate-friendly energy solution. The loans were launched in May, and 21 were granted in 2019. The total lending volume involved in these was NOK 5.4 million. The total lending volume in CM at the end of 2019 was around NOK 34.9 billion.

Green agriculture loans were launched in May and 21 loans were granted in 2019. The total lending volume involved in these was NOK 5.4 million.

NOK
21.5

million in favourable residential mortgages for eco-friendly and energy saving measures at the end of 2019

Green mortgages can be granted for four different loan purposes:

Loans for general energy saving measures
– loan up to NOK 250,000.

Upgrading existing buildings
– loan up to NOK 1 million.

New build with passive house or plus house standard
– loan up to NOK 1 million.

Purchase of newly built, especially eco-friendly house in Zero Emission Neighbourhoods
– currently the residential area of Ydalir in Elverum
– loan up to NOK 1 million.

Retail Market (RM)
The RM's overarching ambition is to be a driving force for sustainable development in our market area. For RM, this means helping more customers make more sustainable choices, generally by consuming less, having less unsecured debt and maintaining good control over their finances. The Bank is a leading actor in parts of the market area, and our products and services affect not only customers' behaviour but also the environment and society.

We have a range of products and services with a social profile that provide financial benefits for customers:

- **Restart** was launched in 2019 and is offered to customers experiencing temporary financial difficulties. The customer is monitored closely in order to improve their financial situation.
- **Deposit loans** for young people/LOfavør deposit loans for young people are loans for young customers who want to get into the rental market.
- **Residential mortgages for young people** and **LOfavør residential mortgages for young people** are a discounted product intended to help young people get into the housing market.
- **First time buyer loans** and **LOfavør first time buyer loans** were launched in 2019 and are our most affordable loans for first time buyers, whatever their age.
- **Wage guarantee scheme loan LO** is a loan that enables customers to pay their mortgage interest while waiting for payments from the Wage Guarantee Scheme if their employer has gone bankrupt.
- **LOfavør conflict loans** is a loan that enables customers to pay their mortgage interest if they end up in a prolonged labour dispute in connection with collective bargaining.

The total figure for this portfolio was NOK 27 billion at the end of 2019, approximately 25 per cent of the Bank's PM portfolio.

Of products and services with environmental benefits, we offer green mortgages for eco-friendly and energy saving measures in new and old homes. The loan offers a very favourable interest rate and is more affordable than a regular mortgage.

Green mortgages accounted for NOK 21.5 million of a total PM loan portfolio of NOK 106.5 billion at the end of 2019.

What remains to be done in the strategy period and from a longer term perspective?

The goal is to carry out due diligence assessments of all corporate customers by the end of the strategy period. No decision has yet been made regarding whether or not our smallest loan customers should be exempt from such assessments. We also aim to offer more green products that incentivise sustainable restructuring, both within CM and RM. We can see that some of our customers need to know more about sustainability and that is one of the reasons why dialogue with the customers is important, especially before we can set stricter requirements.

On a general level, our goal is to establish and publish sector-specific, scenario-based targets for the entire portfolio, and for priorities within the portfolio, because we have signed up to the climate commitments in UNEP FI. As a means of starting this work, we have in this annual report shown a preliminary calculation of our carbon-related credit exposure in

the CM portfolio in line with the Roadmap for Green Competitiveness in the Financial Sector (***Industry-by-industry calculation of carbon-related credit exposure, appendix* page 206**). This presents challenges with respect to both access to data and methods. There are no emission figures per company in Norway. In cooperation with our customers, other banks in Norway and through working groups in the UN's environmental programme for the financial services industry, UNEP FI.

In the RM, the goal in the guidelines is to make sustainability part of the customer dialogue. Work remains to be done concerning the form this should take; we are currently in a pilot phase.

Training, responsible lending

In 2019, the main focus has been on training and enhancing the skills of employees working in lending in the Bank. Almost all have received basic training in sustainability.

All advisers in the RM must be certified in the following areas: savings/investments, non-life insurance, credit and personal insurance. Reading days and skills updates in relevant areas are facilitated on an annual basis. No record is kept of the total hours each adviser spends on enhancing skills, rather the focus is on ensuring that employees have the relevant training and knowledge. Training is provided through video lectures, e-learning, nano-learning, classroom courses, vocational training and sales training.

The advisers in the CM undergo a number of training measures over the course of the year. The time spent is not estimated. In 2019, all CM advisers received role-specific training in sustainability. This involves enhancing skills related to the themes in the due diligence assessments in the form of video lectures with important stakeholders and nano-leaning about the theme.

4 QUALITY EDUCATION

Appendix:

Further facts about SpareBank 1 Østlandet´s sustainability work, Responsible lending, page 210.

Industry-by-industry calculation of carbon-related credit exposure, page 212

Responsible lending within liquidity management, page 213.

CHAPTER **4.2**

Combating economic crime

Why is this a key theme for the Bank?

Economic crime is a social problem that impacts both individuals and business. We and other banks have a duty to take measures to prevent and detect fraud, crime and acts of terrorism. Customers in particular, and society in general, must be confident about the Bank's work to combating economic crime.

The crime impacting the financial services sector is increasing and becoming increasingly complicated and complex. The Bank's efforts to prevent and detect crime are therefore important from both a national and an international perspective. This work is linked to Sustainable Development Goal 16, target 16.4, which aims to significantly reduce illicit financial and arms flows and combat all forms of organised crime.

What did we achieve in 2019?

In 2019, as in 2018, SpareBank 1 Østlandet has intensified its efforts to combat money laundering and the financing of terrorism. Economic crime is on the agenda at every board meeting. The focus has been on the new Anti-Money Laundering Act and Circular 8/2019 from the Financial Supervisory Authority of Norway, which provides good guidance for the future work in this area.

Like the rest of the financial services industry, SpareBank 1 Østlandet has conducted major projects aimed at improving and quality assuring the Bank's information about customers. Good cooperation with the customers and good communication plans have been vital in this work.

During the year, the Bank prioritised further developing technical solutions that could improve data quality. Automation and robotisation solutions have been implemented to streamline customer monitoring.

In June 2019, the Bank was invited to a meeting with the Financial Action Task Force (FATF) so it could get our input on the efforts to combat money laundering. FATF is an intergovernmental body consisting of 37 member states that sets international standards for combating money laundering and the financing of terrorism. Following FATF's country evaluation of Norway in 2014, Norway was placed under stricter follow-up measures. In December 2019, FATF published a report in which they concluded that Norway had strengthened its efforts against money laundering and the financing of terrorism.

In 2019, a total of 16,752 transactions were identified as requiring further checks by the Bank's transaction monitoring. Following

16,752
Transactions flagged for further checks

195
Cases reported to ØKOKRIM

Strategic anchoring and goals for the area
Important guidelines: *Guidelines for Internal Control and Communication – Money Laundering, Anti-Corruption Policy, Privacy Policy, Security Policy, and Strategy for the Bank's Processing of Personal Data.*

Goals from the Action Plan for Sustainability 2019-2021: *"We ensure a safe banking partner in which 100 per cent of new customer relationships are correctly established, existing customers have been correctly documented and we know where the customers' funds come from to prevent money laundering and/or the financing of terrorism through our bank."*

Goals/acceptance criteria for the Bank's processing of personal data: *SpareBank 1-alliance's Privacy Standard, Security Portal for SpareBank 1 and Information Classification Standard.*

GRI indicators: SB1Ø-1, 205-1, 205-2, 205-3 and 418-1. Training: 404-2,3.

SDG: 16.4.

investigations by the Bank's specialists in the area, 195 cases were reported to the financial intelligence unit (EFE) in the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM). None of these cases had any consequenses for the Bank.

Data protection and the GDPR

Our customers must have confidence that their personal data is safe with us. We process all personal data in line with the applicable legal requirements and the GDPR, the EU's General Data Protection Regulation, which was introduced in Norway in 2018. In the area of privacy and ICT security, we use an information security management system (ISMS) that satisfies ISO/IEC 27001.

We conduct regular internal audits of themes within privacy and the GDPR. In addition, internal compliance checks are carried out to check compliance with the privacy requirements and requirements for internal privacy documentation. The data protection ombudsman prepares quarterly reports for the Board. We also have internal systems that record discrepancies, including complaints within the area of privacy.

In 2019, there were eight individual cases of missent email or inadequate access management where customers' personal data was sent to, or otherwise made available to, the wrong party. The privacy risk in the specific cases was considered to be low or moderate. We are not aware of the cases having resulted in consequences for those involved.

In 2019, the Bank received no complaints from outside stakeholders or from regulatory bodies, such as the Norwegian Data Protection Authority or other government agencies.

What remains to be done in the strategy period and from a longer term perspective?

Over time, the Bank has strengthened its work on this topic and hired more specialists in 2019.

SpareBank 1 Østlandet will continue its efforts to combat economic crime, including working to prevent money laundering and the financing of terrorism, in cooperation with the authorities.

Training, economic crime

The Bank works with a wide-range of partners in its efforts to combat economic crime and all managers and employees have undergone training and taken part in campaigns. In 2019, all of the Bank's employees underwent mandatory training on the new legislation. The training was adapted to the individual employee's role and function in the organisation. The training also included board members.

4 QUALITY EDUCATION

CHAPTER **4.3**

Ethics and anti-corruption

Why is this a key theme for the Bank?

The Bank depends on the trust of customers, investors and other stakeholders in society. The value we create must be created in ways that comport with good advice practice and within a framework where the individual employee does not violate our Code of Conduct in order to achieve financial objectives. The needs and interests of customers must be safeguarded through good professional and responsible customer management that ensures customers are able to make conscious, well-informed choices.

The Bank has zero tolerance for corruption and does not accept actions that could be perceived as bribery 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.

The work on ethics and anti-corruption is rooted in the Bank's Code of Conduct, which is revised annually. The Code of Conduct is intended to help ensure that employees comply with 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.

What did we achieve in 2019?

Privacy, the GDPR and information security were all topics during the Bank's Ethics Week in 2019. There were various lectures, courses and activities for all employees throughout the week. Besides Ethics Week, employees receive regular anti-corruption training and information.

The Group's anti-corruption work is intended to ensure that good guidelines, work processes and routines are in place to prevent corruption, trading in influence, bribery and the use of facilitation payments. Internal control measures are carried out to prevent, detect and deal with such cases. This is essential to protect the Group's reputation, as well as to reduce the risk of operational losses.

The Bank established its own Anti-Corruption Policy in 2019. The entire Bank was evaluated with respect to corruption in an annual risk assessment. Eight business areas were considered to be exposed to corruption risk. This applies to the corporate market, retail market, organisational market, marketing, sales and distribution support, procurement, IT and security.

In addition, whistle-blowing channels were established, both internal and external. Challenges, concerns and unacceptable situations can be reported anonymously via these. This work is linked to Sustainable Development Goal 16, target 16.5, which aims to substantially reduce corruption and bribery in all their forms.

The Bank had no known cases of corruption in 2019.

Strategic anchoring and goals for the area

Important guidelines: *Code of Conduct, Anti-Corruption Policy, Guidelines for Identifying and Countering Conflicts of Interest, and the Programme for the Bank's Work on Preventing Corruption and Bribery.*

GRI: 205-1, 2, 3.
Training: 404-2,3.

SDG: 16.5.

0

known cases of corruption

What remains to be done in the strategy period and from a longer term perspective?

A programme will be established for the anti-corruption work based on the risk assessment carried out in 2019.

Training, ethics and anti-corruption

All employees must confirm each year that they have read and understood the Code of Conduct. Any breach of the Group's Code of Conduct could have consequences for a person's job.

All employees also underwent anti-corruption training in 2019. This was provided by having information on the theme available, cases on the Intranet and nano-learning. Training measures were implemented for all 18 members of the Board and executive management team. The anti-corruption guidelines have been reviewed and discussed to improve understanding and anchoring. In May, the Bank arranged a special, in-house Ethics Week on the theme of the GDPR and privacy to enhance the skills and awareness of employees.

4 QUALITY EDUCATION

During the Bank's annual Ethics Week in 2019, the themes were privacy, the GDPR and information security.

Read more about ethics and whistleblowing in the Report of the Board of Directors, p. 77.

CHAPTER **4.4**

Requirements for providers of financial services

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Why is this a key theme for the Bank?

In this context, providers of financial services to SpareBank 1 Østlandet are limited to fund providers. The Bank does not manage its own funds, it offers securities funds through several third-party providers. The Bank is also a co-owner of ODIN, a jointly owned subsidiary of SpareBank 1 Gruppen.

Saving via funds is an important product for our customers. The funds we offer are invested in companies in a very large number of sectors, both in Norway and internationally. Maintaining an overview of companies' performance with respect to responsibility and sustainability within areas such as the environment, climate, human and labour rights, economic crime and corporate governance is demanding. Therefore there is an intense focus on this area, both in civil society and in the financial services industry itself.

What did we achieve in 2019?

In the past year, we carried out an extensive sustainability analysis of our funds based on the Bank's Guidelines for Corporate Social Responsibility and Sustainability for Distribution of Securities Funds. Pending a common taxonomy from the EU, the goal has been to establish graded fund labelling for all of the securities funds offered to customers. The labelling is intended to make it easier for customers to choose funds based on their ESG and sustainability preferences.

Much of the work with funds is centralised in the SpareBank 1-alliance via a partnership between the SpareBank 1 banks and SpareBank 1 Utvikling. In 2019, all of the funds (100 per cent) were subject to a sustainability analysis conducted by The Governance Group. The analysis covered a total of 25 companies and 291 individual funds. At the end of 2019, SpareBank 1 Østlandet offered 167 of these funds from a total of 12 managers. The funds are screened for:

- Exclusion of controversial weapons (276 funds*).
- Exclusion of:
  - Companies that generate a significant part of their earnings from thermal coal or that base a significant part of their operations on thermal coal (197 funds*).

  - Companies that contribute to serious environmental damage (209 funds*).

  - Companies that at an aggregated company level cause unacceptable levels of greenhouse gases (190 fond*).

  - Companies that are involved in serious breaches of human rights (223 funds*).

  - Companies that are involved in corruption (180 funds*).

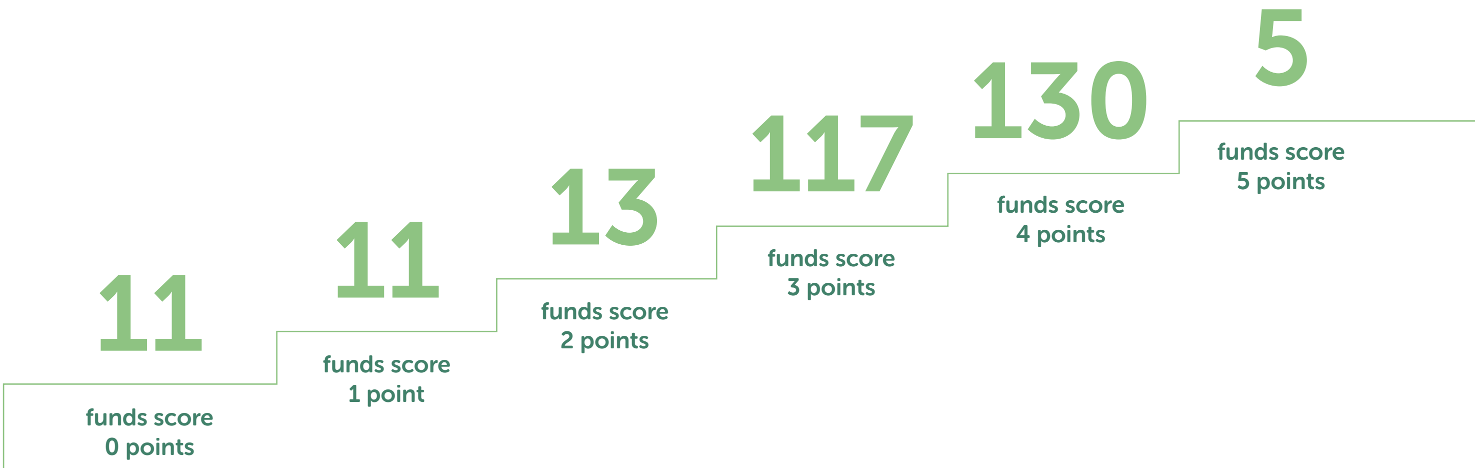
*Number of funds that have the different exclusion criterias.

Strategic anchoring and goals for the area
Important guidelines:
Corporate Social Responsibility and Sustainability Strategy. General Guidelines for Corporate Social Responsibility and Sustainability. Guidelines for Corporate Social Responsibility and Sustainability for Distribution of Securities Funds.

Goals from our action plan: *We investigate the customer's climate preferences as part of the suitability survey and offer products that fit the customer's climate preferences. (SAP 1.1.4). We provide the customer with good information about the climate profile of all our funds. (SAP 1.1.5). We have arranged at least two client events on investing in funds with ESG as the theme. (SAP 1.1.6)*

GRI indicators: FS10 and FS11. Training: 404-2,3.

SDG: 8.10, 12.8, 13.3, 15a, 16.4 and 16.5.



In the analysis, negative screening scores up to 2 points, positive screening 1 point and active ownership up to 2 points. The maximum possible point total is 5. Of the funds offered on SpareBank 1's platform, 5 funds score 5 points, 130 funds score 4 points, 117 funds score 3 points, 13 funds score 2 points and 11 funds score 1 point. 11 funds score 0 points.

Distribution of points among 291 analysed funds

- Active ownership.
  - Funds that in their active ownership communicate with the companies about ESG ratios (268 funds) and vote at general meetings (263 funds*).

  - Funds that publicly report on how active ownership is exercised (254 funds*).

- Positive screening
  - Funds that carry out positive selection of companies based on socially beneficial, non-financial factors (6 funds).

In addition, 81 of the 291 funds surveyed measure greenhouse gas emissions.

In addition, 81 of the 291 funds surveyed measure greenhouse gas emissions.

All of the funds managed by our jointly owned subsidiary, ODIN, score 4 points. The only thing they do not score a point for is positive screening, which ODIN has not chosen to use as a method. We primarily recommend ODIN funds in our advice to customers.

In addition to labelling the funds we offer, SpareBank 1 Østlandet's guidelines for fund management provide the basis on which all new funds are included in our fund platform. Our recommended funds, which number around 40 out of a total of 167 funds on the platform, will only be funds that comply with the Bank's guidelines.

Training, requirements for providers of financial services

In late 2018, new ESG guidelines were adopted for capital markets. The division has therefore received training in the guidelines and reviewed them in 2019. This included a sustainability workshop.

4 QUALITY EDUCATION

Appendix
Requirements for other suppliers, page 214.

CHAPTER **4.5**

Ethical marketing of products and services

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Why is this a key theme for the Bank?

It is important for the Bank to practise ethical marketing that makes our services and products transparent and understandable. This is to ensure that the customer is well-informed and able to make good financial decisions.

The Bank also has a major impact when we enter into sponsorships and other cooperation agreements. Therefore, we require everyone we enter into agreements with to meet our expectations and requirements for sustainable products and solutions.

What did we achieve in 2019?

- All of the Bank's sponsorship agreements refer to sustainability.
- We use digital channels and platforms rather than paper and posters in marketing.
- When the Bank supports events we enter into a dialogue about 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 aimed at young people. We have also developed a communication programme in which we talk about how to use credit cards properly in various situations faced by young people.

No breaches of the regulations and guidelines for product and service information and labelling were reported in 2019. No failures to comply with regulations and/or voluntary guidelines for marketing, including advertising, promotions and sponsorships, were reported either.

What remains to be done in the strategy period and from a longer term perspective?

- Audit of the area of sponsorships.
- Evaluation of plans and activities.
- Measuring awareness of sustainability in our brand.
- Maintaining good consumer ratings in sustainability, through, among other things, the Sustainable Brand Index.

4 QUALITY EDUCATION

Training, ethical marketing of products and services

The marketing department focuses heavily on training within sustainability and ethical marketing. The purpose is to ensure that ethics and sustainability are integrated into our methods. Therefore, all employees have received training in these themes.

Strategic anchoring and goals for the area
Important guidelines:
General Guidelines for Corporate Social Responsibility and Sustainability. Code of Conduct.

Goals from the Action Plan for Sustainability: *2.2.29 Sustainability requirements are incorporated into all new or extended agreements. 2.2.30 We carry out a sustainability assessment (ESG rating) of all the content we produce and communicate. 2.2.31 We have clarified the Bank's sustainability profile.*

GRI: 203-1, 417-2, 417-3.
Training: 404-2,3.

SDG: 9.4, 12.6, 12.8, 13.3 and 16.5.

5 Statement and results

2019 was a good year for SpareBank 1 Østlandet. We achieved a very good consolidated profit, stronger banking operations, and customer growth.

Contents

CHAPTER 5.1

Report of the Board of Directors

SpareBank 1 Østlandet operates in one of the most interesting market areas in Norway – with economic growth above trend, low unemployment and good prospects going forward. The customer satisfaction is high, and the inflow of new customers is solid. SpareBank 1 Østlandet achieved a consolidated profit after tax of NOK 1,928 million in 2019, an increase from NOK 1,414 million in 2018. The return on equity was 12.8 per cent and the Board proposes a dividend pay-out 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 2019.

The Group's composition and market area

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

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

SpareBank 1 Østlandet owns 12.40 per cent of SpareBank 1 Gruppen AS, 18.00 per cent of SpareBank 1 Utvikling DA (formerly SpareBank 1 Banksamarbeidet DA), 20.85 per cent of SpareBank 1 Kredittkort AS, 9.99 per cent of BN Bank ASA, 20.00 per cent of SMB Lab AS, 20.00 per cent of Betr AS, and 18.74 per cent of SpareBank 1 Betaling AS. The Bank also owns 22.29 per cent of SpareBank 1 Boligkreditt AS and 15.15 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements in proportion to the Bank's stake.

SpareBank 1 Østlandet's head office is in Hamar and the main market area consists of the former counties Hedmark, Oppland, Oslo and Akershus. SpareBank 1 Østlandet 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.

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 7.5 per cent in 2019. This includes loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. Retail lending grew by 6.7 per cent, while corporate lending grew by 9.7 per cent.

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. The investments have been further strengthened through 2019 and in conjunction with the SpareBank 1-alliance, the bank has industry-leading digital solutions.

Consolidated accounts for 2019

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 the corresponding period in 2018.

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

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

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

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

Net interest income

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

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

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

Net commissions and other operating income

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

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

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

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

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

Net result from financial assets and liabilities

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

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

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

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

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

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

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

Also see Note 21 'Net income from financial assets and liabilities'.

Operating costs

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

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

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

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

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

Loan loss provisions

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

Loan losses can be broken down as follows:

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

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

Credit risk

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

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

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

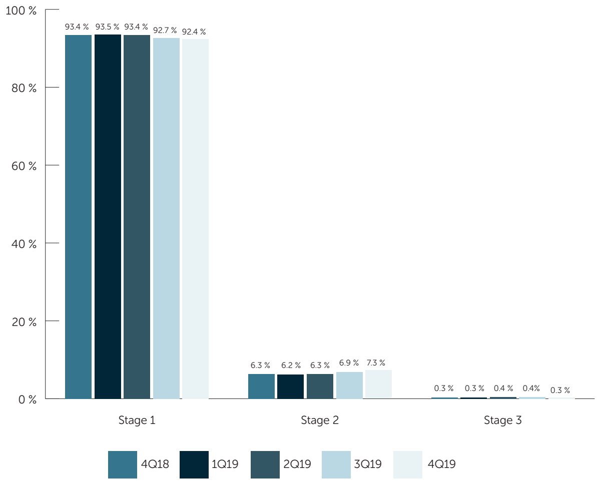
Stage 2 is used for lending that has a substantially higher credit risk than it did upon initial recognition, but where no credit loss has occurred on the balance date. A provision is made for expected losses over the entire lifetime.

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

Gross loans and financial liabilities defined as stage 3 amounted to NOK 456 (456) million as at 31 December 2019. This corresponded to 0.4 (0.5) per

cent of gross lending. NOK 87 (96) million of gross loans and financial liabilities defined as stage 3 was provisions for credit losses.

Net exposure in the different stages was as follows:



For more detailed information about loan losses, see Note 8 'Loans to and receivables from customers' and Note 10 'Losses on loans and guarantees'.

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

Total assets

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

Lending to customers

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

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

Deposits from customers

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

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

Liquidity

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

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

Equity certificates

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

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

Financial strength and total capital adequacy ratio

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

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

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

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

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

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

Rating

SpareBank 1 Østlandet's deposits and senior unsecured debt were rated A1 by Moody's Investor Service as at 31 December 2019. SpareBank 1 Østlandet was thus rated on a par with the best-rated savings banks in Norway.

Parent bank

Parent Bank's results

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

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

Operating costs

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

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

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

At the beginning of the year, SpareBank 1 Østlandet stated that its target for 2019 was to limit growth in the Parent Bank's operating costs, adjusted for restructuring costs, to 2.0 per cent. The Parent Bank's operating costs before restructuring costs for 2019 amounted to NOK 1,341 (1,308) million, an increase of 2.5 per cent and thus NOK 7 million above the target level.

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

Financial strength and total capital adequacy ratio

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

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

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

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

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

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

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

Subsidiaries

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

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

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

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

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

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

2019 the company recruited almost 30 new real estate brokers.

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

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

Associated companies and joint ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Minimum requirement for own funds and eligible liabilities (MREL)

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

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

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

The requirement will apply from 31 March 2020. The requirement for lower priority (senior non-preferred debt) must be met by 31 December 2022 and can be phased by SpareBank 1 Østlandet including debt issued before 1 January 2020 up to this date, provided that it meets the general requirements for eligible liabilities.

Proposed distribution of profits

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

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

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

The profit has been split between primary capital and owners' equity in proportion to their relative share of the total equity (The equity capital certificate – ECC ratio). Following the offerings conducted in January 2019, the ECC ratio changed from 69.3 per cent to 70.1 per cent. Based on a proportional distribution of the profit, the dividends and provisions for the dividend equalisation fund will account for 71.5 (67.7) per cent of the distributed profit.

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

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

SpareBank 1 Østlandet's risk management aims to ensure that its exposure to risk is known at all times and is within the limits set by the Board of Directors. The risk management should support the Group's strategic development and target achievement, as well as help ensure financial stability and prudent asset management.

The Board has adopted the 'Risk and Capital Management Policy in SpareBank 1 Østlandet'. The policy defines the general framework for risk management, including management of the various categories of risk. Each year, the Board adopts an overall risk strategy and governing documents for credit risk, liquidity and market risk, as well as 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. This 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 market customers and corporate customers in Eastern Norway. As before, the Bank participates in financing individual projects in co-operation with other banks in the SpareBank 1-alliance.

Overall, the risk profile for the Bank's credit portfolio remains stable. This applies to both the retail portfolio and the corporate portfolio. Default and losses have been consistently low. The Bank's retail market portfolio is generally secured by collateral in real estate. As long as the value of collateral is not impaired due to significantly lower house prices or a substantial rise in unemployment, the risk of losses in 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 SpareBank 1 Østlandet's total credit risk to be 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 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 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 2019.

Equity risk is measured in terms of exposure to such instruments. The greatest part of the exposure concerns strategic investments in alliance companies, and is managed 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 consists mainly 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 considers SpareBank 1 Østlandet's overall market risk to be 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.

Funding risk management 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 year end 2019 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 considers SpareBank 1 Østlandet's overall liquidity risk to be within the Bank's adopted risk tolerance. The Group's liquidity risk is considered 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.

Operational risk management is based on the 'Operational Risk Policy and Strategy' adopted by the Board. Risk assessments are conducted at various levels. 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. The Board has adopted an updated policy and guidelines for important products, solutions and processes to ensure that the necessary quality assurance is carried out before these are established or changed.

Given the risk inherent in using information technology, this area is monitored constantly. Internal Audit conducts independent reviews and tests of the Bank's security in this area. Banks in the SpareBank 1-alliance work together closely to ensure good, stable operations. No serious events occurred in 2019 and operational losses were 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's adopted strategy and policy for compliance risk. These governing documents establish the Board's risk tolerance for compliance risk. They also regulate responsibilities, including guidelines for all employees' responsibility for regulatory compliance and reporting, and requirements for processes to ensure and follow up regulatory compliance.

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

Like previous years, 2019 saw significant regulatory changes. Extensive regulatory changes that will impact the Bank's framework conditions are also expected in 2020. Some of the new regulations, such as the anti-money laundering and data protection regulations, enhance the authorities' ability to apply more stringent sanctions. Overall, this contributes to increasing the potential compliance risk. The Bank carefully monitors regulatory developments and compliance risk. In 2019, the Bank focused heavily on preventing money laundering and financing terrorism, data protection (GDPR) and the regulations for payment services (PSD2). In the opinion of the Board, the Bank exercises satisfactory governance and control of compliance risk and 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 services 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. The Board has adopted a dedicated business practice risk strategy and policy in order to clarify the importance of this topic for the Bank. These governing documents establish the Board's risk tolerance in this area. The Group has a low tolerance for business practice risk. This means that no single business practice incidents should be able to materially damage the Group's financial strength, performance or reputation.

The governing documents also regulate responsibilities, follow-up and reporting requirements, and the main principles for ensuring good business practice. All employees are required to help ensure that the rights and needs of customers are satisfactorily safeguarded, including by providing professional and straightforward customer services that enable the Bank's customers to make clear and well-informed choices.

Key means of ensuring good business practice include, among other things, code of conduct, internal information and training initiatives, conducting risk analyses, a well-functioning procedure for handling customer complaints – including root cause analyses and improvement measures – and an appropriate whistleblowing channel. When products and services are established or changed, the necessary quality assurance must be carried out prior to launch. Payment and remuneration schemes must be designed to ensure and encourage appropriate conduct and good business practice.

In the opinion of the Board, the Bank's exposure to business practice risk is within the risk tolerance adopted for the area.

ESG risk

ESG risk is the risk of loss due to i) changes in natural, climate or environmental conditions (E) having a direct or indirect negative impact for the Bank; ii) failing to comply with regulatory requirements, or the market's expectations, regarding human rights, labour rights and good business practice (S); and iii) failing to comply with regulatory requirements, or the market's expectations, regarding corporate governance (G).

In 2019, the Bank conducted a general ESG risk analysis in which all of the important business areas were represented. The analysis showed that the greatest uncertainty was associated with nature, climate and environmental risk.

Nature, climate and environmental risk could primarily impact the Bank, directly or indirectly, in the form of higher credit losses due to customers exposed to such risk. The risk category manifests itself through higher financial or reputational risk and is managed as an integral part of strategies and policies adopted by the Board within relevant risk categories. The Group is also exposed to some degree of physical climate risk, especially in its agricultural portfolio.

The risk associated with social conditions, business practice and inadequate corporate governance is managed as an integral part of the risk categories operational risk (including the risk associated with the area of money laundering), compliance risk and business practice risk.

In 2019, the Bank started work on analysing climate risk in the corporate market division's loan portfolio. The analysis being conducted at both an industry and an individual customer level. The work will continue in 2020 and is expected to provide a better picture of the Bank's exposure to climate risk and a good basis for dialogue with customer groups in industries that are exposed to restructuring risk.

Organisation and employees

The Group's most important input factor is its employees. 'Employeeship' entails each employee having to actively relate to an organisation's strategy and business goals, and how these impact the need for learning and development in order to achieve set goals.

The Bank has a dedicated HR strategy, as well as secondary strategies and governing documents such as its code of conduct, anti-corruption policy, remuneration policy and recruitment strategy.

Competence and organisational development

The Bank follows an annual cycle in which employee performance and career development interviews are held in the first quarter of the year. These interviews are a key strategic tool for ensuring every employee understands the Group's strategy and achieving targeted competence development. Based on the interviews, development plans designed to meet the needs of the individual employee are drawn up and these are followed up over the year in a dialogue between employees and their line manager.

A special adviser academy has been established in the retail market division. This focuses on competence development and training for financial advisers and operations managers.

The Bank has also established its own 'Management Academy', which provides basic training for all new managers, as well as various professional refresher and development courses. The Group is collaborating on various management development projects within the SpareBank 1-alliance.

No significant changes have been made to the structure of the Bank at an overall organisational level. However, minor organisational changes have been made based on thorough assessments and processes with an emphasis on factors such as competence and efficiency. Minor organisational adjustments are made on an ongoing basis with the involvement of, and in partnership with, the safety service and trade unions.

Working conditions

The Bank conducts annual organisational surveys focusing on key working conditions. The reports are considered centrally in cooperation and working environment committees, and local safety representatives are also involved when managers follow up the results in the individual departments. In general, the 2019 survey pointed to very good results.

In 2019, absence due to illness was 4.5 per cent, of which 3.5 per cent was self-reported absence and 1.0 per cent was certfied by a doctor. Absence due to illnes was on a par with the level in 2018. SpareBank 1 Østlandet systematically strives to prevent and follow up on absence due to illness. The Bank makes special adjustments 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) and the local 'Muligheter med Mangfold' ['Opportunities from Diversity'] initiative in the Inland Region, the Bank also welcomes employees who need training. Managers and safety representatives receive basic working environment training every year.

Four ordinary meetings were held in the Bank's co-operation 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 co-operation between the executive management team and employee representatives is very good.

Diversity and gender equality

The Bank wants to recruit employees who reflect the community of which it is a part – irrespective of cultural background, ethnicity, religion and gender. It facilitates the development 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 proportion of women in managerial positions with personnel responsibilities is 36 per cent, which is lower than the target for the strategy period of 45 per cent. The CEO'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 between 90 and 101 per cent. The exception is a position category with a very small population, in which the ratio is 113 per cent. 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. These processes involve a particular focus on identifying any equal pay disparities.

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. An annual Ethics Week involving employees throughout the organisation helps to maintain focus and ensures that the code of conduct is firmly anchored. Through their documented participation in Ethics Week, all employees confirm on an annual basis that they have reviewed and understood the contents of the code of conduct.

The induction programme for new employees also focuses on the code of conduct and thereby familiarises them with the Bank's systems and whistleblowing procedures. The whistleblowing channel is available via the Bank's intranet. The Board has adopted whistleblowing guidelines intended to protect any whistleblowers. Arrangements are in place that enable anonymous whistleblowing in which whistleblower reports are sent to an external recipient. Any reports that are received are quality assured and assessed before being forwarded to the Group's whistleblowing group, which consists of the heads of risk management, compliance, HR and legal, and the chief legal officer.

Corporate social responsibility and sustainability

The work on sustainability was further intensified in 2019. The driving forces come from within, from the organisation, and from outside, from customers, industry and interest organisations, research and media. The sustainability strategy, which clarifies the Group's strategy for achieving its sustainability goals was updated in 2019. This, together with the Bank's guidelines for sustainability and corporate social responsibility, provides the basis for the work. The goals are in turn linked to the UN Sustainable Development Goals, and a materiality analysis has been conducted. Sustainability is an integral part of the Bank's operations. Primary responsibility for follow-up in their own areas lies with the executive vice presidents. The Board monitors the work closely and is in the process of reviewing a comprehensive risk analysis within sustainability and climate risk.

The business sector faces major restructuring if the Paris Agreement and UN Sustainable Development Goals are to be achieved. The Bank wants to be a driving force behind sustainable development in our market area. The Bank is working with its customers to meet this challenge. An ever growing number of domestic and international actors are also taking note of the Bank. Sustainability ratings can play a role in the Bank's funding and this alone is a good reason to be transparent about our work within sustainability.

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 forms an integral element of the annual report.

Research and businessdevelopment

In 2019, SpareBank 1 Østlandet and the VR company EON Reality Norway AS continued refining a solution for virtual training in personal finances for lower secondary school students. The solution will be available as a downloadable app in the spring. It is hoped that this will help to bolster the goal of improving young people's competence in personal finances, and that initiatives of this kind can contribute to sustainable consumption and reduce the number of debt collection cases involving young people.

SpareBank 1 Østlandet takes a systematic approach to transparent innovation and focuses on establishing partnerships with companies to create the best customer experiences. That is why, in 2019, the Group signed an agreement with two FinTech companies, Minna Technologies (SE) and Giosg (FI). The partnership with Minna is based on the Group's ambition to simplify the daily finances of both its customers and non-customers. The solution enables them to administer large parts of their personal finances, including ending subscription services directly in our mobile bank. Similarly, the Group wants to be available on the customer's terms and is testing new technology together with the Finnish company Giosg that will seamlessly integrate the Bank with the digital channels of others.

SpareBank 1 Østlandet conducts systematic employee-driven programmes in which employees from the entire group work on customer-centric innovation across departmental boundaries. The programme for 2019 focused on 'Open Banking' and resulted in digital prototypes that have been validated in relation to customer needs in both the retail and corporate market.

SpareBank 1 Østlandet makes extensive use of digital assistants and robot technology. Both robot process automation (RPA) and chatbot technology are making major contributions to faster customer services, standardised processes and quality improvements for customers and employees.

Together with the other SpareBank 1 banks, NOK 250 million is being invested each year in developing new solutions and improving existing solutions. The SpareBank 1 banks are also working with TietoEVRY to develop the payment and core banking systems of the future.

In 2019, SpareBank 1 Østlandet received NOK 0.77 million in tax deductions for research and development activities that took place in 2018.

Outlook

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

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

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

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

With the merger successfully completed in all parts of the organisation, the Bank has delivered further efficiency gains throughout 2019 and managed to reduce staffing via natural departure and turnover. A leaner, better coordinated organisation means that the Board believes this is an appropriate time to be more ambitious going forward.

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

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

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

The Board of Directors of SpareBank 1 Østlandet
Hamar, 3 March 2020

Siri J. Strømmevold Chair of the Board	Nina C. Lier	Alexander Sandberg Lund
Espen Bjørklund Larsen Employee representative	Guro Nina Vestvik	Vibeke Hanvold Larsen Employee representative
Hans-Christian Gabrielsen	Tore Anstein Dobloug	Richard Heiberg CEO

CHAPTER 5.2
Income statement

Parent bank				Group	
2018	2019	(Nok million)	Notes	2019	2018
1,942	2,154	Interest income, fair value	19	2,151	1,942
1,132	1,385	Interest income, effective rate method	19	1,638	1,473
1,337	1,617	Interest expenses	19	1,622	1,340
1,737	**1,923**	**Net interest income**		**2,166**	**2,074**
891	892	Commission income	20	1,295	1,210
74	94	Commission expenses	20	143	104
32	37	Other operating income	20	236	181
849	**835**	**Net commission and other operating income**		**1,388**	**1,286**
13	19	Dividends from other than Group companies	21	19	13
369	576	Net profit from ownership interets	21,41	519	198
80	197	Net profit from other financial assets and liabilities	21	197	80
461	**792**	**Net income from financial assets and liabilities**		**735**	**291**
3,048	**3,549**	**Total net income**		**4,289**	**3,651**
674	699	Personnel expenses	22,23	1,098	1,050
69	104	Depreciation	32,33,34	131	102
566	543	Other operating expenses	24	702	728
1,309	**1,346**	**Total operating expenses**		**1,930**	**1,881**
1,738	**2,203**	**Operating profit before losses on loans and guarantees**		**2,359**	**1,770**
16	-11	Impairment on loans and guarantees		32	35
1,722	**2,214**	**Pre-tax operating profit**		**2,326**	**1,735**
275	358	Tax expense	25	398	321
1,447	**1,856**	**Profit after tax**		**1,928**	**1,414**
		Hybrid Capital Owner's share of profit after tax (Interest on hybrid capital)		15	17
		Profit after tax for controlling ownership interest		1,909	1,391
		Profit after tax for non-controlling ownership interest		4	5
		Profit after tax		**1,928**	**1,414**
		Earnings per equity certificate (in NOK)		11.58	8.46
		Diluted earnings per equity certificate (in NOK)		11.58	8.42
		Earnings per average equity certificate (in NOK)		11.58	9.04
		Diluted earnings per average equity certificate (in NOK)		11.58	9.00

CHAPTER 5.3
Statement of other comprehensive income

2018	2019	(Nok million)	2019	2018
1,447	**1,856**	**Profit after tax**	**1,928**	**1,414**
-3	3	Actuarial gains/losses on pensions	3	-3
1	-1	Tax effects of actuarial gains/losses on pensions	-1	1
23	0	Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	-13	23
-6	0	Tax effects related to the above	3	-6
		Share of other comprehensive income from associated companies and joint ventures	13	1
15	**3**	**Total items that will not be reclassified through profit or loss**	**6**	**16**
2	-1	Net fair value adjustments on loans at fair value through other comprehensive income	-1	2
-1	0	Tax effects related to the above	0	-1
-51	-8	Fair value changes on hedge derivatives due to changes in the currency basis spread	5	-51
13	2	Tax effects related to the above	-1	13
		Share of other comprehensive income from associates companies and joint ventures	-9	-40
-36	**-7**	**Total items that will be reclassified through profit or loss**	**-6**	**-77**
-21	**-4**	**Total profit and loss items recognised in equity**	**0**	**-61**
1,426	**1,852**	**Total profit/loss for the period**	**1,928**	**1,353**
		Hybrid Capital Owner's share of total profit after tax (Interest on hybrid capital)	15	17
		Total profit after tax for controlling ownership interest	1,909	1,331
		Total profit after tax for non-controlling ownership interest	4	5
		Total profit/loss for the period	**1,928**	**1,353**

CHAPTER 5.4
Balance sheet

Parent bank				Group	
2018	2019	(Nok million)	Notes	2019	2018
		ASSETS			
1,878	1,325	Cash and deposits with central banks		1,325	1,878
7,487	8,273	Loans to and receivables from credit institutions	7	1,199	1,023
90,878	98,041	Loans to and receivables from customers	8,10	106,718	98,606
14,446	17,252	Certificates, bonds and fixed-income funds	29	17,252	14,446
819	878	Financial derivatives	13,30,38	878	819
594	675	Shares and other equity interests	31	675	594
3,635	4,323	Investments in associates and joint ventures	40	4,870	4,124
1,521	1,758	Investments in subsidiaries	40	0	0
96	89	Goodwill and other intangible assets	32	406	400
337	300	Property, plant and equipment	33	503	543
0	214	Right-of use assets	34	169	0
699	520	Other assets	35	787	1,041
122,390	**133,648**	**Total assets**		**134,783**	**123,472**
		LIABILITIES			
2,704	3,647	Deposits from and liabilities to credit institutions	7	3,650	2,636
71,540	78,534	Deposits from and liabilities to customers	36	78,494	71,497
31,984	33,732	Liabilities arising from issuance of securities	13,30,38	33,732	31,984
354	373	Financial derivatives	13,30	373	354
205	335	Current tax liabilities	25	376	248
69	88	Deferred tax liabilities	25	212	202
532	663	Other debt and liabilities recognised in the balance sheet	39	739	687
1 102	1,303	Subordinated loan capital	37	1,303	1,102
108,490	**118,676**	**Total liabilites**		**118,880**	**108,710**
		EQUITY CAPITAL			
5,766	5,791	Equity capital certificates	40	5,791	5,766
830	848	Premium fund		848	830
2,112	2,772	Dividend equalisation fund	40	2,772	2,112
477	663	Dividend		663	477
3,690	3,838	Primary capital	40	3,838	3,690
166	166	Other paid-up equity		166	166
15	12	Provision for gifts	40	12	15
252	334	Fund for unrealised gains		334	253
222	292	Dividend customers return	40	292	222
400	300	Hybrid capital	40	300	400
-30	-45	Interest expense for hybrid capital	40	-63	-48
0	0	Other equity		835	776
		Minority interests		114	102
13,900	**14,972**	**Total equity capital**		**15,903**	**14,762**
122,390	**133,648**	**Total equity capital and liabilities**		**134,783**	**123,472**

*) Distribution to Provisions for gifts of MNOK 20 and Donations of MNOK 6 are included in the Primary capital as of 31 December 2019. After the approval by the Supervisory Board and will be distributed as gifts.

The Board of Directors of SpareBank 1 Østlandet
Hamar, 3 March 2020

Siri J. Strømmevold
Chair of the Board

Nina C. Lier

Alexander Sandberg Lund

Espen Bjørklund Larsen
Employee representative

Guro Nina Vestvik

Vibeke Hanvold Larsen
Employee representative

Hans-Christian Gabrielsen

Tore Anstein Dobloug

Richard Heiberg
CEO

CHAPTER 5.5
Statement of change in equity

Parent Bank

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

Group

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

1) Amounts transferred to primary capital include dividend payments.

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

CHAPTER 5.6
Cash flow statement

Parent bank			Group	
2018	**2019**	(NOK millions)	**2019**	**2018**
-7,806	-7,136	Change in gross lending to customers	-8,095	-8,479
2,716	3,171	Interest receipts from lending to customers	3,586	3,134
5,527	6,994	Change in deposits from customers	6,997	5,511
-619	-889	Interest payments on deposits from customers	-896	-622
527	259	Change in receivables and debt from credit institutions	941	1,151
115	158	Interest on receivables and debt to financial institutions	-7	5
-5,532	-2,762	Change in certificates and bonds	-2,762	-5,532
208	148	Interest receipts from commercial papers and bonds	148	208
849	835	Net commission receipts	1,354	1,286
-9	70	Capital gains from sale on trading	70	-9
-1,240	-1,236	Payments for operations	-1,792	-1,778
-314	-216	Taxes paid	-248	-355
-190	-20	Other accruals	-46	-236
-5,769	**-623**	**Net change in liquidity from operations (A)**	**-751**	**-5,716**
-41	-28	Investments in tangible fixed assets	-58	-67
0	12	Receipts from sale of tangible fixed assets	46	33
-335	-687	Change in long-term investments in equities	-687	-334
385	601	Dividends from long-term investments in equities	474	257
9	**-101**	**Netto likviditetsendring fra investering (B)**	**-225**	**-111**
12,699	5,948	Debt raised by issuance of secutities	5,948	12,699
400	400	Debt raised by subordinated loan capital	400	400
0	300	Equity raised by hybrid capital	300	0
-4,400	-4,150	Repayments of issued securities	-4,150	-4,400
-1,000	-200	Repayments of issued subordinated loan capital	-200	-1,000
0	-400	Repayments of hybrid capital	-400	0
687	37	Payments arising from issuance of equity capital certificates	37	687
-664	-645	Interest payments on securities issued	-645	-664
-37	-36	Interest payments on subordinated loans	-36	-37
0	-42	Lease payments	-35	0
-152	-238	Payments arising from placements in subsidiaries	13	8
-424	-477	Payment of dividend	-483	-430
-204	-220	Payment og customer dividend	-220	-202
-11	-4	Donations	-4	-11
6,894	**274**	**Net cash flow from financing (C)**	**525**	**7,049**
1,134	**-451**	**CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)**	**-451**	**1,222**
824	1,958	Cash and cash equivalents at 1 January	1,958	736
1,958	**1,507**	**Cash and cash equivalents at the end of the period**	**1,507**	**1,958**
		Cash and cash equivalents at comprise:		
1,878	1,325	Cash and deposits with central banks	1,325	1,878
80	183	Deposits etc. at call with banks	183	80
1,958	**1,507**	**Cash and cash equivalents at the end of the period**	**1,507**	**1,958**

CHAPTER **5.7**

Notes

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 20.8 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 22.3 per cent interest in the covered bond company SpareBank 1 Boligkreditt AS and a 15.2 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

2019

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

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

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

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

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

On 28 February 2019, the SpareBank 1 banks entered into an agreement on an amended ownership model in BN Bank ASA, including a distribution of 'B' shares in SpareBank 1 Næringskreditt AS, whereby some of the present owners are changed their stakes as SpareBank 1 Østlandet came in as a new owner. On completion of the transactions, SpareBank 1 Østlandet will have a stake in BN Bank ASA and hold 9.99 per cent of the 'B' shares in SpareBank 1 Næringskreditt AS. In all, this equates to SpareBank 1 Østlandet buying shares for a total of NOK 504 million. SpareBank 1 Næringskreditt AS's total ownership interest changes from 13.3 persent to 17.7 per cent after the transaction.

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

2018

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

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

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

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

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

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

Note 2 – Accounting policies

Basis for preparation of the consolidated financial statements

The 2019 parent bank and consolidated financial statements for SpareBank 1 Østlandet were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. This also includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

The basis for measurement in both the parent bank and consolidated financial statements is acquisition cost, with the exceptions described above. The financial statements were prepared in accordance with IFRS standards and interpretations that are obligatory for financial statements submitted as at 31 December 2019. The annual financial statements were prepared on the assumption that the Group is a going concern.

New standards and interpretations that have been adopted:

The IFRS 16 Leases standard was implemented from 1 January 2019.

IFRS 16 Leases

IFRS 16 Leases came into effect on 1 January 2019 and replaces IAS 17 Leases, IFRIC 4, SIC 15 and SIC 27. The standard sets out principles for recognition, measurement, presentation and information concerning leases. The aim is to ensure that lessees and lessors provide relevant information in a way that correctly reflects these transactions. This information is intended to provide users of the financial statements with a basis for assessing the effect of leases on an institution's financial position, financial earnings and cash flows. The previous regulations (IAS 17) for lessors have generally been continued unchanged. For Lessees, on the other hand, the previous distinction between operating and financial leases has been eliminated.

Changes to IFRS 9 and IFRS 7 due to the IBOR reform

In September 2019, IASB issued changes to IFRS 9 and IFRS 7. These changes are mandatory from 2020, but can be implemented in the 2019 accounts. The Group has chosen to implement the changes early. The Group's decision regarding early implementation means that the hedging conditions can be continued unaffected by the IBOR reform. The IBOR reform is an ongoing process in which existing reference centres used in receivables, loans and derivative agreements are replaced with alternative reference centres.

New standards and interpretations that have not yet been adopted

No standards or interpretations yet to enter into force are expected to have a significant impact on the Group's financial statements.

Group accounting policies

Heading	Note disclosures in the annual report	Applicable IFRS/IAS
Subsidiaries	41	IFRS 10
Consolidation	41	IFRS 3, IFRS 10
Associated companies	41	IAS 28
Joint ventures	41	IFRS 11
Derivatives	13, 26, 27, 28, 30	IFRS 9, IFRS 7, IFRS 13
Shares, units and other equity interests	27, 31	IFRS 9, IFRS 7, IFRS 13
Loans	8, 11, 28, 29, 39	IFRS 9, IFRS 7, IAS 37
Assets held for sale	N/A	IFRS 5
Leases	34	IFRS 16
Goodwill and other intangible assets	32	IAS 38, IAS 36
Property, plant and equipment	33	IAS 16, IAS 36
Pensions	23	IAS 19
Securities issued	26, 27, 28, 37	IFRS 9, IFRS 7, IFRS 13
Certificates and bonds	26, 27, 28, 29	IFRS 9, IFRS 7, IFRS 13
Commissions and commission costs	20	IFRS 15, IFRS 9
Taxes	25	IAS 12
Segment reporting	4	IFRS 8
Events after the balance sheet date	43	IAS 10
Equity	40	IAS 1

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.

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 acquisition 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 adopted by the General Meeting. 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 fair value of identifiable assets and liabilities is recognised as goodwill, whereas 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

According to IFRS 11, investments in jointly controlled arrangements must be classified as either a joint operation or a joint venture depending on the contractual rights and obligations of each individual investor. SpareBank 1 Østlandet has assessed its jointly controlled arrangements and has concluded that they are joint ventures. Joint venture companies are recognised using the equity method of accounting in the Group and the cost method of accounting in the parent bank financial statements.

When the equity method is used they are recognised and this means that 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.

IFRS 9 Financial Instruments

Financial assets

In accordance with IFRS 9, financial assets must be classified into one of three measurement categories:

- Fair value with value changes through profit or loss
- Fair value with value changes through other comprehensive income (OCI)
- Amortised cost

The measurement category must be determined upon initial recognition of the asset. In the case of financial assets, one differentiates between debt instruments, derivatives and equity instruments, where debt instruments are all financial assets that are not derivatives or equity instruments. Financial assets are classified on the basis of the contractual terms and conditions for the financial assets and the business model used to manage the portfolio of which the assets are a part.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows should initially be measured at amortised cost.

Instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, should initially be measured at fair value with value changes through OCI, with interest income, currency translation effects, and any impairments presented in the ordinary income statement. Value changes recognised through OCI must be reclassified to the income statement upon the sale or other disposal of the assets.

Other debt instruments must be measured at fair value with value changes through profit or loss. This applies to instruments with cash flows that are not only payments of normal interest and the principal, and instruments that are held in a business model in which the main purpose is not the reception of contractual cash flows. Instruments that should basically be measured at amortised cost or at fair value with changes through OCI can be designated to be measured at fair with changes through profit or loss if this eliminates or significantly reduces an accounting mismatch.

Financial derivatives

All derivatives are measured at fair value with value changes and recognised in the income statement under 'Net result 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.

Shares, units and other equity interests

Investments in equity instruments must be measured on the balance sheet at fair value. In general, changes in value should be recognised in the ordinary income statement under 'Net result from financial assets and liabilities'. But an equity instrument that is not held for trading purposes and that is not a conditional consideration following a business transfer may be designated as measured at fair value with value changes through OCI. When equity instruments are designated at fair value with value changes through OCI, ordinary dividends must be recognised as income, while value changes should not be posted to the income statement on either an ongoing basis or in the event of disposal.

Financial liabilities

As a general rule, financial liabilities should be measured at amortised cost with the exception of financial derivatives measured at fair value and financial liabilities it has been decided to recognise at fair value with value changes through profit or loss and OCI. Where it has been decided that financial liabilities will be recognised at fair value through profit or loss, changes in value that are due to changes in the company's own credit risk will be recognised in OCI, unless this creates or reinforces an 'accounting mismatch'.

Hedge accounting

IFRS 9 simplifies the requirement for hedge accounting in that the hedging effect is tied more closely to the management's risk management and provides greater room for judgement. The requirement for hedge effectiveness of 80-125% has been eliminated and replaced with a more qualitative requirement, including the fact that there should be a financial connection between the hedging instrument and hedged item, and that the credit risk should not dominate the value changes of the hedging instrument. According to IFRS 9, a prospective (forward) efficiency test is sufficient. Hedging documentation is still required.

Recognition and derecognition of financial assets and liabilities

Financial assets and liabilities are recognised on the day of trading, that is, the date the Bank becomes a party to the contractual terms of the instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired, or when the rights to cash flows from the assets are transferred in a manner that means that the risk and return associated with ownership have essentially been transferred.

Financial liabilities are derecognised when the contractual terms have been met, are cancelled or have expired.

Loans

Loans to customers are considered to have contractual cash flows that are exclusively payments of instalments and interest on the outstanding principal, and are generally measured at amortised cost. However, the Bank transfers a qualified proportion of residential mortgages to the jointly owned covered bond company SpareBank 1 Boligkreditt. Consequently, variable rate residential 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 changes 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.

Sale of loans

SpareBank 1 Østlandet has signed agreements for the legal sale of loans to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. In accordance with the management agreement between the Bank and the covered bond companies, the Bank is responsible for managing the loans and contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing 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.

The sales are treated as pure sales and the loans are fully eliminated from the Bank's balance sheet.

Loan loss provisions

Losses on loans are recognised on the basis of expected credit losses (ECL). The general model for loss provisions for 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, and that were not purchased or issued with an explicit expectation of a realised 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 provisions 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 losses. 12 months' expected losses 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 loss provisions 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.

In addition to the general model, there are separate principles for issued, including renegotiated loans that are treated as new, and purchased loans where a credit loss has occurred 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.

The method in IFRS 9 entails somewhat greater volatility in loss provisions and it is expected that the provisions will be made earlier under the current practice than was the case when using the method pursuant to IAS 39. This will be especially noticeable at the start of an economic downturn.

Further information on the Bank's impairment model

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 are 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 provision 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. This category will contain all assets that have not been transferred to stages 2 or 3.

Stage 2:

In stage 2 the loss model is assets that have seen a significant rise in credit risk since initial recognition, but that do not have objective evidence on the balance sheet date of a credit loss having occurred. A provision equivalent to the expected losses over the entire 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. SpareBank 1 Østlandet has decided to use both absolute and relative changes in lifetime PD as the criterion for reclassification to stage 2.

The main driver of a significant change in credit risk is a quantitative change in PD on the balance sheet date compared with PD upon initial recognition. A change in PD of more than 150 per cent is considered a material change in credit risk. The change in PD must also be a minimum of more than 0.60 per cent. In addition, customers who are in arrears for more than 30 days will always be reclassified to stage 2. Furthermore, a qualitative assessment is made based on the extent to which the commitment's credit risk has significantly increased if it is subject to special monitoring.

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, on the balance sheet date, objective evidence of a fall in value that entails reduced future cash flows to service the commitment. 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 were defined as defaulted/doubtful or individually impaired.

For loans measured at amortised cost, the net carrying amount of the asset is reduced by a loss provision determined by the stage-based treatment described above. For loans classified at fair value through OCI, the loss provisions recognised in ordinary profit are 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 loss provision according to the method described and the capitalised fair value adjustment.

Commitments in default/doubtful commitments

A customer's total commitments are deemed to be in default and are included in the Group'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, or the customer is bankrupt. If a commitment is in default, it affects the risk classification in the impairment model pursuant to IFRS 9.

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 specified provisions are recorded against the provisions. Realised losses without cover by way of provisions, and overfunding or underfunding in relation to previous 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 costs. 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.

Leases

IFRS 16 provides a common model that must be applied to all leases, with some specific exceptions. The consequence is that leases recognised in line with the new model are recognised in the financial statements of the lessee in the form of a lease obligation and an asset representing the lessee's right to use the underlying asset. The lease obligation must be measured as the present value of future lease payments during the lease period, discounted by the implicit interest rate in the lease contract or the lessee's marginal loan interest rate. Options in the lease agreement must be taken account of in calculating the present value of the obligation, if they are likely to be used. Calculations of the present value of the lease obligation may include items such as fixed payments of rent and variable payments of rent that depend on an index or interest rate. In addition, amounts that fall due for payment for the lessee in accordance with any residual value guarantees must be included. The same applies to the exercise price for a purchase option or payment of a fine for terminating the lease, if it is reasonably certain that the lessee will exercise this option.

Upon implementation, the right of use for the lease obligation plus rent paid in advance, direct acquisition costs and provisions for expenses in connection with returning the asset to the lessor must be measured. Any provisions for expenses in connection with returning the assets must be recognised as a separate obligation on the balance sheet and not included in the lease obligation. The right of use is depreciated using the straight-line method, adjusted for any new measurements of the lease obligation, and must be tested for falls in value in line with IAS 36.

In connection with the implementation of IFRS 16, SpareBank 1 Østlandet has chosen the following accounting policies and transitional provisions where the Group is a lessee:

- The Group uses the modified retrospective method. This entails not restating the comparable figures for 2018. The right of use is measured at the same value as the lease obligation and included in the opening balance as at 1 January 2019.
- The Group has chosen not to capitalise low-value leases (USD 5,000) and leases with a lease period of 12 months or less. Leases covered by these exemptions are recognised on a continuous basis as other operating costs.
- Fixed non-lease components that are embedded in the lease are separated out and expensed continuously as other operating costs.
- For leases classified as operating leases under IAS 17, the Group has chosen to take advantage of the practical opportunity to apply a common discount rate to a portfolio of leases with fairly similar characteristics.

IFRS 16 refers to two different methods for determining the discount rate for lease payments:

- Implicit interest in the lease
- The lessee's marginal loan rate, if the implicit interest cannot be easily determined.

The leases covered by IFRS 16 vary with respect to duration and option structure. Furthermore, assumptions must be made regarding the initial value of the underlying assets. Both of these conditions make an implicit interest rate calculation more complicated than a marginal loan interest rate calculation. SpareBank 1 Østlandet has chosen to use marginal loan interest for its recognised tenancy agreements. The marginal loan rate is defined as the interest rate a lessee in a similar environment would have to pay for a loan, over an equivalent period and with equivalent collateral, for an amount necessary to acquire an asset with the equivalent value as the right to use asset.

Discount rate = Financing cost + supplement for capital cost

The premium in the financing cost reflects the average duration of our leases weighted between NOK and EUR on senior funding plus a weighted premium for capital cost.
As at 31 December 2019, the discount rate was calculated as 2.43 per cent.

The right of use is presented in the balance sheet under the accounting line 'Property, plant and equipment'. The associated lease obligation is presented under the accounting line 'Other liabilities'. Payments of rent are recognised against the obligation together with the interest cost. In the income statement, operating costs have been replaced with depreciation of the right of use and the interest costs for the obligation. The cash flow from operating activities will increase compared with previous periods because payment of the principal in the lease obligation is classified as a financing activity pursuant to IFRS 16. Only that part of the payment that is interest can now presented as cash flow from operating activities.

Under IFRS 16 it is a lease, or contains a contract, if the contract transfers the right to control the use of an identified asset for a period of time in exchange for payment. For the SpareBank 1 Østlandet Group, it is essentially tenancies that are covered by the new standard. The impact of IFRS 16 at the time of implementation on 1 January 2019 was an increase in assets and liabilities of NOK 170 million. The right of use is weighted 100 per cent in the total capital adequacy ratio. The effect on the core equity tier 1 capital ratio was 3 basis points. The effect on the income statement will vary over time, but the combination of interest costs and depreciation in accordance with IFRS 16 is expected to be slightly higher at the start of the lease period compared to the lease cost pursuant to IAS 17. For further information, please refer to Note 3 - Critical estimates and assessments regarding the use of accounting principles and Note 34 - Leases in the annual report.

Financial leases where the Group is the lessee are classified as loans on the balance sheet and recognised at amortised cost. All fixed income during the ordinary leasing period is included in the calculation of the agreement's effective rate of interest. Financial leases are written down in accordance with the rules in IFRS 9.

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 immediately according 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 acquisition cost less depreciation and write-downs. Plots of land are recorded at acquisition cost price less write-downs. The acquisition 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 lives 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 SpareBank 1 Østlandet Group has a pension scheme for its employees that satisfies the mandatory occupational pension requirements. SpareBank 1 Østlandet previously had a defined benefit pension secured through its own pension fund. The Group also had a collective pension scheme in SpareBank 1 Livsforsikring AS. These schemes have now been discontinued and the Group has no remaining liabilities relating to these schemes. Gains from their winding up were treated as plan changes and recognised in the income statement in line with IAS 19 during the period in which the winding up was carried out. The Group has gradually transitioned to a defined contribution scheme as the defined benefit schemes have been closed and discontinued. The Group still has unsecured pension liabilities related to additional pensions in excess of 12G.

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. Any prepaid contributions are recognised as assets (pension assets) to the extent that the contribution can be refunded or reduce future payments. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008. Since 1 July 2017, contributions have amounted to 7 per cent on pay from 0-7.1G and 15 per cent from 7.1-12G. Salary includes fixed supplements, but does not include overtime, taxable benefits in kind and other allowances for expenses.

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 obligations, plan assets and pension expenses. 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 1G and 7.1G.

Unsecured defined benefit schemes

A defined benefit scheme will typically define an amount an employee will receive from the date of retirement. Accounting liabilities for defined benefit schemes are the present value of the liability on the balance sheet date. The gross liability is calculated by an independent actuary and discounted to its present value using the interest rate for high-quality corporate bonds and an approximately equal term as the payout horizon for the liability. Gains and losses arising from the recalculation of the liability as a result of experience deviations and changes in actual assumptions are recognised against equity via OCI in the period in which they arise. The impact of changes on the schemes' benefits are recognised immediately.

Issued securities

Issued securities debt (senior loans) is measured at amortised cost or as financial obligations carried at fair value, with value changes recognised in the income statement and OCI. For financial obligations carried at fair value to the income statement, changes in the value due to the company's 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 borrowing) 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.

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 a nominal interest rate, 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 core capital, up to a limit of 15 per cent of total core capital. The Financial Supervisory Authority of Norway can demand that hybrid instruments be written down proportionally with equity if the Bank's core 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 and 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 result from financial assets and liabilities'. Fixed-income securities are presented including accrued interest.

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

Commissions and commission costs
Commissions and commission costs are generally accrued in line with the delivery/receipt of a service. Fees in conjunction with interest-bearing instruments are not recorded as commissions, but are included in calculating the effective interest rate and recognised through profit or loss accordingly. 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 financial statements are recognised when the transaction is completed.

Income from customer contracts is treated in accordance with IFRS 15. The amount of income recognised reflects the remuneration the company expects in exchange for transferring an item or service to a customer. Income is recognised on the date a customer obtains control of an item or service and also has the opportunity to make direct use of it. The Group treats the following income streams in accordance with this principle:

- Transaction fees
- Product fees
- Annual fees
- Commission sales of insurance, savings, funds and credit cards
- Commission from mortgages transferred to partly-owned covered bond companies
- Brokerage commissions
- Fees earned via third parties (interbank, VISA etc)
- Other fees according to the price list

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 by means of 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 according 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.

In previous periods, the Group has accounted for tax on all equity transactions (distributions) as part of the transaction itself, directly in equity. In the fourth quarter of 2018, the Group modified this principle. If the source of the dividends is past performance (accrued income), the tax consequences of the distribution are now presented as tax expenses in the income statement when dividends are decided on. The change of principle has implications for customer dividend payouts and payments of 'interest' on hybrid tier 1 securities.

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. In addition, the Bank has a number of subsidiaries that provide different 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 applies IFRS 8.

Events 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 financial statements 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

Executive management team's assessments in connection with the choice of accounting policies

Fixed-rate loans to customers

Fixed-rate loans to customers are measured at fair value through profit or loss in line with IFRS 9. The assets are part of a business model aimed at collecting contractual cash flows. However, the fair value option is used to reduce an 'accounting mismatch'. Interest rate derivatives and bond issues with a fixed rate, with changes in value as a result of market rate changes recognised through profit or loss, are used as interest rate risk mitigation hedging instruments outside established hedge accounting situations. Fixed-rate loans to customers are classified and therefore measured at fair value through profit or loss.

Customer dividends

The Bank's supervisory board decides each year how much should be distributed in customer dividends. In 2019, the Supervisory Board of the Bank decided to pay NOK 222 million in customer dividends to the Bank's loan and deposit customers. The customers will receive an amount based on the Bank's profit for the year and how much they themselves have in deposits and loans.

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

The distribution of customer dividends is regulated by Section 10-17, fourth paragraph, of the Financial Institutions Act, which classifies customer dividends as an allocation of the profit for the year. The Bank has used this classification in its accounting, and has thus treated the payment as an equity transaction. This is in accordance with a letter from the Financial Supervisory Authority on 17 February 2020 regarding accounting treatment of customer dividends in savings banks. The customer dividend payment gives a tax deduction of NOK 55 million for the 2019 income year. The tax deduction resulted in a reduction of the tax costs in the income statements when dividens are decided.

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 general loss model.

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

Sensitivity: The effects of a more conservative definition of a significant degree of credit deterioration have been simulated in which this alternative occurs when the customer's PD has increased by more than 100 per cent (other conditions unchanged). The simulation indicates only insignificant changes in the level of expected losses. Expected losses on loans in the Parent Bank increase by NOK 8 million (+2.5 per cent). The estimated effect on the group portfolio is less than NOK 10 million.

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. The scenarios use different future levels of probability of default (PD) and loss given default (LGD), which are the most important assumptions for calculating expected credit losses (ECL). Base case represents the expected development. The starting point is the observed level of defaults and losses over the past three years, although the starting point is the subject of ongoing, thorough reviews of the extent to which historical defaults and losses are unbiased, and the levels of future PD and LGD in base case are adjusted accordingly. Best case reflects economic outlooks that are better than the 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 the expected development, and PD and LGD are set higher than in base case. The starting point is the expected default and loss levels in a crisis situation with levels of PD and LGD used in conservative stress scenarios for other purposes in the Bank's credit management. The scenario weighting is subject to ongoing assessment based on the available information. The Bank's executive management team conducts, at least annually, a thorough review of the basis and principles for the current weighting. As at 31 December 2019, the base case weighting is 75 (80), best case 10 (10) per cent, and worst case 15 (10) per cent. Weighting as at 31 December 2018 in brackets.

Sensitivity: The effects of a more conservative scenario weighting have been simulated in which the worst case weighting was increased by 5 per cent (from 15 to 20 per cent) with a corresponding downwards adjustment of the base case likelihood (from 75 to 70 per cent). The changed scenario weighting would have increased the Group's expected credit loss by NOK 46 million (+13 per cent).

By doubling the worst case scenario at the expense of the base case scenario at the end of 2019, the expected credit losses would have increased by NOK 127 million for the Parent Bank and NOK 139 million for the Group. A corresponding doubling of the probability of the upside scenario at the expense of the base scenario at the end of 2019 would have resulted in a reduction in credit losses of NOK 7 million for the Parent Bank and NOK 8 million for the Group.

Segment	Increased credit loss by doubling probability of Worst case	Increased credit loss by 100 per cent probability of Worst case	Decreased credit loss by doubling probability of Best case	Decreased credit loss by 100 per cent probabilty of Best case
RM	48	273	2	63
CM	80	456	5	124
Parent Bank	**127**	**729**	**7**	**187**
SB1FØ	11	65	2	25
Group	**139**	**793**	**8**	**212**

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 that are not traded in an active market is based on estimated value from Nordic Bond Pricing, Reuters' pricing service, and Bloomberg's pricing service, prices indicated by brokerage firms or other external sources and accepted theoretical computation techniques based on observable interest rates and prices on the balance sheet date. The Bank assesses and chooses methods and assumptions that best reflect the information available and the market conditions on the balance sheet date. Below is a more detailed presentation of the valuation methods used for the various financial instruments that are assessed 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 trading price, 2) externally known value assessment, 3) value assessment received from the company, 4) own value assessment, 5) cost price.

Bonds and certificates (loans)
Purchased bonds and certificates are primarily valued against a yield curve (ask) adjusted for indicative credit spreads from Nordic Bond Pricing or recognised brokerage house. Some bonds are valued at the indicated price from Reuters' or Bloomberg's pricing service.

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

Derivatives
The Bank does not have any financial derivatives traded in a regulated market. For non-standardised derivatives contracts (OTC), a theoretical price is estimated, based on a market-related 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 assessed as the value of agreed cash flows discounted by the estimated market interest rate for equivalent products and maturity on the balance sheet date.

See Note 26 for further information on the various valuation methods.

Leases
The Group makes significant discretionary assessments when determining the lease period for contracts with extension options. The Group has several leases related to office buildings containing this type of option. An extension option is included in the calculation of a lease obligation if the executive management team can be reasonably certain that a contract will be extended. The executive management team has exercised discretion in assessing the relevant factors that can produce an incentive to extend a lease. This can be depend on, among other things, strategic and competitive conditions. As at 31 December 2019, potential future cash flows of NOK 47 million have not been included in the lease obligation because it is not reasonably certain that these options will be exercised. The assumptions that underlie the assessments regarding the options are reassessed on an ongoing basis. Please see Note 34 for further information on the Bank's leases.

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), real estate brokerage, leasing, accounting and other operations.

Reviews:
- Real estate brokerage, leasing, financing and accounting are organised as independent companies.
- For 2019, the tax expense for RM, CM and Other operations is distributed according to the segment's share of Pre-tax operating profit. For 2018, 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.

2019	RM	CM	SB1FØ	EM1I*	EM1OA	TheVit	Other operations	Total
Income statement								
Net interest income	1,049	957	246	-1	1	-2	-84	2,166
Net commission and other income	698	228	52	124	208	185	-109	1,388
Net income from financial assets and liabilities	0	0	0	0	0	0	735	735
Operating expenses	888	429	96	116	204	192	1	1,930
Profit before losses by segment	**859**	**756**	**201**	**7**	**5**	**-9**	**541**	**2,359**
Impairment on loans and guarantees	1	-13	43	0	0	0	1	32
Profit / loss per segment before tax	**857**	**768**	**158**	**7**	**5**	**-9**	**540**	**2,326**
Tax	142	127	40	2	-2	-2	92	398
Profit / loss per segment after tax	**715**	**641**	**118**	**5**	**7**	**-7**	**448**	**1,928**
Balance sheet								
Gross lending to customers	64,281	34,028	8,824	0	0	0	-98	107,035
Impairments	-65	-186	-65	0	0	0	0	-316
Other assets	2,810	486	160	74	140	125	24,246	28,064
Total assets per segment	**67,026**	**34,328**	**8,918**	**74**	**140**	**125**	**24,148**	**134,783**
Deposits from and liabilities to customers	45,028	33,422	0	0	0	0	44	78,494
Other liabilities and equity	21,998	906	8,918	74	140	125	24,105	56,289
Total equity capital and liabilities per segment	**67,026**	**34,328**	**8,918**	**74**	**140**	**125**	**24,148**	**134,783**

2018	RM	CM	SB1FØ	EM1I*	EM1OA	SB1 RH	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**
Impairment 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**
Total assets per segment	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**

* Former EiendomsMegler 1 Hedmark Eiendom AS (EM1HE).

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

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

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

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

The current requirement for CET1 capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totalling 8 per cent, of which the Bank's countercyclical capital buffer requirement was 2.5 per cent at 31.12.2019. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.8 per cent as at 31.12.2019. The total capital requirement for CET1 capital was thus 14.3 per cent at 31.12.2019. In addition to this, a further 1.5 per cent is covered by additional Tier 1 capital and 2 per cent is covered by Tier 2 capital.

Parent bank			Group	
2018	**2019**		**2019**	**2018**
6,762	6,805	Paid-up equity	6,839	6,670
6,738	7,867	Earned equity capital	8,654	7,588
400	300	Hybridcapital	300	400
		Minority interests	110	104
13,900	**14,972**	**Total equity carried**	**15,903**	**14,762**
		Common equity tier 1 capital		
-705	-955	Results for the accounting year not included	-955	-705
-400	-300	Hybridcapital	-300	-400
0	0	Minority interests that is not eligible as CET1 capital	-60	-58
20	25	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	25	20
-72	-67	Goodwill and other intangible assets	-420	-395
-238	-348	Positive value of expected losses under the IRB approach	-441	-311
0	-156	CET 1 instruments of financial sector entities where the institution does have a significant investement	-292	-326
-27	-29	Value adjustments due to the requirements for prudent valuation (AVA)	-33	-27
0	0	Other adjustments in CET1	2	6
12,479	**13,143**	**Common equity tier 1 capital**	**13,430**	**12,566**
		Additional Tier 1 capital		
400	300	Hybrid capital	300	400
0	0	Instruments issued by consolidated entities that are given recognition in AT1 Capital	179	245
400	**300**	**Tier 1 capital**	**479**	**645**
		Supplementary capital in excess of Tier 1 capital		
1,100	1,300	Subordinated loan capital	1,300	1,100
0	0	Instruments issued by consolidated entities that are given recognition in T2 Capital	235	361
1,100	**1,300**	**Total supplementary capital**	**1,535**	**1,461**
13,979	**14,743**	**Total eligible capital**	**15,444**	**14,672**
4,781	4,809	Corporates - SME	4,819	4,781
11,034	14,300	Corporates - Specialised Lending	14,980	11,034
1,411	1,783	Corporates - Other	1,815	1,411
1,223	1,162	Retail - SME	1,381	1,424
16,886	19,179	Retail - Mortgage exposure	27,293	24,235
1,234	1,034	Retail - Other	1,071	1,259
0	0	Equity exposures	3	0
36,569	**42,267**	**Credit exposures calculated using IRB-approach**	**51,361**	**44,145**
12,106	13,831	Credit exposures calculated using the standardised approach	17,972	16,405
383	351	Counterparty credit risk	1,881	1,732
		Market risk		
3,433	5,356	Operational risk	6,659	5,222
1,849	0	Basel I floor adjustment	0	7,495
54,340	**61,805**	**Risk-weighted assets**	**77,873**	**74,999**
4,347	**4,944**	**Capital requirements (8%)**	**6,230**	**6,000**
978	**1,112**	**Pillar 2 (1.8%)**	**1,402**	**1,350**

Parent bank			Group	
2018	2019		2019	2018
		Buffer requirements		
1,359	1,545	Capital conservation buffer (2.5%)	1,947	1,875
1,087	1,545	Countercyclical capital buffer (2.5%, 2.0% previously)	1,947	1,500
1,630	1,854	Systemic risk buffer (3%)	2,336	2,250
4,076	**4,944**	**Total buffer requirements for CET1 (8%, 7.5% previously)**	**6,230**	**5,625**
4,980	**4,305**	**Available CET1 (14.3%, 13.8% previously)**	**2,294**	**2,217**
		Capital ratios		
23.0 %	21.3 %	CET1 capital ratio	17.2 %	16.8 %
23.8 %	21.3 %	CET1 capital ratio (excluding Basel 1-floor)	17.2 %	18.6 %
23.7 %	21.8 %	Tier 1 Capital ratio	17.9 %	17.6 %
25.7 %	23.9 %	Capital adequacy ratio	19.8 %	19.6 %
10.2 %	9.8 %	Leverage Ratio	7.2 %	7.5 %

Note 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 15 and 16.

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, 12, 14 and 29. 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 15. Currency exposure is specified in notes 7 and 16. The Group's largest investments in equity instruments are presented in note 31. The Group has not identified any significant risks other than those presented in the aforementioned notes.

LIquidity 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 17 and 18.

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			Group	
2018	**2019**	**Loans to and receivables from credit institutions**	**2019**	**2018**
80	183	Loans and receivables at call	197	81
7,407	8,090	Loans and receivables with agreed maturities or notice	1,002	942
7,487	**8,273**	**Total**	**1,199**	**1,023**
		Loans and receivables specified by major currencies		
7,414	8,090	NOK	950	950
38	81	EUR	81	38
7	6	USD	6	7
0	66	GBP	0	0
2	7	CHF	7	2
13	4	JPY	4	13
12	18	Other	18	12
7,487	**8,273**	**Total**	**1,066**	**1,023**

Parent bank			Group	
2018	**2019**	**Deposits from and liabilities to credit institutions**	**2019**	**2018**
731	722	Loans and deposits at call	727	667
1,973	2,925	Loans and deposits with agreed maturities or notice	2,923	1,969
2,704	**3,647**	**Total**	**3,650**	**2,636**
		Liabilities specified by major currencies		
2,384	3,206	NOK	3,209	2,315
304	429	EUR	429	304
9	1	SEK	1	9
0	6	USD	6	0
8	5	Other	5	8
2,704	**3,647**	**Total**	**3,650**	**2,636**
1.3 %	**1.7 %**	**Average interest rate**	**2.0 %**	**1.4 %**

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

	2019				2018			
Gross loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**85,386**	**5,403**	**371**	**91,160**	**78,682**	**4,203**	**470**	**83,355**
Transfers in (out) to Stage 1	1,268	-1,261	-7	0	1,144	-1,109	-35	0
Transfers in (out) to Stage 2	-3,198	3,233	-34	0	-2,374	2,408	-34	0
Transfers in (out) to Stage 3	-53	-80	133	0	-70	-104	174	0
Net increase/decrease excisting loans	-2,315	-320	-42	-2,678	-1,845	-10	-33	-1,888
Purchases and originations	44,252	1,562	58	45,872	43,787	1,549	71	45,407
Derecognitions and maturities	-34,224	-1,678	-145	-36,047	-33,939	-1,534	-214	-35,688
Write-offs	0	0	-11	-11	0	0	-26	-26
Closing balance	**91,115**	**6,858**	**323**	**98,296**	**85,386**	**5,403**	**371**	**91,160**
Loan and advances to customers at amortised cost				31,621				27,786
Loan and advances to customers at fair value				66,675				63,374

	2019				2018			
Gross loans to private customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**57,787**	**2,316**	**223**	**60,326**	**53,417**	**2,158**	**208**	**55,782**
Transfers in (out) to Stage 1	569	-563	-6	0	589	-557	-31	0
Transfers in (out) to Stage 2	-1,433	1,446	-13	0	-908	910	-2	0
Transfers in (out) to Stage 3	-32	-51	84	0	-62	-50	112	0
Net increase/decrease excisting loans	-1,692	-56	-17	-1,766	-1,475	-60	-11	-1,546
Purchases and originations	32,226	1,014	62	33,302	33,292	862	18	34,172
Derecognitions and maturities	-27,276	-892	-121	-28,289	-27,065	-946	-66	-28,076
Write-offs	0	0	-3	-3	0	0	-5	-5
Closing balance	**60,148**	**3,214**	**209**	**63,571**	**57,787**	**2,316**	**223**	**60,326**
Loan and advances to customers at amortised cost				776				253
Loan and advances to customers at fair value				62,795				60,074

	2019				2018			
Gross corporate loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**27,599**	**3,087**	**148**	**30,834**	**25,265**	**2,045**	**262**	**27,573**
Transfers in (out) to Stage 1	699	-698	-1	0	556	-551	-4	0
Transfers in (out) to Stage 2	-1,765	1,787	-21	0	-1,466	1,498	-32	0
Transfers in (out) to Stage 3	-21	-29	50	0	-7	-54	61	0
Net increase/decrease excisting loans	-623	-264	-25	-912	-370	50	-22	-342
Purchases and originations	12,027	547	-4	12,570	10,496	687	53	11,236
Derecognitions and maturities	-6,948	-785	-24	-7,757	-6,874	-588	-149	-7,611
Write-offs	0	0	-9	-9	0	0	-21	-21
Closing balance	**30,967**	**3,645**	**114**	**34,726**	**27,599**	**3,087**	**148**	**30,834**
Loan and advances to customers at amortised cost				30,845				27,534
Loan and advances to customers at fair value				3,881				3,300

Group

	2019				2018			
Gross loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**92,167**	**6,317**	**456**	**98,940**	**84,975**	**4,958**	**527**	**90,460**
Transfers in (out) to Stage 1	1,496	-1,484	-12	0	1,347	-1,310	-38	0
Transfers in (out) to Stage 2	-3,711	3,754	-44	0	-2,846	2,885	-39	0
Transfers in (out) to Stage 3	-104	-130	233	0	-99	-139	238	0
Net increase/decrease excisting loans	-3,388	-520	-60	-3,968	-2,940	-200	-47	-3,187
Purchases and originations	47,764	1,870	86	49,721	46,998	1,838	89	48,925
Derecognitions and maturities	-35,571	-1,883	-192	-37,646	-35,268	-1,715	-249	-37,232
Write-offs	0	0	-11	-11	0	0	-26	-26
Closing balance	**98,654**	**7,925**	**456**	**107,035**	**92,167**	**6,317**	**456**	**98,940**
Loan and advances to customers at amortised cost				40,360				35,566
Loan and advances to customers at fair value				66,675				63,374

	2019				2018			
Gross loans to private customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**60,635**	**2,645**	**264**	**63,544**	**56,169**	**2,462**	**241**	**58,872**
Transfers in (out) to Stage 1	645	-639	-7	0	667	-635	-32	0
Transfers in (out) to Stage 2	-1,642	1,658	-16	0	-1,033	1,039	-5	0
Transfers in (out) to Stage 3	-45	-71	116	0	-70	-68	138	0
Net increase/decrease excisting loans	-2,107	-116	-21	-2,245	-1,888	-110	-15	-2,012
Purchases and originations	34,191	1,175	72	35,438	34,558	987	26	35,571
Derecognitions and maturities	-28,022	-977	-144	-29,143	-27,767	-1,030	-84	-28,881
Write-offs	0	0	-3	-3	0	0	-5	-5
Closing balance	**63,656**	**3,675**	**261**	**67,591**	**60,635**	**2,645**	**264**	**63,544**
Loan and advances to customers at amortised cost				4,797				3,470
Loan and advances to customers at fair value				62,795				60,074

	2019				2018			
Gross corporate loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**31,532**	**3,672**	**193**	**35,397**	**28,806**	**2,496**	**286**	**31,589**
Transfers in (out) to Stage 1	851	-845	-6	0	680	-675	-5	0
Transfers in (out) to Stage 2	-2,068	2,096	-28	0	-1,813	1,846	-33	0
Transfers in (out) to Stage 3	-59	-59	118	0	-28	-71	100	0
Net increase/decrease excisting loans	-1,281	-403	-39	-1,724	-1,053	-90	-32	-1,175
Purchases and originations	13,573	695	13	14,282	12,441	851	63	13,355
Derecognitions and maturities	-7,549	-906	-48	-8,503	-7,501	-685	-165	-8,351
Write-offs	0	0	-9	-9	0	0	-21	-21
Closing balance	**34,998**	**4,250**	**195**	**39,443**	**31,532**	**3,672**	**193**	**35,397**
Loan and advances to customers at amortised cost				35,562				32,097
Loan and advances to customers at fair value				3,881				3,300

Parent bank

	2019				2018			
Credit exposure to financial assets subject to ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit risk								
Low risk	74,793	563	1	75,356	71,374	366	0	71,740
Medium risk	14,880	4,457	0	19,336	12,924	3,521	1	16,445
High risk	1,443	1,839	0	3,282	1,088	1,487	0	2,575
Defaults	0	0	322	322	0	29	370	399
Total gross loans at 31.12.	**91,115**	**6,858**	**323**	**98,296**	**85,386**	**5,403**	**371**	**91,160**
Loan loss allowance	-76	-108	-71	-255	-72	-129	-81	-282
Total loans to customers at 31.12.	**91,039**	**6,751**	**251**	**98,041**	**85,314**	**5,275**	**290**	**90,878**

	2019				2018			
Credit exposure to financial assets subject to ECL - private customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit risk								
Low risk	57,029	465	0	57,494	54,425	278	0	54,704
Medium risk	2,941	1,877	0	4,818	3,201	1,261	0	4,462
High risk	179	871	0	1,050	161	776	0	937
Defaults	0	0	209	209	0	0	223	223
Total gross loans at 31.12.	**60,148**	**3,214**	**209**	**63,571**	**57,787**	**2,316**	**223**	**60,326**
Loan loss allowance	-1	-35	-31	-66	-3	-34	-31	-67
Total loans to customers at 31.12.	**60,147**	**3,179**	**178**	**63,504**	**57,785**	**2,282**	**192**	**60,259**

	2019				2018			
Credit exposure to financial assets subject to ECL - corporate customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit risk								
Low risk	17,764	98	1	17,862	16,949	88	0	17,037
Medium risk	11,939	2,579	0	14,518	9,722	2,260	1	11,983
High risk	1,265	968	0	2,232	927	711	0	1,638
Defaults	0	0	113	113	0	29	147	176
Total gross loans at 31.12.	**30,967**	**3,645**	**114**	**34,726**	**27,599**	**3,087**	**148**	**30,834**
Loan loss allowance	-75	-73	-41	-189	-69	-95	-51	-215
Total loans to customers at 31.12.	**30,892**	**3,572**	**73**	**34,537**	**27,529**	**2,993**	**97**	**30,619**

Group

	2019				2018			
Credit exposure to financial assets subject to ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit risk								
Low risk	77,866	565	1	78,432	73,772	366	0	74,138
Medium risk	18,791	4,836	0	23,627	16,905	3,869	1	20,775
High risk	1,998	2,523	5	4,526	1,489	2,053	5	3,547
Defaults	0	0	451	451	0	29	451	480
Total gross loans at 31.12.	**98,654**	**7,925**	**456**	**107,035**	**92,167**	**6,317**	**456**	**98,940**
Loan loss allowance	-97	-133	-87	-317	-84	-155	-95	-334
Total loans to customers at 31.12.	**98,557**	**7,792**	**369**	**106,718**	**92,082**	**6,162**	**361**	**98,606**

Credit exposure to financial assets subject to ECL - private customers	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Credit risk								
Low risk	58,388	465	0	58,853	55,329	278	0	55,607
Medium risk	5,054	2,077	0	7,131	4,993	1,285	0	6,278
High risk	214	1,132	0	1,346	313	1,082	-20	1,375
Defaults	0	0	261	261	0	0	284	284
Total gross loans at 31.12.	**63,656**	**3,675**	**261**	**67,592**	**60,635**	**2,645**	**264**	**63,543**
Loan loss allowance	-4	-44	-42	-90	-4	-47	-41	-91
Total loans to customers at 31.12.	**63,652**	**3,631**	**219**	**67,501**	**60,631**	**2,598**	**223**	**63,452**

Credit exposure to financial assets subject to ECL - corporate customers	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Credit risk								
Low risk	19,478	100	1	19,579	18,444	88	0	18,532
Medium risk	13,737	2,758	0	16,495	11,912	2,584	1	14,497
High risk	1,784	1,392	5	3,180	1,176	971	24	2,172
Defaults	0	0	190	190	0	29	167	196
Total gross loans at 31.12.	**34,998**	**4,250**	**195**	**39,443**	**31,532**	**3,672**	**193**	**35,397**
Loan loss allowance	-93	-89	-45	-227	-81	-108	-54	-243
Total loans to customers at 31.12.	**34,906**	**4,161**	**150**	**39,216**	**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	5.00-10.00%
Defaulted	J	Defaulted
Written down	K	Impaired

Parent bank	Loan and advances to customers at amortised cost 31.12.2019	Provisions for credit losses Stage 1	Provisions for credit losses Stage 2	Provisions for credit losses Stage 3	Loan and advances to customers at fair value 31.12.2019	Net lending 31.12.2019
Public sector	22	-0	0	0	0	22
Primary industries	2,936	-2	-6	-12	1,876	4,793
Paper and pulp industries	775	-1	-2	-0	327	1,099
Other industry	1,217	-5	-3	-2	50	1,257
Building and constructions	3,676	-19	-14	-1	271	3,912
Power and water supply	221	-0	-0	-1	1	220
Wholesale and retail trade	1,025	-3	-3	-6	129	1,142
Hotel and restaurants	403	-1	-1	-1	61	461
Real estate	15,673	-33	-32	-7	443	16,045
Commercial services	4,572	-11	-8	-11	560	5,102
Transport and communication	325	-1	-3	-0	163	483
Other	0	0	0	0	0	0
Gross corporate loans by sector and industry	**30,845**	**-75**	**-73**	**-41**	**3,881**	**34,537**
Private customers	**776**	**-1**	**-35**	**-31**	**62,792**	**63,501**
Adjustment fair value over OCI					3	3
Total loans to customers	**31,621**	**-76**	**-108**	**-71**	**66,675**	**98,041**

Parent bank

	Loan and advances to customers at amortised cost 31.12.2018	Provisions for credit losses Stage 1	Stage 2	Stage 3	Loan and advances to customers at fair value 31.12.2018	Net lending 31.12.2018
Public sector	251	-0	0	0	0	251
Primary industries	2,623	-1	-5	-11	1,648	4,254
Paper and pulp industries	739	-1	-0	-0	287	1,025
Other industry	1,187	-5	-8	-4	38	1,208
Building and constructions	2,679	-15	-21	-2	456	3,097
Power and water supply	226	5	-0	-1	5	233
Wholesale and retail trade	837	-3	-8	-11	167	981
Hotel and restaurants	416	-1	-1	-0	51	465
Real estate	13,571	-31	-35	-3	569	14,071
Commercial services	4,111	-17	-12	-17	477	4,542
Transport and communication	302	-1	-3	-1	194	492
Other	0	0	0	0	0	0
Gross corporate loans by sector and industry	**26,942**	**-69**	**-95**	**-51**	**3,892**	**30,619**
Private customers	**844**	**-3**	**-34**	**-31**	**59,482**	**60,259**
Adjustment fair value over OCI					0	0
Total loans to customers	**27,786**	**-72**	**-129**	**-81**	**63,374**	**90,878**

Group

	Loan and advances to customers at amortised cost 31.12.2019	Provisions for credit losses Stage 1	Stage 2	Stage 3	Loan and advances to customers at fair value 31.12.2019	Net lending 31.12.2019
Public sector	336	-0	-0	-0	0	336
Primary industries	3,356	-3	-8	-12	1,876	5,210
Paper and pulp industries	788	-1	-2	-0	327	1,112
Other industry	1,424	-6	-4	-2	50	1,462
Building and constructions	4,710	-22	-18	-4	271	4,938
Power and water supply	243	-1	-0	-1	1	242
Wholesale and retail trade	1,289	-5	-4	-6	129	1 402
Hotel and restaurants	419	-1	-2	-1	61	476
Real estate	16,028	-35	-32	-7	443	16,396
Commercial services	5,327	-14	-9	-8	560	5,857
Transport and communication	1,643	-6	-9	-3	163	1,787
Other	0	0	0	0	0	0
Gross corporate loans by sector and industry	**35,562**	**-93**	**-89**	**-45**	**3,881**	**39,216**
Private customers	**4 797**	**-4**	**-44**	**-42**	**62,792**	**67,498**
Adjustment fair value over OCI					3	3
Total loans to customers	**40,359**	**-97**	**-133**	**-87**	**66,675**	**106,718**

Group

	Loan and advances to customers at amortised cost 31.12.2018	Provisions for credit losses Stage 1	Stage 2	Stage 3	Loan and advances to customers at fair value 31.12.2018	Net lending 31.12.2018
Public sector	482	-1	-1	-0	0	481
Primary industries	2,988	-2	-6	-11	1,648	4,617
Paper and pulp industries	764	-1	-1	-0	287	1,050
Other industry	1,434	-5	-9	-4	38	1,453
Building and constructions	4,010	-18	-25	-3	456	4,421
Power and water supply	393	4	-1	-1	5	399
Wholesale and retail trade	1,135	-4	-9	-11	167	1,278
Hotel and restaurants	432	-1	-1	-0	51	481
Real estate	13,733	-31	-36	-3	544	14,207
Commercial services	4,671	-19	-14	-17	501	5 122
Transport and communication	1,463	-3	-7	-2	194	1 645
Other	0	0	0	0	0	0
Gross corporate loans by sector and industry	**31,505**	**-81**	**-108**	**-54**	**3,892**	**35,154**
Private customers	**4,062**	**-4**	**-47**	**-41**	**59,482**	**63,452**
Adjustment fair value over OCI					0	0
Total loans to customers	**35,567**	**-84**	**-155**	**-95**	**63,374**	**98,606**

Note 9 – Transfer of financial instruments

SpareBank 1 Østlandet has signed agreements for the legal sale of loans with security and high collateral 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 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 covered bond 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 the 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 covered bond 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 had an ownership interest of 22.29 per cent as at 31 December 2019 (21.61 per cent as at 31 December 2018). The purpose of the covered bond company is to ensure banks in the Alliance stable and long-term financing for residential mortgages at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's. SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. As part of the Alliance, the Bank can transfer loans to the company and this has been done as part of the Bank's funding strategy. Loans transferred to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75 per cent of their valuation. The transferred loans are legally owned by SpareBank 1 Boligkreditt AS and, apart from the right to administer them and the right to take over, fully or in part, impaired loans at their impaired value, SpareBank 1 Østlandet has no right to use the loans. SpareBank 1 Østlandet manages the sold loans and receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

At the end of December 2019, the book value of the transferred loans was NOK 42.6 billion (NOK 39.8 billion at end of December 2018).

The remuneration received for the loans transferred from the Bank to SpareBank 1 Boligkreditt AS matches the nominal value of the transferred loans and was assessed as being almost equal to the loans' fair value at the end of 2019 and 2018. The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and have a small probability of loss.

SpareBank 1 Boligkreditt AS – The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	NOK 320 million

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. This involves, among other things, the Bank contributing to ensuring that SpareBank 1 Boligkreditt AS always has a core equity tier 1 ratio that matches the requirements set by the authorities (incl. the requirements for buffer capital and Pillar 2 calculations), and if required to do so supplying core capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines for its core capital adequacy ratio that exceed the authorities' requirements, as well as a management buffer of 0.4 per cent. Based on a concrete assessment, the Bank has chosen not to hold capital for this obligation because the risk of the Bank being forced to contribute is considered very small. In connection with this, it also appears that there are a number of options with respect to measures that may also be appropriate should such a situation occur.

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 means that the banks have committed to purchase covered bonds in the event that SpareBank 1 Boligkreditt AS is unable to refinance its activities in the market. The purchase of the bonds is contingent on the company's collateral not having stopped payments, so that it is actually able to issue such bonds. There is, therefore, no credit guarantee that can be invoked in the event of the company or collateral becoming insolvent. 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. In accordance with its internal policy, SpareBank 1 Boligkreditt AS retains liquidity for the amount due in the next 6 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that SpareBank 1 Boligkreditt AS does not have 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.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a covered bond company. The SpareBank 1 Østlandet Group had an ownership interest of 15.15 per cent as at 31 December 2019 (13.31 per cent as at 31 December 2018). SpareBank 1 Næringskreditt's bonds are rated Aaa by Moody's. The company is owned by the savings banks that are part of the SpareBank 1-alliance and is co-located with SpareBank 1 Boligkreditt in Stavanger. The purpose of the covered bond company is to ensure banks in the Alliance stable and long-term financing for commercial property at competitive prices. SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. As part of the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 per cent of its valuation. The transferred loans are legally owned by SpareBank 1 Næringskreditt AS and, apart from the right to administer them and the right to take over, fully or in part, impaired loans (at their impaired value), the Bank has no right to use the loans. At the end of December 2019, the book value of the transferred loans was NOK 1.0 billion (NOK 1.4 billion at end of December 2018). The Bank manages the transferred loans and receives commissions based on the net returns on the loans the Bank has transferred and the costs in the company.

The remuneration received for the loans transferred from the Bank to SpareBank 1 Næringskreditt AS matches the nominal value of the transferred loans and was assessed as being almost equal to the loans' fair value at the end of 2019 and 2018.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of loss.

SpareBank 1 Næringskreditt AS – The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	NOK 14 million

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Næringskreditt AS. This involves, among other things, the Bank contributing to ensuring that SpareBank 1 Næringskreditt's core capital adequacy ratio is always at least 11.0 per cent, and if required to do so supplying core capital if it falls to a lower level. SpareBank 1 Næringskreditt AS has internal guidelines for its core capital adequacy ratio that exceed the authorities' requirements, as well as a management buffer of 0.4 per cent. Based on a concrete assessment, the Bank has chosen not to hold capital for this obligation because the risk of the Bank being forced to contribute is considered very small. In connection with this, it also appears that there are a number of options with respect to measures that may also be appropriate should such a situation occur.

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 of the bonds is contingent on the company's collateral not having stopped payments, so that it is actually able to issue such bonds. There is, therefore, no credit guarantee that can be invoked in the event of the company or collateral becoming insolvent. 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. In accordance with its internal policy, SpareBank 1 Næringskreditt AS retains liquidity for the amount due in the next 6 months. 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.

Note 10 — 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

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

(MNOK)	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 losses	**351**	**10**	**-31**	**329**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	308	0	-26	282
Liabilities: Provisions for loan losses - increase of liabilities	23	5	-3	25
Eqity: Fair value adjustment of losses	20	2	0	22

Group

(MNOK)	31.12.2018	Provision for credit losses	Net write-offs	31.12.2019
Provisions for loans at amortised cost, guarantee and unused credit losses	320	-16	-11	294
Provisions for loan losses at fair value over OCI	65	2	-1	67
Total provisions for losses	**385**	**-13**	**-11**	**360**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	337	-9	-11	317
Liabilities: Provisions for loan losses - increase of liabilities	25	-3	0	22
Eqity: Fair value adjustment of losses	22	-1	0	21

(MNOK)	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 losses	**409**	**8**	**-31**	**385**
Presented as:				
Assets: Provisions for loan losses - decrease of assets	366	-2	-26	337
Liabilities: Provisions for loan losses - increase of liabilities	23	5	-3	25
Eqity: Fair value adjustment of losses	20	2	0	22

Parent bank

Provisions for losses *	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Opening balance	**111**	**136**	**83**	**329**	**101**	**117**	**133**	**351**
Provision for credit losses								
Transfers in (out) to Stage 1	3	-3	0	0	31	-21	-10	0
Transfers in (out) to Stage 2	-46	48	-2	0	-6	18	-12	0
Transfers in (out) to Stage 3	-9	-7	16	0	0	-8	8	0
Net remeasurement of loss provisions	33	-49	2	-14	-46	35	31	20
Purchases and originations	56	24	1	81	63	33	10	107
Derecognitions and maturities	-33	-34	-19	-86	-32	-39	-51	-122
Write-offs	0	0	-11	-11	0	0	-26	-26
Closing balance	**115**	**115**	**69**	**299**	**111**	**136**	**83**	**329**

Provisions for losses – personal customers *	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Opening balance	**24**	**34**	**31**	**88**	**23**	**30**	**33**	**86**
Provision for credit losses								
Transfers in (out) to Stage 1	1	-1	0	0	6	-6	0	0
Transfers in (out) to Stage 2	-13	13	0	0	-1	1	0	0
Transfers in (out) to Stage 3	-2	-3	5	0	0	-2	2	0
Net remeasurement of loss provisions	10	-7	6	9	-7	12	9	14
Purchases and originations	13	12	1	25	13	11	0	24
Derecognitions and maturities	-10	-11	-9	-30	-10	-13	-8	-31
Write-offs	0	0	-3	-3	0	0	-5	-5
Closing balance	**23**	**37**	**30**	**90**	**24**	**34**	**31**	**88**

Provisions for losses – corporate customers *	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Opening balance	**87**	**102**	**52**	**241**	**78**	**87**	**99**	**264**
Provision for credit losses								
Transfers in (out) to Stage 1	2	-2	0	0	25	-15	-10	0
Transfers in (out) to Stage 2	-34	35	-2	0	-5	17	-12	0
Transfers in (out) to Stage 3	-7	-4	11	0	0	-6	6	0
Net remeasurement of loss provisions	23	-42	-4	-23	-39	23	22	7
Purchases and originations	43	12	0	55	51	22	10	83
Derecognitions and maturities	-23	-23	-11	-57	-22	-26	-43	-92
Write-offs	0	0	-9	-9	0	0	-21	-21
Closing balance	**91**	**78**	**39**	**208**	**87**	**102**	**52**	**241**

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

Group

Provisions for losses *	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Opening balance	**127**	**162**	**96**	**385**	**116**	**144**	**149**	**409**
Provision for credit losses								
Transfers in (out) to Stage 1	8	-8	0	0	37	-27	-11	-1
Transfers in (out) to Stage 2	-48	50	-2	0	-8	21	-12	0
Transfers in (out) to Stage 3	-9	-11	21	0	-1	-9	10	0
Net remeasurement of loss provisions	24	-42	8	-11	-54	36	36	18
Purchases and originations	66	31	4	101	72	41	11	125
Derecognitions and maturities	-35	-41	-27	-103	-36	-43	-61	-140
Write-offs	0	0	-11	-11	0	0	-26	-26
Closing balance	**131**	**142**	**87**	**360**	**127**	**162**	**96**	**385**

Provisions for losses – personal customers *	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Opening balance	**28**	**47**	**42**	**117**	**27**	**40**	**46**	**112**
Provision for credit losses								
Transfers in (out) to Stage 1	2	-2	0	0	8	-7	-1	0
Transfers in (out) to Stage 2	-13	13	-1	0	-1	2	0	0
Transfers in (out) to Stage 3	-2	-6	8	0	0	-3	3	0
Net remeasurement of loss provisions	9	-4	10	16	-9	15	11	17
Purchases and originations	15	14	2	31	15	16	1	33
Derecognitions and maturities	-10	-14	-13	-38	-11	-15	-14	-40
Write-offs	0	0	-3	-3	0	0	-5	-5
Closing balance	**28**	**49**	**46**	**123**	**28**	**47**	**42**	**117**

Provisions for losses – corporate customers *	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Opening balance	**98**	**115**	**55**	**269**	**89**	**104**	**103**	**296**
Provision for credit losses								
Transfers in (out) to Stage 1	6	-6	0	0	29	-19	-10	0
Transfers in (out) to Stage 2	-35	37	-2	0	-7	19	-12	0
Transfers in (out) to Stage 3	-8	-5	13	0	0	-6	7	0
Net remeasurement of loss provisions	15	-39	-3	-27	-45	21	25	1
Purchases and originations	52	17	1	70	57	25	10	92
Derecognitions and maturities	-25	-26	-14	-65	-25	-28	-47	-100
Write-offs	0	0	-9	-9	0	0	-21	-21
Closing balance	**103**	**93**	**42**	**238**	**98**	**115**	**55**	**269**

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

Note 11 — Credit risk exposure for each internal risk rating

SpareBank 1 Østlandet uses its own classification system monitoring 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 (%) 2019	Total commitment 2019	Average unsecured exposure (%) 2018	Total commitment 2018
Low risk	3.6 %	82,201	3.6 %	78,837
Medium risk	3.4 %	21,845	5.7 %	18,665
High risk	3.0 %	3,897	4.1 %	3,060
Defaulted and written down	16.6 %	320	15.6 %	411
Total	**3.6 %**	**108,263**	**4.1 %**	**100,973**

Group	Average unsecured exposure (%) 2019	Total commitment 2019	Average unsecured exposure (%) 2018	Total commitment 2018
Low risk	3.5 %	85,062	4.0 %	73,672
Medium risk	16.9 %	26,540	6.1 %	22,995
High risk	2.8 %	5,017	6.2 %	4,031
Defaulted and written down	12.5 %	455	14.2 %	492
Total	**6.5 %**	**117,075**	**4.6 %**	**101,189**

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

Note 12 — 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	
2018	2019		2019	2018
		Assets		
1,797	1,248	Deposits with central banks	1,248	1,797
7,487	8,273	Loans to and receivables from credit institutions	1,199	1,023
91,160	98,296	Gross loans to and receivables from customers	107,035	98,940
-282	-255	Impairments	-317	-334
90,878	98,041	Net loans to and receivables from customers	106,718	98,606
14,446	17,252	Certificates and bonds	17,252	14,446
819	878	Financial derivatives	878	819
115,426	**125,693**	**Credit risk exposure, balance sheet**	**127,296**	**116,690**
		Liabilities		
1,206	1,363	Contingent liabilities (guarantees provided)	1,084	1,112
17,413	18,609	Unutilised credit lines	10 578	10,064
2,722	3,108	Loans approved not disbursed	3,356	3,088
21,340	**23,080**	**Total financial guarantees, off balance sheet items**	**15,018**	**14 264**
136,767	**148,773**	**Total credit risk exposure**	**142,314**	**130,954**

Credit risk exposure on financial assets distributed by geographic area

Parent bank			Group	
2018	2019		2019	2018
		Banking activities		
54,229	58,413	Hedmark	44,877	41,903
7,072	7,892	Oppland	8,839	8,292
23,186	25,157	Akershus	26,889	24,660
30,112	31,783	Oslo	33,052	30,956
6,716	7,094	Rest of Norway	10,286	9,745
468	558	Abroad	558	468
-282	-255	Provisions for losses, undistributed	-317	-334
121,502	**130,642**	**Total banking activities**	**124,184**	**115,690**
		Financial market activities		
10,155	11,622	Norway	11,622	10,155
4,958	6,110	Europe	6,110	4,958
152	399	USA	399	152
15,265	**18,130**	**Total financial market activities**	**18,130**	**15,265**
136,767	**148,773**	**Total distributed by geographic area**	**142,314**	**130,954**

Note 13 – 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 three 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 eighteen institutional counterparties.The Bank has also entered into agreements on clearing derivatives where the counterparty risk is moved to a central counterparty (clearing house) that calculates the need for collateral. 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

2019	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Amounts not presented on the balance sheet on a net basis: Financial instruments	Amounts not presented on the balance sheet on a net basis: Cash collateral given/(received)	Net amount
Derivatives as assets	878	0	878	-274	-550	**54**
Derivatives as liabilities	-373	0	-373	274	54	**-45**

2018	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Amounts not presented on the balance sheet on a net basis: Financial instruments	Amounts not presented on the balance sheet on a net basis: Cash collateral given/(received)	Net amount
Derivatives as assets	819	0	819	-264	-417	**138**
Derivatives as liabilities	-354	0	-354	264	16	**-74**

Note 14 – Credit quality per class of financial assets

Parent bank

2019	Notes	Low risk	Medium risk	High risk	Defaulted or with individual loan loss impairments	Total
Loans to and receivables from credit institutions	7	8,273	0	0	0	**8,273**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	510	88	32	146	**776**
Corporate market	8	14,560	14,100	2,087	99	**30,845**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value over OCI through profit and loss on initial recognition						
Retail market	8	5,749	468	30	3	**6,249**
Corporate market	8	426	61	17	2	**505**
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	51,235	4,262	988	60	**56,545**
Corporate market	8	2,877	357	129	13	**3,375**
Total gross lending		**83,629**	**19,336**	**3,282**	**322**	**106,569**
Financial investments						
Certificates, bonds and fixed-income funds	30	17,251	0	1	0	17,252
Total financial investments		**17,251**	**0**	**1**	**0**	**17,252**
Total lending-related assets		**100,880**	**19,336**	**3,283**	**322**	**123,821**

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**	**98,647**
Financial investments						
Certificates and bonds	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

2019	Notes	Low risk	Medium risk	High risk	Defaulted or with individual loan loss impairments	Total
Loans to and receivables from credit institutions	7	1,199	0	0	0	**1,199**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	1,869	2,401	328	198	**4,797**
Corporate market	8	16,276	16,077	3,034	175	**35,562**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value over OCI through profit and loss on initial recognition						
Retail market	8	5,749	468	30	3	**6,249**
Corporate market	8	426	61	17	2	**505**
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	51,235	4,262	988	60	**56,545**
Corporate market	8	2,877	357	129	13	**3,375**
Total gross lending		**79,631**	**23,627**	**4,526**	**451**	**108,234**
Financial investments						
Certificates, bonds and fixed-income funds	30	17,251	0	1	0	17,252
Total financial investments		**17,251**	**0**	**1**	**0**	**17,252**
Total lending-related assets		**96,882**	**23,627**	**4,527**	**451**	**125,486**

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 instituti-ons 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 and bonds	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**

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 presented below. No official ratings are available for some issues/issuers. For the Group, these amount to NOK 2,033 million in 2019 and primarily comprise certificates and bonds in Norwegian municipalities (NOK 1,518 million), bonds in Norwegian savings banks (NOK 396 million) and fixed income funds with low risk profile (NOK 102 million). According to individual assessments, among other things based on market pricing and alternative risk analyses from recognised brokerage houses, on a discretionary basis the aforementioned issues are assigned to the risk group low risk.

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

Note 15 – 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			Group	
Interest rate risk, 1 per cent change			Interest rate risk, 1 per cent change	
2018	**2019**	**Basis risk**	**2019**	**2018**
-75	-128	Certificates and bonds	-128	-75
-152	-134	Fixed-rate loans to customers	-134	-152
15	16	Fixed-rate deposits to customers	16	15
3	3	Loan and receivables from credit institutions	3	3
707	839	Bond loans	839	707
2	-12	Other	-12	2
-486	-589	Derivatives	-589	-486
14	**-6**	**Total interest rate risk, effect on profit after tax**	**-6**	**14**

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

Although the calculations above show that the Bank will incur a loss 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			Group	
Interest rate risk, 1 per cent change			Interest rate risk, 1 per cent change	
2018	**2019**	**Yield curve risk**	**2019**	**2018**
1	3	0–1 month	3	1
18	5	1–3 months	5	18
2	1	3–6 months	1	2
9	6	6–12 months	6	9
-9	-16	1–3 years	-16	-9
-18	-14	3–5 years	-14	-18
11	9	5–10 years	9	11
0	0	More than 10 years	0	0
14	**-6**	**Total interest rate risk, effect on profit after tax**	**-6**	**14**

Note 16 – 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			Group	
2018	**2019**	**Net Currency exposure NOK**	**2019**	**2018**
-1	-1	GBP	-1	-1
-3	-3	USD	-3	-3
7	0	DKK	0	7
3	-1	JPY	-1	3
1	1	PLN	1	1
-3	4	SEK	4	-3
-6	-2	EUR	-2	-6
1	0	CHF	0	1
3	2	Others	2	3
1	**1**	**Sum**	**1**	**1**
0	0	Effect on after-tax profit/loss and equity of a 3 per cent change in FX-rates	0	0
0	0	Effect on after-tax profit/loss and equity of a 10 per cent change in FX-rates	0	0

Note 17 – 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 years at the end of 2019 (3,8 years at the end of 2018). At the same date, total LCR was 162.2 (152.8) per cent.

Parent bank

2019	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	-44	-18	-53	-1,558	-1,576	-3,250
Deposits from and liabilities to customers	-68,387	0	-10,147	0	0	-78,534
Liabilities arising from issuance of securities	0	-581	-3,662	-25,443	-5,197	-34,882
Subordinated loan capital	0	-11	-32	-1,411	0	-1,453
Derivatives related to liabilities	0	-58	-185	-588	-2	-833
Current tax liabilities	0	0	-335	0	0	-335
Defferred tax liabilities	0	0	0	-88	0	-88
Other liabilities	0	-3,108	0	0	0	-3,108
Total cash flows related to liabilities	**-68,432**	**-3,776**	**-14,414**	**-29,088**	**-6,775**	**-122,484**

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	0	-1,205
Derivatives related to liabilities	0	-5	-20	-127	57	-95
Current tax liabilities	0	0	-205	0	0	-205
Defferred tax liabilities	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**

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2019	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	-44	-18	-53	-1,558	-1,580	-3,253
Deposits from and liabilities to customers	-68,347	0	-10,147	0	0	-78,494
Liabilities arising from issuance of securities	0	-581	-3,662	-25,443	-5,197	-34,882
Subordinated loan capital	0	-11	-32	-1,411	0	-1,453
Derivatives related to liabilities	0	-58	-185	-588	-2	-833
Current tax liabilities	0	0	-376	0	0	-376
Deferred tax asset	0	0	0	-212	0	-212
Other liabilities	0	-3,356	0	0	0	-3,356
Total cash flows related to liabilities	**-68,391**	**-4,023**	**-14,455**	**-29,212**	**-6,779**	**-122,861**

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
Deferred tax asset	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**

Cash flows relating to liabilities with agreed maturity based on notional contract sizes including estimated interest payments until maturity.

Note 18 – Maturity analysis of assets and liabilities

Parent bank

2019	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	325	1,000	0	0	0	1,325
Loans to and receivables from credit institutions	8256	0	0	16	0	8,273
Gross loans to and receivables from customers	12,822	228	1,322	8,732	75,191	98,296
-Loan loss allowance for loans at amortised cost	0	0	0	-209	0	-209
-Fair value adjustments for loans at fair value through OCI	0	0	0	-46	0	-46
Net loans to and receivables from customers	12,822	228	1,322	8,477	75,191	98,041
Certificates and bonds	0	413	2,045	14,095	699	17,252
Financial derivatives	0	26	46	434	373	878
Shares, units and other equity interests	0	0	45	0	630	675
Investments in associates and joint ventures	0	0	0	0	4,323	4,323
Investments in subsidiaries	0	0	0	0	1,758	1,758
Property, plant and equipment	0	0	0	114	400	514
Goodwill and other intangible assets	0	0	11	34	44	89
Deferred tax asset	0	0	0	0	0	0
Other assets	0	76	100	0	343	520
Total assets	**21,404**	**1,744**	**3,569**	**23,169**	**83,763**	**133,648**
Liabilities						
Deposits from and liabilities to credit institutions	0	734	0	1,358	1,555	3,647
Deposits from and liabilities to customers	69,022	1,492	3,397	4,624	0	78,534
Liabilities arising from issuance of securities	0	457	3,352	24,798	5,125	33,732
Financial derivaties	0	21	21	249	81	373
Current tax liabilities	0	167	167	0	0	335
Defferred tax liabilities	0	0	0	88	0	88
Other debt and liabilities recognised in the balance sheet	0	17	538	28	80	663
Subordinated loan capital	0	0	0	1,303	0	1,303
Total liabilities	**69,022**	**2,889**	**7,476**	**32,448**	**6,841**	**118,676**

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 value 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 and bonds	0	302	1,318	11,736	1,089	14,446
Financial derivatives	0	55	21	596	148	819
Shares, units 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	0	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	0	205	0	0	205
Defferred tax liabilities	0	69	0	0	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**	**2,756**	**5,543**	**30,250**	**5,656**	**108,490**

Group

2019	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	325	1,000	0	0	0	1,325
Loans to and receivables from credit institutions	1,182	0	0	16	0	1,199
Gross loans to and receivables from customers	12,822	251	1,397	12,568	79,996	107,035
-Loan loss allowance for loans at amortised cost	0	0	-1	-238	-33	-271
-Fair value adjustments for loans at fair value through OCI	0	0	0	-46	0	-46
Net loans to and receivables from customers	12,822	251	1,397	12,285	79,963	106,718
Certificates and bonds	0	413	2,045	14,095	699	17,252
Financial derivatives	0	26	46	434	373	878
Shares, units and other equity interests	0	0	45	0	630	675
Investments in associates and joint ventures	0	0	0	0	4,870	4,870
Property, plant and equipment	12	0	1	130	529	672
Goodwill and other intangible assets	46	2	17	65	276	406
Other assets	0	78	293	0	417	787
Total assets	**14,388**	**1,769**	**3,843**	**27,025**	**87,758**	**134,783**
Liabilities						
Deposits from and liabilities to credit institutions	0	734	0	1,362	1,555	3,650
Deposits from and liabilities to customers	68,982	1,492	3,397	4,624	0	78,494
Liabilities arising from issuance of securities	0	457	3,352	24,798	5,125	33,732
Financial derivaties	0	21	21	249	81	373
Current tax liabilities	0	188	188	0	0	376
Defferred tax liabilities	0	0	0	212	0	212
Other debt and liabilities recognised in the balance sheet	0	50	475	59	155	739
Subordinated loan capital	0	0	0	1,303	0	1,303
Total liabilities	**68,982**	**2,942**	**7,433**	**32,607**	**6,916**	**118,880**

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	-290
-Fair value adjustments for loans at fair value through OCI	0	0	0	-43	0	-43
Net loans to and receivables from customers	12,972	291	1,556	9,921	73,867	98,606
Certificates and bonds	0	302	1,318	11,736	1,089	14,446
Financial derivatives	0	55	21	596	148	819
Shares, units 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 derivaties	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	0	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**

Note 19 – Net interest income

Parent bank 2018	Parent bank 2019		Group 2019	Group 2018
		Interest income		
150	220	Interest on loans to and receivables from credit institutions	55	40
1,942	2,154	Interest income, fair value	2,151	1,942
860	937	Interest income, effective rate method	1,437	1,227
125	230	Interest on certificates and bonds	148	208
-2	-2	Interest income from written-down loans charged to income	-2	-2
3,074	**3,539**	**Total interest income**	**3,789**	**3,415**
		Interest expenses		
35	62	Interest on debt to credit institutions	62	35
619	889	Interest on deposits from and liabilities to customers	896	622
603	590	Interest on securities issued	590	603
37	36	Interest on subordinated loan capital	36	37
43	35	Fees to the Banks' Guarantee Fund	35	43
0	4	Interest on leases	4	0
0	1	Other interest expenses and similar expenses	1	1
1,337	**1,617**	**Total interest expenses**	**1,622**	**1,340**
1,737	**1,923**	**Total net interest income**	**2,166**	**2,074**

Note 20 – Net commission income and other operating income

Parent bank 2018	Parent bank 2019		Group 2019	Group 2018
		Commission income		
19	20	Guarantee commissions	20	17
23	19	Securities trading	19	23
237	268	Payment transmission	268	237
172	182	Insurance services	182	172
365	334	Commission from loans transferred to cover bond companies	334	365
0	0	Commission from real estate brokerage	331	320
75	69	Other commission income	142	75
891	**892**	**Total commission income**	**1,295**	**1,210**
		Commission expenses		
73	94	Payment transmission	143	104
74	**94**	**Total commission expenses**	**143**	**104**
		Other operating income		
7	11	Operating income from real estate	3	6
0	0	Income from accounting	185	164
7	4	Income payroll	4	7
17	23	Other operating income	44	4
32	**37**	**Total other operating income**	**236**	**181**
849	**835**	**Total net commission income and other operating incomet**	**1,388**	**1,286**

Note 21 – Net income from financial assets and liabilities

Parent bank			Group	
2018	**2019**		**2019**	**2018**
13	19	Dividends from equity instruments at fair value through profit and loss	19	13
13	**19**	**Dividends from other than Group companies**	**19**	**13**
372	582	Dividends (Parent bank) or net profit from Group companies (Group)	519	198
-4	0	Gains or losses on realisation of Group companies (Parent bank)		
0	-6	Impairment on Group companies (Parent bank)		
369	**576**	**Net profit from ownership interests**	**519**	**198**
-20	3	Net change in value on certificates, bonds and fixed-income funds	3	-20
-1	14	Net change in value of derivatives that hedge securities above	14	-1
-21	*17*	*Net change in value on certificates, bonds and fixed-income funds including hedge derivatives*	*17*	*-21*
35	-96	Net change in value of securities issued	-96	35
-17	106	Net change in value in derivatives that hedge securities issued	106	-17
17	*10*	*Net change in value of securities issued including hedge derivatives*	*10*	*17*
15	82	Net change in value on equity intruments at fair value through profit and loss	82	15
-64	-18	Net change in value on fixed-rate loans to customers at fair value through profit and loss	-18	-64
11	36	Net change in value of other derivatives	36	11
73	16	Gains or losses on realisation of assets at fair value through profit or loss	16	73
47	55	Net income from FX trading	55	47
80	**197**	**Net profit from other financial assets and liabilities**	**197**	**80**
461	**792**	**Net income from financial assets and liabilities**	**735**	**291**

Note 22 – Payroll expenses and payments to senior employees and elected officers

Parent bank			Group	
2018	2019		2019	2018
473	493	Payroll	807	774
107	110	Employers' National Insurance contribution	162	154
52	52	Pension costs (note 23)	74	69
42	44	Social security expenses	56	52
674	**699**	**Total personnel expenses**	**1,098**	**1,050**
724	709	Average no. of employees	1,189	1,181
697	672	No. of fulltime equivalents at 31 December	1,127	1,139
720	695	No. of employees at 31 December	1,190	1,197

Payments to Group management (NOK thousand) 2019 Title / name	**Salaries and other short-term benefits**	**Other remunera-tion**	**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	4,394	138	153	370	2,875	92,538*
Chief Financial Officer (CFO) Geir-Egil Bolstad	2,690	162	158	360	9,766	28,769
Head of Corporate Banking Hans Olav Wedvik	2,152	189	140	278	19,714	3,055
Head of Retail Banking Kari E. Gisnås	2,046	316	156	406	4,558	3,055
Head of HR and Legal Eldar Kjendlie	1,886	193	145	108	3,163	6,564
Head of Communications Siv Stenseth	1,630	376	162	0	2,835	3,055
Head of Innovation and Business Development Dag-Arne Hoberg	1,936	409	141	206	1,394	5,884
Chief Risk Officer (CRO) Vidar Nordheim	1,887	236	147	0	2,894	5,060
Head of Organizations and Capital Markets Espen Mejlænder-Larsen	1,886	154	148	37	2,556	4,978
Chief Operating Officer (COO) Elin B. Ørbæk	1,871	42	177	25	3,364	1,602
Managing Director, EiendomsMegler 1 Innlandet AS Magnus Aasen	1,375	168	141	0	1,679	3,056
Managing Director, SpareBank 1 Finans Østlandet AS Bjarne Chr. Finstad	1,489	184	143	45	6,788	3,250
Managing Director, TheVIT AS Stein Ragnar Nordeng	1,690	9	87	0	0	0
Managing Director, EiendomsMegler 1 Oslo Akershus AS Kent Victor Syverstad	3,179	426	162	0	0	4,453

* Also includes EC's owned through Richard Heiberg Invest AS.
There are given none guarantees to anyone in the Group management in 2019.

Payments to Group management (NOK thousand) 2018 Title / name	**Salaries and other short-term benefits**	**Other remunera-tion**	**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
Acting Chief Operating officer (COO) 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

*Also includes EC's owned through Richard Heiberg Invest AS.
There are given none guarantees to anyone in the Group management in 2018.

Remuneration to the Board (NOK thousand) 2019					
Title / name	Fees	Other remuneration	Loans	Number of EC's	Number of meetings
The Board:					
Chair of the Board Siri J. Strømmevold	361	3	3,989	2,282	11
Vice Chair of the Board Nina C. Lier	286	1	1,835	1,282	11
Board member Alexander Sandberg Lund	193	0	0	4,286	7
Board member Guro Nina Vestvik	182	0	0	346	11
Board member Tore-Anstein Dobloug	180	0	8,001	0	7
Board member Hans-Christian Gabrielsen	142	0	2,192	0	7
Board member Espen B. Larsen (employee, incl. in salary)	980	83	4,329	0	10
Board member Vibeke Hanvold Larsen (employee, incl. in salary)	767	59	2,937	1,602	11
Deputy Elin Ramleth Østli	13	0	0	0	0
Deputy Gudrun Sanaker Lohne	0	0	3,277	0	0
Deputy Marit Jørgenrud (employee, incl. in salary)	897	70	4,606	1,282	0
Deputy Jørn-Henning Eggum	103	0	0	0	4
Deputy Thor Even Thorstensen (emloyee, incl. in salary)	712	31	3,215	3,055	0

There are given none guarantees to any boardmembers in 2019.

Remuneration to the Board (NOK thousand) 2018					
Title / name	Fees	Other remuneration	Loans	Number of EC's	Number of meetings
The Board:					
Chair of the Board Siri J. Strømmevold	317	4	4,198	2,282	11
Vice Chair of the Board 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 Kjell-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 Alexander Sandberg Lund	52	0	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 none guarantees to any boardmembers in 2018.

Remuneration to the Board of Representatives

(NOK thousands)	2019	2018
Chairman Pål Jan Stokke	47	52
Other members	3-84	3-62

All of the above payments to executive personnel and elected officers, apart from loans and guarantees, are liable for employers' National Insurance contributions.

Remuneration policy in relation to the financial Institutions Regulation
SpareBank 1 Østlandet's remuneration policy is an important strategic instrument and is intended to underpin the Group's financial goals, brand strategy, risk tolerance and long-term interests. It is intended to provide a basis for how the Group should organise its pay and incentive systems, and how resources should be channelled and allocated. The remuneration policy's general guidelines are adopted by the Bank's board following prior consideration by the Bank's remuneration committee.

The remit of the Bank's remuneration committee is as follows:

"The Remuneration Committee shall be a preparatory body that assists the Board of Directors with setting the terms and conditions of employment for the CEO of SpareBank 1 Østlandet, as well as with assessing whether the direction and practice of the remuneration policy are appropriate, including the main principles and strategy for compensation of the Group's senior management. The committee is a reference group for the CEO in relation to the CEO's assessments regarding compensation of the Bank's executive management team."

The Remuneration Committee consists of the Chair of the Board, one employee-elected board member and one other board member. The committee held four meetings in 2019.

SpareBank 1 Østlandet's compensation for senior employees complies with the rules and guidelines laid down in the Financial Institutions Regulation.

An annual process is conducted to identify which employees are covered by the Regulation's definitions of senior employees and others. These assessments are based on principles that include the EBA Guidelines on Sound Remuneration Policies. The results of the annual assessments are presented to the Remuneration Committee and the Board.

Senior employees and others covered by the Regulation's definition 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 2019, one-off supplements were paid to 32 employees of SpareBank 1 Østlandet. The supplements were between NOK 15,000 and NOK 70,000. The average size of the one-off supplements granted was NOK 34,499.

One-off supplements were paid to three employees of SpareBank 1 Østlandet Finans AS in 2019. The supplements were between NOK 10,000 and NOK 25,000. The average size of the one-off supplements granted was NOK 16,667. 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 Financial Institutions Regulation.

The company has no form of bonus scheme or any obligations to consider bonuses for the CEO or Chair of the Board.

There are no incentive schemes or obligations concerning share value based remuneration for the benefit of employees or elected officers.

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 described processes.

The CEO'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 get any input and comments they may have before the CEO 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 CEO's terms are set by the Board based on the recommendations of the Remuneration Committee.

The CEO of SpareBank 1 Østlandet 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 CEO 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 23 – Pensions

The SpareBank 1 Østlandet Group offers a defined contribution based pension scheme to its employees, as well as a contractual early retirement pension (AFP) that can be taken out from the age of 62. The Group also has some unsecured pension liabilities in relation to pensioners and some employees with salaries in excess of 12G. For further information about the Group's pension schemes, see Note 2 – Accounting policies and Note 22 – Payroll expenses and payments to senior employees and elected officers.

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.

Calculations of costs and liabilities for unsecured pension schemes are based on the following assumptions:

Financial assumptions	01.01.2020	01.01.2019	01.01.2018
Discount rate	2.30 %	2.60 %	2.30 %
Expected return on the funds	2.30 %	2.60 %	2.30 %
Expected future development of pay	2.00 %	2.25 %	2.25 %
Expected future adjustment of G	2.00 %	2.25 %	2.25 %
Expected future adjustment of pension	0.50 %	0.80 %	0.40 %
Employer's NI contributions	19.10 %	19.10 %	19.10 %
Expected voluntary turnover	0.00 %	0.00 %	0.00 %
Anticipated AFP payout from 62 years	0.00 %	0.00 %	0.00 %
Disability table used	IR02	IR02	IR02
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 December 31, 2019 has been discounted by the assumptions that applied as at January 1, 2020, while the annual cost for 2019 is based on the assumptions that applied at the start of the year.

Pension expenses

Parent bank			Group	
2018	**2019**		**2019**	**2018**
2	0	Present value of pension accruals for the year	0	2
2	2	Interest cost of pension liability	2	2
40	42	Defined-contribution pension charged to profit and loss	62	56
8	8	AFP scheme charged to profit and loss	9	8
0	1	Other pension expenses	2	0
1	0	Accrued employer contributions	0	1
52	**52**	**Net pension expenses**	**74**	**69**

Pension liability

Parent bank			Group	
2018	**2019**		**2019**	**2018**
70	72	Gross liabilities at 1 January	77	76
2	0	Pension accruals for the year	0	2
2	2	Interest on pension liability	2	2
-4	-5	Benefits paid	-5	-4
2	-3	Actuarial differences included in equity	-3	2
72	**66**	**Gross liability at 31 December**	**71**	**77**
13	14	Employers' National Insurance contribution liability at 1 January	11	12
-1	-1	Employers' National Insurance contribution on paid benefits	-1	-1
0	-1	Employers' National Insurance contribution on actuarial differences	-1	0
1	0	Employers' National Insurance contribution on the pension cost for the year	0	1
14	**13**	**Employers' National Insurance contribution liability at 31 December**	**10**	**11**
84	86	Net pension liability unsecured scheme at 1 January	89	87
86	79	Net pension liability unsecured scheme at 31 December	82	89

Actuarial gains and losses (changes in estimates)

Parent bank			Group	
2018	2019		2019	2018
-3	-3	Actuarial gains and losses pre-tax recognized in other comprehensive income	-3	-3
197	194	Cumulative actuarial gains and losses pre-tax recognized in other comprehensive income	193	197

Parent bank	2019	2018	2017	2016	2015
Present value of pension liability	79	86	117	57	862
Fair value of pension assets	0	0	32	17	599
Deficit / surplus	**79**	**86**	**84**	**40**	**262**
Experience adjustments to pension liabilities	-3	2	20	-5	-74
Experience adjustments to pension assets	0	0	14	-13	-17

Group	2019	2018	2017	2016	2015
Present value of pension liability	82	88	120	399	905
Fair value of pension assets	0	0	32	280	626
Deficit / surplus	**82**	**88**	**87**	**119**	**279**
Experienced adjustments to pension liabilities	-3	2	20	28	-78
Experienced adjustments to pension assets	0	0	14	-25	-16

Note 24 – Other operating expenses

Parent bank			Group	
2018	2019		2019	2018
248	262	IT-expenses	286	264
67	53	Marketing	84	102
79	69	External fees	80	102
79	44	Operating expenses property	49	10
10	8	Wealth tax	8	83
84	107	Other operating expenses	195	167
566	**543**	**Total other operating expenses**	**702**	**728**
		Auditor's fee (NOK thousands)		
1,170	1,196	Statutory audit	3 543	2,575
72	50	Tax consulting	126	192
1,155	969	Other attestation services	1 139	1,246
101	239	Other services	371	175
2,497	**2,454**	**Total, including VAT**	**5 179**	**4,188**

Note 25 – Taxes

Parent bank 2018	Parent bank 2019		Group 2019	Group 2018
1,722	2,214	Profit before tax	2,326	1,735
-648	-842	+/- permanent differences *	-780	-450
-250	-36	+/- changes in temporary differences	-46	-252
-3	3	+/- tax effect recorded as an equity transaction	3	-25
820	**1,340**	**Tax base/taxable income for the year**	**1,504**	**1,008**
205	335	Of which is tax payable 25% (22%, 23%)	375	248
72	22	Change in deferred tax 25% (22%)	24	69
0	0	Foreign witholding tax	0	0
-1	0	Excess/insufficient tax allocation in previous years	-2	-1
0	0	Excess/insufficient deferred tax allocation in previous years	0	0
-1	1	+/- of which change not recorded in income statement	1	5
275	**358**	**Total tax expense**	**398**	**321**
		Explanation of why the tax charge for the year is not 25% (22%, 23%) of the year's profit before tax		
430	554	25% (22%, 23%) tax on profit before tax	595	433
-155	-195	25% (22%, 23%) of permanent differences*	-195	-111
0	0	Foreign witholding tax	0	0
-1	0	Excess/insufficient tax allocation in previous years	-2	-1
0	0	Excess/insufficient deferred tax allocation in previous years	0	0
275	**358**	**Total tax expense**	**398**	**321**
16 %	**16 %**	**Effective tax rate (%)**	**17 %**	**19 %**
		Composition of deferred tax assets recognized in the balance sheet		
-25	-22	Total deferred tax assets	-47	-26
94	110	Total deferred tax	259	228
69	**88**	**Net deferred tax/deferred tax asset**	**212**	**202**
		Specification of temporary differences		
6	10	Gains and loss account	13	6
-86	-80	Pension liabilities	-82	-86
46	47	Operating equipment	599	543
	-2	Leases	-2	
250	251	Differences in finacial items	250	250
59	126	Other temporary differences	103	105
		Carry forward tax loss	-32	-4
275	**352**	**Total temporary differences**	**850**	**814**
25 %	25 %	Tax rate applied	25 % (22%)	25% (23%,22%)

*) Includes tax-exempted dividends, customer dividends, 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 8 million was recognised as a cost in 2019 (NOK 10 million in 2018) and classified as other operating costs.

Note 26 – 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				
2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value				
- Derivatives	0	878	0	878
- Certificates, bonds and fixed-income funds	0	17,252	0	17,252
- Fixed-rate loans to customers	0	0	6,765	6,765
- Equity instruments	331	45	299	675
- Other financial assets	0	0	0	0
- Mortgages (FVOCI)	0	0	59,865	59,865
Total assets	**331**	**18,175**	**66,929**	**85,435**
Liabilities				
Financial assets at fair value				
- Derivatives	0	373	0	373
- Securities issued	0	4,036	0	4,036
Total liabilities	**0**	**4,409**	**0**	**4,409**
2018				
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 financial assets	0	0	4	4
- Mortgages (FVOCI)	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**

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, Refinitivs 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:

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

31.12.2017-31.12.2018	Fixed-rate loans to customers	Equity instru-ments	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 directly against 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**

Spesification of fair value, instruments classified in level 3:

2019	Fixed-rate loans to customers	Equity instru-ments	Mortgages (FVOCI)	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	6,782	209	59,911	0	**66,902**
Fair value adjustment	-17	90	-46	0	**27**
Closing balance	6,765	299	59,865	0	**66,929**

2018	Fixed-rate loans to customers	Equity instru-ments	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	0	0	4	**63,614**

Sensitivity, instruments classified as level 3

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

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

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued bases on carrying amounts and expected credit losses. Mortgages that do not have a significantly higher credit risk than they did upon initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With the current assumptions on expected credit loss, the fair value adjustment amounts to NOK -46 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 27 – Classification of financial instruments

Parent bank	Financial investments at fair value					
2019	Mantadory at fair value through profit and loss	Designated at fair value through profit and loss	Mantadory at fair value through other comprehensive income	Designated at fair value through profit and loss and OCI	Financial instru-ments assessed at amortised cost [1]	Total
Assets						
Cash and deposits with central banks	0	0	0	0	1,325	1,325
Loans to and receivables from credit institutions	0	0	0	0	8,273	8,273
Net loans to and receivables from customers	0	6,765	59,910	0	31,366	98,041
Certificates, bonds and fixed income funds	17,252	0	0	0	0	17,252
Financial derivatives	878	0	0	0	0	878
Shares, units and other equity interests	675	0	0	0	0	675
Total assets	**18,805**	**6,765**	**59,910**	**0**	**40,963**	**126,444**
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	3,647	3,647
Deposits from and liabilities to customers	0	0	0	0	78,534	78,534
Liabilities arising from issuance of securities	0	0	0	4,036	29,696	33,732
Financial derivatives	373	0	0	0	0	373
Subordinated loan capital	0	0	0	0	1,303	1,303
Total liabilities	**373**	**0**	**0**	**4,036**	**113,180**	**117,589**

	Financial investments at fair value					
2018	Mantadory at fair value through profit and loss	Designated at fair value through profit and loss	Mantadory at fair value through other comprehensive income	Designated at fair value through profit and loss and OCI	Financial instru-ments 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**

1) Liabilities arising from issuance of securities includes secured liabilities.

Group	Financial investments at fair value					
2019	**Mantadory at fair value through profit and loss**	**Designated at fair value through profit and loss**	**Mantadory at fair value through other comprehensive income**	**Designated at fair value through profit and loss and OCI**	**Financial instru-ments assessed at amortised cost [1]**	**Total**
Assets						
Cash and deposits with central banks	0	0	0	0	1,325	1,325
Loans to and receivables from credit institutions	0	0	0	0	1,199	1,199
Net loans to and receivables from customers	0	6,765	59,910	0	40,043	106,718
Certificates, bonds and fixed income funds	17,252	0	0	0	0	17,252
Financial derivatives	878	0	0	0	0	878
Shares, units and other equity interests	675	0	0	0	0	675
Total assets	**18,805**	**6,765**	**59,910**	**0**	**42,567**	**128,047**
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	3,650	3,650
Deposits from and liabilities to customers	0	0	0	0	78,494	78,494
Liabilities arising from issuance of securities	0	0	0	4,036	29,696	33,732
Financial derivatives	373	0	0	0	0	373
Subordinated loan capital	0	0	0	0	1,303	1,303
Total liabilities	**373**	**0**	**0**	**4,036**	**113,143**	**117,552**

	Financial investments at fair value					
2018	**Mantadory at fair value through profit and loss**	**Designated at fair value through profit and loss**	**Mantadory at fair value through other comprehensive income**	**Designated at fair value through profit and loss and OCI**	**Financial instru-ments 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, 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**	**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**

1) Liabilities arising from issuance of securities includes secured liabilities.

Note 28 — Information about fair value

Parent bank	Book value 2019	Fair value 2019	Level in the valuation hierarchy	Book value 2018	Fair value 2018	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	8,273	8,273	2	7,487	7,487	2
Net loans to and receivables from customers						
-Retail banking	63,505	63,505	2,3	60,326	60,326	2,3
-Corporate banking	34,536	34,536	2,3	30,834	30,834	2,3
Securities	17,927	17,927	1,2,3	15,039	15,039	1,2,3
Derivatives	878	878	2	819	819	2
Total financial assets	**125,119**	**125,119**		**114,505**	**114,505**	
LIABILITIES						
Liabilities to credit institutions	3,647	3,647	2	2,704	2,704	2
Deposits from and liabilities to customers	78,534	78,534	2	71,540	71,540	2
Liabilities arising from issuance of securities	33,732	33,934	2	31,984	32,001	2
Derivatives	373	373	2	354	354	2
Subordinated loan capital	1,303	1,315	2	1,102	1,094	2
Total financial liabilities	**117,589**	**117,802**		**107,684**	**107,693**	

Group	Book value 2019	Fair value 2019	Level in the valuation hierarchy	Book value 2018	Fair value 2018	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	1,199	1,199	2	1,023	1,023	2
Net loans to and receivables from customers						
-Retail banking	67,514	67,514	2,3	63,544	63,544	2,3
-Corporate banking	39,204	39,204	2,3	35,397	35,397	2,3
Securities	17,927	17,927	1,2,3	15,039	15,039	1,2,3
Derivatives	878	878	2	819	819	2
Total financial assets	**126,723**	**126,723**		**115,821**	**115,821**	
LIABILITIES						
Liabilities to credit institutions	3,650	3,650	2	2,636	2,636	2
Deposits from and liabilities to customers	78,494	78,494	2	71,497	71,497	2
Liabilities arising from issuance of securities	33,732	33,934	2	31,984	32,001	2
Derivatives	373	373	2	354	354	2
Subordinated loan capital	1,303	1,315	2	1,102	1,094	2
Total financial liabilities	**147,635**	**147,847**		**107,573**	**107,582**	

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 renego-tiated 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 29 – Certificates, bonds and fixed-income funds

Parent bank and Group

Certificates and bonds by sector of issuers	2019	2018
Government		
Nominal value	350	450
Fair value	359	462
Other public sector issuers		
Nominal value	2,492	1,620
Fair value	2,500	1,629
Financial institutions		
Nominal value	14,199	12,183
Fair value	14,326	12,282
Non-financial institutions		
Nominal value	66	73
Fair value	67	73
Total fixed-income papers, nominal value	**17,107**	**14,326**
Total fixed-income papers at fair value through profit	**17,252**	**14,446**

Fair value is presented including accrued interest (dirty price). Accrued interest in the Parent bank and Group amounts to NOK 62 million i 2019 and NOK 44 million in 2018.

Note 30 – Financial derivatives

Parent bank and Group

	2019		
	Contract amount	Fair value	
At fair value through profit and loss		Assets	Liabilities
Currency instruments			
Currency forward contracts	1,562	15	18
Currency swaps	1,712	5	18
Total currency instruments	**3,275**	**20**	**36**
Interest rate instruments			
Interest rate swaps (including cross-currency)	46,793	858	336
Other interest rate contracts	2,958	0	0
Total interest rate instruments	**49,751**	**858**	**336**
Total currency instruments	**3,275**	**20**	**36**
Total interest rate instruments	**49,751**	**858**	**336**
Total financial derivatives	**53,026**	**878**	**373**

	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**

Note 31 – Shares and other equity interests

Parent bank			Group	
2018	2019		2019	2018
594	675	At fair value through profit or loss (FV)	675	594
268	*331*	*-Of this listed*	*331*	*268*
326	*344*	*-Of this unlisted*	*344*	*326*

Spesification

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Visa Inc. (shares, NYSE)	FV	0.0 %	73 400	8	122
Totens Sparebank (equity capital certificates, OSE)	FV	24.6 %	1 503 661	101	209
Total listed shares and equity certificates				**109**	**331**

Unlisted companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Eksportfinans ASA	FV	1.3 %	3,499	45	73
NorgesInvestor Proto AS	FV	16.9 %	150,000	15	23
Oslo Kongressenter Folkets Hus BA	FV	13.7 %	70,638	7	55
SpareBank 1 Markets AS	FV	6.0 %	191,562	58	40
Visa Inc. preferanseaksjer	FV	0.0 %	1,913	17	37
VN Norge AS (antall aksjer i milliarder)	FV	2.8 %	28,071,986	40	45
Fondsobligasjoner i SpareBank 1 Boligkreditt AS	FV			44	45
Other shares and units	FV			26	26
Total shares unlisted companies				**253**	**344**
Total shares, units and equity certificates				**362**	**675**

Note 32 – Goodwill and other intangible assets

Parent bank 2019 Intangible assets	Goodwill	Total		Group 2019 Total	Goodwill	Intangible assets
156	22	178	Acquisition cost at 1 January	506	329	178
7	0	7	Acquisitions	21	0	21
0	0	0	Disposals	0	0	0
163	22	185	Acquisition cost at 31 December	527	329	198
82	0	82	Accumulated write-downs at 1 January	106	24	82
0	0	0	Current year's disposals	0	0	0
14	0	14	Current year's write-downs	15	0	15
96	0	96	Accumulated write-downs at 31 December	121	24	97
67	**22**	**89**	**Closing balance at 31 December**	**406**	**304**	**102**
			Distribution of closing balance			
0	0	0	Acquisition of finance function and accounting company TheVit AS, 2018	44	40	3
28	22	57	Acquisition of portfolio from Bank 1 Oslo Akershus AS, Hamar branch in 2006	54	26	28
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
11	0	15	Acquisition of portfolio from SpareBank 1 Ringerike Hadeland, 2011	11	0	11
11	0	14	Acquisition of portfolio from Bank 1 Oslo Akershus AS Årnes, 2012	11	0	11
0	0	0	From EiendomsMegler 1 Innlandet AS	12	10	3
0	0	0	Acquisition of accounting offices in TheVit AS (former SpareBank 1 Regnskapshuset AS)	78	78	0
0	0	0	Intangible assets from other subsidiaries	30	0	30
16	0	9	Proprietary software	16	0	16
67	**22**	**89**	**Closing balance at 31 December**	**406**	**304**	**102**

Parent bank 2018 Intangible assets	Goodwill	Total		Group 2018 Total	Goodwill	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 offices in 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**

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 33 – Property, plant and equipment

Parent bank: Buildings, land and other property	Parent bank: Fixtures, fittings and vehicles	Parent bank: Total		Group: Buildings, land and other property	Group: Fixtures, fittings and vehicles	Group: Total
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**
432	391	823	Acquisition cost at 1 January 2019	767	369	1,136
18	2	20	Acquisitions	25	25	50
11	1	12	Disposals	11	1	12
439	**392**	**831**	**Acquisition cost at 31 December 2019**	**781**	**393**	**1,174**
189	296	486	Accumulated depreciation and impairments at 1 January 2019	299	294	593
11	40	52	Current year's depreciation	27	57	84
0	0	0	Current year's impairment provisions	0	0	0
5	1	6	Current year's disposal	5	1	6
195	**335**	**531**	**Accumulated depreciation and impairments at 31 December 2019**	**321**	**350**	**671**
244	**57**	**300**	**Book value at 31 December 2019**	**459**	**43**	**503**

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 2019 was NOK 197 million.
The corresponding figure for 2018 was NOK 226 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 2019.

Investment properties (NOK thousands)

Parent bank: Value 01.01.2019	Acqu./depr.	Value 31.12.2019	Rent	Rented on 31.12.2019		Group: Value 01.01.2019	Acqu./depr.	Value 31.12.2019	Rent	Rented on 31.12.2019
5,747	-390	5,357	425	100 %	Brugata 7 - Brumunddal	5,747	-390	5,357	224	66 %
5,747	**-390**	**5,357**	**425**		**Total**	**5,747**	**-390**	**5,357**	**224**	
		8,391			Fair value			8,391		

Parent bank: Value 01.01.2018	Acqu./depr.	Value 31.12.2018	Rent	Rented on 31.12.2018		Group: 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**		**Total**	**5,294**	**453**	**5,747**	**436**	
		8,391			Fair value			8,391		

Fair value of investment properties is based on an appraisal by an independent appraiser.

Note 34 – Leases

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

Right of use

Parent Bank 2019	Right-of use assets (buildings)	Group 2019
224	Right-of use asset at 01.01.2019	170
7	Additions	26
22	Adjustments of discount rates and options	8
38	Depreciation	35
214	**Total right-of use asset at 31 December**	**169**

Liability

Parent bank 2019	Undiscounted lease liabilities and maturity of cash outflows	Group 2019
-42	Less than 1 year	-36
-38	1-2 years	-31
-34	2-3 years	-25
-32	3-4 years	-20
-28	4-5 years	-16
-69	Less than 5 years	-74
-243	**Total undiscounted lease liabilities at 31.12.2019**	**-202**

2019	Lease liability (buildings)	2019
224	Lease liability at 01.01.2019	170
7	Additions	26
22	Adjustments of discount rates and options	8
42	Lease payments in the period	39
4	Interest	4
216	**Total lease liability at 31 December**	**170**

41	Current lease liabilities	35
175	Non-current lease liabilities	134
42	Total cash outflows for leases	37

Over Profit/Loss

Parent bank 2019	Effects on earnings	Group 2019
4	Interest expense	4
38	Depreciation	33
43	**Total cost from lease liablilities**	**37**

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

2019	Other lease expenses recognised in profit or loss	2019
0	Operating expenses in the period related to short-term leases (including short-term low value assets)	0
1	Operating expenses in the period related to low value leases (excluding short-term leases included above)	1
1	**Total lease expences included in operating expenses**	**1**

The leases do not contain restrictions on the Group's dividend policy or financing opportunities. The Group has no residual value guarantees linked to its leases. The Group has entered into leases that start after 31 December 2019 where the unrecognised liability is NOK 5.3 million. The Group has no purchase options for any of its leases.

Note 35 – Other assets

Parent bank 2018	Parent bank 2019		Group 2019	Group 2018
273	273	Capital payments into pension fund	273	273
37	33	Accrued income, not yet received	34	39
94	70	Prepaid costs, not yet incurred	144	149
0	0	Unsettled trades	0	0
295	144	Other assets	336	581
699	**520**	**Other assets**	**787**	**1,041**

Note 36 – Deposits from and liabilities to customers

Parent bank 2018	Parent bank 2019	Deposits from and liabilities to customers	Group 2019	Group 2018
62,769	68,387	Deposits from and liabilities to customers at call	68,347	62,726
8,771	10,147	Deposits from and liabilities to customers with agreed maturity dates	10,147	8,771
71,540	**78,534**	**Total deposits from and liabilities to customers**	**78,494**	**71,497**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
3,677	*4,634*	*Fixed-rate deposits, book value*	*4,634*	*3,677*
10	*10*	*Term deposits, book value*	*10*	*10*

2018	2019	Deposits by sector and industry	2019	2018
40,886	43,884	Private customers	43,884	40,886
5,880	7,106	Public sector	7,106	5,880
868	1,039	Primary industries	1,039	868
275	302	Paper and pulp industries	302	275
754	801	Other industry	801	754
1,779	1,964	Building and construction	1,964	1,779
87	244	Power and water supply	244	87
1,496	1,814	Wholesale and retail trade	1,814	1,496
290	319	Hotel and restaurants	319	290
3,826	3,966	Real estate	3,966	3,826
14,338	15,924	Commercial services	15,884	14,295
1,060	1,173	Transport and communications	1,173	1,060
71,540	**78,534**	**Total deposits by sector and industry**	**78,494**	**71,497**

2018	2019	Deposits by geographic area	2019	2018
34,094	35,534	Hedmark County	35,493	34,051
19,890	23,593	Oslo County	23,593	19,890
10,328	11,133	Akershus County	11,133	10,328
1,693	2,423	Oppland County	2,423	1,693
4,365	4,629	Rest of Norway	4,629	4,365
1,169	1,222	Abroad	1,222	1,169
71,540	**78,534**	**Total deposits by geographic area**	**78,494**	**71,497**

Note 37 — Debt secutities issued

Parent Bank and Group

	2019	2018
Bond debt		
- nominal value	32,964	31,165
- book value	33,732	31,984
Subordinated loan capital		
- nominal value	1,300	1,100
- book value	1,303	1,102
Total liabilities arising from issuance of securities, nominal value	**32,964**	**31,165**
Total subordinated loan capital, nominal value	**1,300**	**1,100**
Total liabilities arising from issuance of securities, book value	**33,732**	**31,984**
Total subordinated loan capital, book value	**1,303**	**1,102**
Average interest rate on bond debt	2.2 %	1.9 %
Average interest rate on subordinated loan capital	3.0 %	2.6 %

Liabilities from issuance of securities by maturity date	**2019**	**2018**
2019		3,091
2020	3,750	4,992
2021	7,536	8,283
2022	3,700	3,700
2023	7,422	7,422
2024	7,089	1,500
2025	897	97
2026	520	270
2027	761	761
2028	141	141
2029	142	94
2030	146	146
2031	0	0
2032	715	715
2033	1,055	1 ,055
2034	390	0
Total liabilities from issuance of securities, nominal value	**34,264**	**32,265**

Parent Bank and Group

Changes in liabilities from issuance of securities	2019	Issued	Due / redeemed	Other changes	2018
Bond debt, nominal value	32,964	6,677	-4,150	-729	31,165
Subordinated loan capital, nominal value	1,300	400	-200	0	1,100
Accrued interest	235	0	0	4	231
Adjustments	537	0	0	-54	591
Total debt raised through issuance of securities and subordinated loan capital, book value	**35,036**	**7,077**	**-4,350**	**-778**	**33,087**

Changes in liabilities from issuance of securities	2018	Issued	Due / redeemed	Other changes	31.12.2017
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**

Parent Bank and Group

			Other effects				
Change in liabilities from financing	**2018**	**Cash flow**	**Acquisitions**	**Accrued interest**	**Currency effects**	**Value adjust-ments**	**2019**
Liabilities arising from issuance of securities	31,984	1,799	0	4	-146	92	33,732
Subordinated loan capital	1,102	200	0	1	0	0	1,303
Total	**33,087**	**1,999**	**0**	**4**	**-146**	**92**	**35,037**

			Other effects				
Change in liabilities from financing	**2017**	**Cash flow**	**Acquisitions**	**Accrued interest**	**Currency effects**	**Value adjust-ments**	**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**

The issued securities are presented net of own holdings and book value including accrued interest.

Viewed in isolation, the decreased level of credit spreads in 2019 increased the book value of the Group's issued securities by NOK 13 million. The estimate is the calculated difference between the market value of the issued securities with the spread curve on the balance sheet date, and the estimated market value of the same holding with a spread curve indicated at the end of 2018.

By way of comparison, increased credit spreads in 2018 caused the fair value of the securities issued to decrease by an estimated NOK 23 million. Changes in the fair value of issued securities due to changes in own credit risk are recognised through OCI.

As at 31 December 2019, an accumulated unrealised loss, including related derivatives, of NOK 43 million related to the assessment of the Group's issued securities was carried 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.

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 31.12.2019, the coupon's ratio between the IBOR component and the credit risk premium would have been an estimated 70/25 per cent.

The bank uses fair value hedging, whereby the securities issues are part of a hedging structure with individually adapted hedging derivatives. In all of Bank's the hedging structure as of 31.12.2019, 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.

Parent Bank and Group
Information concerning hedging instruments

2019	Nominal amount of the hedging instrument	Book amount of the hedging instrument: Assets	Book amount of the hedging instrument: Liabilities	Line of the balance sheet	Changes in fair value used to calculate inefficiency
Issued securities in NOK	7,181	76	27	Financial derivatives	-51
Issued securities in EUR	13,215	517	63	Financial derivatives	191
Total	**20,396**	**593**	**90**		**140**

2018	Nominal amount of the hedging instrument	Book amount of the hedging instrument: Assets	Book amount of the hedging instrument: Liabilities	Line of the balance sheet	Changes in fair value used to calculate nefficiency
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

2019	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	7,181	7,259	-37	Issued securities	52
Issued securities in EUR	13,215	13,676	298	Issued securities	-180
Total	**20,396**	**20,935**	**261**		**-128**

2018	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

2019	Inefficiency recognised in profit or loss	Line of the income statement
Fair value hedging (interest rate risk)		
Issued securities in NOK	1	Net result from financial assets and liabilities
Issued securities in EUR	11	Net result from financial assets and liabilities
Total	**12**	

2018	Inefficiency recognised in profit or loss	Line of the income statement
Fair value hedging (interest rate risk)		
Issued securities in NOK	-2	Net result from financial assets and liabilities
Issued securities in EUR	2	Net result from financial assets and liabilities
Total	**0**	

Maturity structure and interests rates on the hedging instruments

2019	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Issued securities in NOK , nominal amount	0	1,350	3,450	2,381	**7,181**
Issued securities in NOK, average interest rate on fixed leg	0.0 %	4.1 %	2.5 %	2.7 %	**2.8 %**
Issued securities in EUR, nominal amount	0	142	10,687	2,385	**13,215**
Issued securities in EUR, average interest rate on fixed leg	0.0 %	0.2 %	0.5 %	1.6 %	**0.7 %**

2018	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	0	0	5,840	1,947	**7,787**
Issued securities in EUR, average interest rate on fixed leg	0.0 %	0.0 %	0.8 %	1.6 %	**1.0 %**

Inefficiency in the Bank's hedging structure mainly arises due to fair value adjustments of the variable leg of the hedging instrument, as well as the use of different interest rate curves for discounting hedging instruments and hedging objects based on the credit spread component. After recognition, the interest rates curves for the hedging instrument and hedging object are changed to be the same.

In the hedging of issued securities in EUR, hedging instruments (interest and currency swaps) are used that include a base currency margin. The base margin is held outside the hedging structure in accordance with 6.15.16 of IFRS 9, and value changes due to changes in the base margin are recognised on separate lines in other comprehensive income. In 2019, base margin changes for NOK 5 million led to a tax-adjusted reduction of the comprehensive result and equity of NOK 3 million.

IBOR reform

Benchmark rates play a critical role in the global financial system. Huge sums are linked to these interest rates through various financial products and loan agreements. In response to revelations regarding attempts to manipulate the current international benchmark rates and a fall in activity in the unsecured interbank market following the financial crisis, the G20 countries have, through the Financial Stability Board (FSB), taken the initiative to reform benchmark rates and find alternative, near risk-free benchmark rates. In response to the recommendations of the FSB, working groups for alternative benchmark rates have been established in a number of countries.

In cooperation with other SpareBank 1 banks, SpareBank 1 Østlandet has initiated extensive project work to prepare the Group for a transition to alternative benchmark rates. The alliance project has provided an analysis detailing potentially important consequences for the Bank as a result of the transition from current IBOR interest rates to alternative benchmark rates, and identified the operational, legal, accounting and technical adjustments that must be implemented to manage the transition. The Bank has also established a broad, combined local project team to ensure the rest of the process is appropriately managed.

The most significant benchmark interest rates that are part of the Bank's secured risk are NIBOR and EURIBOR. The exposure is shown above, distributed by NIBOR (related to issued securities in NOK) and EURIBOR (related to issued securities in EUR). As yet, whether or not agreements entered into with IBOR rates will transition to alternative benchmarks rates is unknown. Since LIBOR will probably be phased out at the end of 2021, this is the transition point to which particular attention is being paid in many contexts. Of the Bank's secured issued securities in NOK of NOK 7,181 million, NOK 4,831 million matures in 2022 or later. Of the Bank's secured issued securities in EUR of NOK 13,215 million, NOK 12,396 million matures in 2022 or later.

Note 39 – Other debt and liabilities

Parent bank			Group	
2018	**2019**	**Other debt and liabilities recognised in the balance sheet**	**2019**	**2018**
94	79	Accrued costs and prepaid income	124	141
25	22	Provisions	59	25
86	80	Pension liabilities (note 23)	82	87
83	84	Accounts payable	89	91
0	0	Unsettled trades	0	0
0	216	Lease liability (note 34)	170	
244	182	Other debt and liabilities recognised in the balance sheet	215	343
532	**663**	**Total other debt and liabilities recognised in the balance sheet**	**739**	**687**
		Guarantee commitments etc. (amounts guaranteed)		
398	451	Payment guarantees	404	396
482	468	Contract guarantees	377	390
71	170	Loan guarantees	30	71
255	274	Other guarantees	274	255
1,206	**1,363**	**Total guarantees**	**1,084**	**1,112**
		Other liabilities - not on the balance sheet		
17,413	18,609	Unutilized credit lines	10,578	10,064
2,722	3,108	Loans approved (not discounted)	3,356	3,088
20,135	**21,717**	**Total other liabilities**	**13,934**	**13,152**
21,873	**23,743**	**Total liabilities**	**15,758**	**14,951**

Buildings	Securities	Total	Assets pledged as security	Total	Securities	Buildings
			Assets pledged as security in 2019			
0	9,728	9,728	Related liabilities 2019	9,728	9,728	0
			Assets pledged as security in 2018			
0	7,553	7,553	Related liabilities 2018	7,553	7,553	0

SpareBank 1 Boligkreditt AS
Together with the other owners of SpareBank 1 Boligkreditt AS, the SpareBank 1 Østlandet has signed an agreement on the establishment of liquidity facilities for SpareBank 1 Boligkreditt AS. This means that the banks have committed to purchase covered bonds in the event that SpareBank 1 Boligkreditt AS is unable to refinance its activities in the market. The purchase of the bonds is contingent on the company's collateral not having stopped payments, so that it is actually able to issue such bonds. There is, therefore, no credit guarantee that can be invoked in the event of the company or collateral becoming insolvent. 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.

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	2019	2018
Equity capital certificates	5,791	5,766
Dividend equalisation fund	2,772	2,112
Dividend	663	477
Premium fund	848	830
A. Equity capital certificate owners' capital	**10,074**	**9,185**
Primary capital	3,838	3,690
Dividend customers return	292	222
Other paid-up equity	166	166
B. Total primary capital	**4,297**	**4,078**
Fund for unrealised gains	334	252
Provision for gifts	12	15
Total other equity	**347**	**267**
Other equity	0	0
Hybrid capital	300	400
Interest cost for hybrid capital	-45	-30
Total equity	**14,972**	**13,900**
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	**70.1 %**	**69.3 %**
Equity certificates issued 31.12.	**115,829,789**	**115,319,521**
Equity certificates with the richt to dividend	**115,829,789**	**115,829,789**
Average Equity certificates	**115,800,431**	**107,893,590**

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

Dividend policy

SpareBank 1 Østlandet believes it is important to provide its owners with a competitive, stable cash dividend based on good profitability and a high dividend capacity. The Bank's goal is to pay out 50 per cent of each year's profit after tax (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 Innlandet AS	Real estate	1988	Hamar, Norway	100.00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	95.00 %
EiendomsMegler 1 Oslo Akershus Group	Real estate	2016	Hamar, Norway	100.00 %
Youngstorget 5 AS	Rental of real estate	2017	Oslo, Norway	100.00 %
TheVit AS	Accounting	2018	Oslo, Norway	70.68 %
Investments in associated companies				
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	22.29 %
SpareBank 1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	15.15 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	20.85 %
SpareBank 1 Betaling AS	Payment services.	2015	Oslo, Norway	18.74 %
Betr As	System development for the SpareBank 1-alliance	2017	Tromsø, Norway	20.00 %
SMB Lab AS	Consulting	2017	Trondheim, Norway	20.00 %
Investments in joint ventures				
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway	12.40 %
SpareBank 1 Utvikling DA	Develop and coordinate cooperation in SpareBank 1 -alliance	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.

2019	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-Group	1,444	1,444,000	8,918	77	7,203	297	96	118	1,444
Total investments in credit institutions									**1,444**
EiendomsMegler 1 Innlandet AS	12	12,400	74	51	5	124	116	5	20
EiendomsMegler 1 Oslo Akerhus AS Group	1	1	140	47	47	208	204	7	58
TheVit AS	30	212,040	125	62	20	185	192	-7	80
Vato AS	0.6	352	17	1	2	4	5	-1	9
Youngstorget 5 AS	23,194	231,948	128	4	5	14	4	8	148
Total investments in other subsidiaries									**314**
Total investments in Group companies parent bank									**1,757**

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									**1,207**
EiendomsMegler 1 Hedmark Eiendom AS	12.4	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	80
Vato AS	0.6	352	18	1	3	5	2	2	9
Youngstorget 5 AS	23,194	231,948	122	4	7	15	18	-2	148
Total investments in other subsidiaries									**315**
Total investments in Group companies parent bank									**1,521**

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			Group	
2018	2019		2019	2018
3,336	3,635	Book value at 1 January	4,124	3,929
305	693	Acquisitions/disposals	694	299
-6	0	Reclassification from associated company to share	0	-6
0	-6	Impairment provisions	-6	0
0	0	Changes in equity	-5	-54
0	0	Share of the profit	519	199
0	0	Dividend paid	-4,55	-244
3,635	**4,323**	**Book value at 31 December**	**4,870**	**4,124**

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2018	2019		2019	2018
182	422	Dividend SpareBank 1 Gruppen AS	0	0
15	0	Dividend SpareBank 1 Boligkreditt AS	0	0
10	8	Dividend EiendomsMegler 1 Innlandet AS	0	0
112	119	Dividend SpareBank 1 Finans Østlandet AS	0	0
44	30	Dividend SpareBank 1 Finans Kredittkort AS	0	0
4	0	Dividend Youngstorget 5 AS	0	0
4	3	Dividend from others	0	0
0	0	Share of the profit SpareBank 1 Gruppen AS	451	184
0	0	Share of the profit SpareBank 1 Boligkreditt AS	27	-8
0	0	Share of the profit SpareBank 1 Næringskreditt AS	6	3
0	0	Share of the profit SpareBank 1 Kredittkort AS	16	27
0	0	Share of the profit SpareBank 1 Betaling AS	3	-12
0	0	Share of the profit BN Bank ASA	20	0
0	0	Share of the profit from others	-4	-3
-4	-6	Gains/losses on realisation of ownership investments	0	8
369	**576**	**Total income**	**519**	**198**

The Group's stake in joint ventures and associates companies

	Joint ventures		Associates companies					
2019	**Sparebank 1 Gruppen AS**	**SpareBank 1 Utviklig DA**	**SpareBank 1 Boligkreditt AS*)**	**SpareBank 1 Næringskreditt AS*)**	**SpareBank 1 Kredittkort AS**	**SpareBank 1 Betaling AS**	**BN Bank ASA**	**Other joint and associated companies**
Ownership in per cent	12.40 %	18.00 %	22.29 %	15.15 %	20.85 %	18.74 %	9.99 %	
No.of shares	242,594		16,961,710	2,458,952	602,053	3,489,049	1,410,221	
Current assets	7,932	23	51,084	1,729	1,160	0	3,090	13
Fixed assets	3,123	170	3,665	0	53	145	99	0
Total assets	**11,055**	**194**	**54,749**	**1,729**	**1,213**	**145**	**3,188**	**13**
Short-term liabilities	754	57	89	5	40	0	1,535	0
Long-term liabilities	9,201	110	52,186	1,407	959	-1	1,224	0
Equity capital	1,050	27	2474	317	213	-144	429	13
Total equity capital and liabilities	**11,005**	**194**	**54,749**	**1,729**	**1,213**	**-145**	**3,188**	**13**
Income	2,753	183	56	8	114	0	76	1
Operating expenses	2,585	177	8	1	94	11	32	2
Profit/loss before tax	167	5	49	7	21	11	43	0
Tax	7	0	12	2	5	0	11	-2
Result for the accounting year	**160**	**3**	**36**	**6**	**16**	**-11**	**33**	**-2**
Other comprehensive income	**10**	**0**	**-12**	**0**	**3**	**0**	**0**	**0**
Book value Parent Bank	**663**	**19**	**2,546**	**311**	**191**	**156**	**414**	**22**
Book value Group	**1,236**	**19**	**2,474**	**317**	**224**	**144**	**433**	**22**

*) The banks share of profit shown in the table above deviates from the banks profit share in the consolidated result. This i due to changes in owneship interests throughout the year and the Group's earnings ratio has been adjusted for interest on hybrid captial. The share of profit included in the Group may also be adjusted for changes in previous years.

Total book value in joint venture in the Parent bank	**682**
Total book value in joint venture in the Group	**1,256**
Total book value in associated companies in the Parent bank	**3,640**
Total book value in associated companies in the Group	**3,615**

2018	Sparebank 1 Gruppen AS	SpareBank 1 Utviklig DA	SpareBank 1 Boligkreditt AS*)	SpareBank 1 Nærings-kreditt AS*)	SpareBank 1 Kredittkort AS	SpareBank 1 Betaling AS	Other joint and associated companies
	Joint ventures		**Associates companies**				
Ownership in per cent	12.40 %	18.00 %	21.61 %	13.35 %	20.50 %	18.74 %	
No.of shares	242,594		15,539,102	2,167,241	592,169	3,120,482	
Current assets	6,785	26	53,057	1,784	1,176	0	7
Fixed assets	2,563	183	0	0	43	123	12
Total assets	**9,348**	**209**	**53,057**	**1,784**	**1,219**	**123**	**19**
Short-term liabilities	879	79	270	17	55	0	2
Long-term liabilities	7, 451	101	50,284	1 490	943	0	0
Equity capital	1,018	29	2503	277	222	123	17
Total equity capital and liabilities	**9,348**	**209**	**53,057**	**1 784**	**1,219**	**123**	**19**
Income	1,701	223	9	10	116	0	0
Operating expenses	1,529	222	7	2	80	10	0
Profit/loss before tax	172	1	1	8	36	-10	0
Tax	-12	0	0	1	9	0	0
Result for the accounting year	**184**	**1**	**1**	**7**	**27**	**-10**	**0**
Other comprehensive income	**1**	**0**	**-45**	**0**	**0**	**0**	**0**
Book value Parent bank	**663**	**19**	**2,332**	**273**	**188**	**136**	**23**
Book value Group	**1,204**	**19**	**2,248**	**277**	**232**	**123**	**20**

*) The banks share of profit shown in the table above deviates from the banks profit share in the consolidated result. This i due to changes in owneship interests throughout the year and the Group's earnings ratio has been adjusted for interest on hybrid captial. The share of profit included in the Group may also be adjusted for changes in previous years.

Total book value in joint venture in the Parent bank	**682**
Total book value in joint venture in the Group	**1,223**
Total book value in associated companies in the Parent bank	**2,952**
Total book value in associated companies in the Group	**2,901**

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 employees and board members are shown in note 22.

Subsidiaries

2019	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Comm-ission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS Group	7,088	0	2	165	0	13	6	0	140
EiendomsMegler 1 Innlandet AS	23	0	4	1	0	0	5	1	45
EiendsomsMegler 1 Oslo Akershus Group	16	0	5	1	0	2	6	2	91
SpareBank 1 Østlandet VIT AS Group	31	0	7	2	0	0	1	0	2
Other subsidiaries	2	0	19	0	0	0	0	17	0
Total subsidiaries	**7,162**	**0**	**37**	**169**	**0**	**15**	**19**	**20**	**278**

2018	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Comm-ission 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 Group	0	0	12	0	1	0	4	2	92
SpareBank 1 Regnskapshuset Østlandet AS	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**

Associated companies and joint ventures

2019	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Comm-ission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Boligkreditt AS	0	594	0	10	0	320	0	0	0
SpareBank 1 Næringskreditt AS	0	0	0	0	0	14	0	0	0
SpareBank 1 Gruppen AS	697	0	0	18	0	195	0	0	0
SpareBank 1 Kredittkort AS	1,000	17	0	30	0	61	0	0	0
SpareBank 1 Utvikling DA	666	0	19	41	0	0	0	178	0
SpareBank 1 Betaling AS	0	0	1	0	0	1	0	21	0
Other related parties	1	0	9,462	0	200	1	0	0	21
Total associated companies and joint ventures	**2,364**	**611**	**9,482**	**99**	**200**	**592**	**0**	**200**	**21**

2018	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Comm-ission 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	196	0	0	0
SpareBank 1 Kredittkort AS	940	17	0	27	0	66	0	0	0
SpareBank 1 Utvikling DA	565	0	16	27	0	0	0	162	0
SpareBank 1 Betaling AS	0	0	0	0	0	0	0	14	0
Other related parties	0	0	6,932	0	44	0	0	0	12
Total associated companies and joint ventures	**2,056**	**465**	**6,948**	**83**	**44**	**628**	**0**	**176**	**12**

All loans to related parties are recognised in the Parent bank. In addition, loans have been transferred to SpareBank 1 Boligkreditt AS for NOK 42,630 million and SpareBank 1 Næringskreditt AS for NOK 1,022 million as at 31 December 2019. The corresponding figures for 2018 was NOK 39,791 million to SpareBank 1 Boligkreditt AS and NOK 1,433 million to SpareBank 1 Næringskreditt AS.

Note 43 – Events occurring after the balance sheet day

No events have occurred since the balance sheet date that are material to the annual financial statements

CHAPTER 5.8

Statements and reports

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 2019 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 Directors of SpareBank 1 Østlandet
Hamar, 3 March 2020

Siri J. Strømmevold Chair of the Board	Nina C. Lier	Alexander Sandberg Lund
Espen Bjørklund Larsen Employee representative	Guro Nina Vestvik	Vibeke Hanvold Larsen Employee representative
Hans-Christian Gabrielsen	Tore Anstein Dobloug	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 2019, the income statement, statement of comprehensive income, statement of changes in equity and of 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 2019, 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 2019, 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 2019, 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.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

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 areas *Impairment of loans to customers* and *Valuation of financial instruments at fair value* have the same characteristics and risks this year as last year, and have therefore been important focus areas in our audit in 2019 as well.

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. In accordance with IFRS 9, write-downs on loans are to be based on more forward-looking assessments, so that write-downs reflect expected losses. 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;	In our audit of expected loss provisions, we assessed and reviewed the design and effectiveness of internal control to provide assurance for the assumptions and calculation methods used. We obtained a detailed understanding of the process and relevant 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 review of the process and controls did not indicate material errors in the model or deviation from IFRS 9. Our work also included tests aimed at the company's financial reporting systems relevant to financial reporting. The company use external service providers to operate some central core IT systems. The auditor of the relevant service organizations is used to evaluate the design and effectiveness of and test established controls to ensure the integrity of the IT systems relevant to financial reporting. In this conjunction, the auditor has issued an ISAE 3402 type 2 report and a report on *Revisjon av rapporter og applikasjonskontroller* (Audit of reports and application controls), as well as ISAE 3000 on the company's IFRS 9 model. The auditor's testing included, among other things, whether key calculations made by the core systems were performed in line with expectations, including interest rate

- the categorisation of loans into stages; and
- various parameters such as PD, LGD and scenarios.

The Bank's business is concentrated on the provision of vehicle and property finance to private customers and financing for different purposes to corporate customers. The impairment 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.

calculations and amortization. The testing also included data integrity, changes to and access to the systems.

In order to decide whether we could use the information in the auditor's reports as the basis for our assessments, we examined the auditor's competence and objectivity and reviewed the reports sent and considered possible deviations and measures taken. We also carried out testing of access controls to IT systems and segregation of duties where necessary for the sake of our own specific audit procedures.

Our assessments and tests substantiate that we could rely on that the data handled in- and the calculations made by the company's external core system were reliable.

For loans where there were objective indications of impairment and where the write-down amount was individually calculated, we tested a sample. The company's processes included that the realization value was calculated using external tariffs or internal assessments. To assess the realization value, we reviewed the tariffs. For assessments made internally without using tariffs, we interviewed credit personnel and management and challenged the relevance and reasonableness of important assumptions and the methodology used in calculating the impairment amount.

We compared the assumptions with external documentation where available. The result of this test for loans where there were objective indications of impairment, showed that the management had used reasonable assumptions in the calculation of the provision amounts.

Refer to note 2, note 3, note 6, note 8 and note 10 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.

Valuation of financial instruments at fair value

Valuation of the Group's financial instruments is key to the audit due to the significance of the amounts on both the

In our audit of the valuation of financial instruments, we considered and reviewed the design of the company's models for calculating the value of the instruments. We

assets and liabilities side of the Group's balance sheet. In addition, management exercise material judgement when valuing 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. Incorrect use of estimates and errors in the models can affect the value of the instruments and the result by significant amounts.	found that the models contained the elements that could be expected and contained reasonable logic. We assessed and reviewed the design and effectiveness of controls aimed at reasonableness assessments of pricing calculated in the investment system for each object and ongoing benchmarking against external pricing providers. Our review did not indicate any material errors in the valuation of the financial instruments. We also performed independent testing of input data for valuation using publicly available pricing data where available. This included comparison with obtained counterparty confirmations. We also conducted our own assessment of the pricing. The results of our testing did not show significant deviations from management's assessments and calculations. Refer to note 3 and note 26 in the annual report for description of the Bank's the valuation of financial instruments at fair value. We have read the notes and found that the information related to valuation was sufficient and adequate.

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, 3 March 2020
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 2019 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 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 2019 is part of SpareBank 1 Østlandet's annual report for 2019. We have examined whether SpareBank 1 Østlandet has developed a GRI Index for 2019 and whether disclosures are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
>
> Key performance indicators for sustainability are indicators for sustainability performance that SpareBank 1 Østlandet's GRI Index refer to, and that SpareBank 1 Østlandet measure and control. Key performance indicators for sustainability are available and included in SpareBank 1 Østlandet's annual report 2019. SpareBank 1 Østlandet has prepared the key performance indicators. We have examined the basis for the measurements, checked the calculations of the measurements, and examined whether key performance indicators are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Tasks and responsibilities of management

Management is responsible for SpareBank 1 Østlandet's sustainability reporting and that the reporting is developed in accordance with the Standards published by The Global Reporting Initiative. Their responsibility includes developing, implementing and maintaining internal controls that ensure the 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 sustainability reporting is developed in accordance with the Standards published by The Global Reporting Initiative. 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 credit, HR, procurement, risk and compliance, to evaluate internal controls and procedures related to sustainability reporting; 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.

Conclusion

In our opinion

SpareBank 1 Østlandet’s 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 are, in all material aspects, developed, measured and reported in accordance with the requirements of the Standards published by The Global Reporting Initiative.

Oslo, 3 March 2020
PricewaterhouseCoopers AS

Magne Sem
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

CHAPTER 5.9

Subsidiaries

EiendomsMegler 1 Innlandet AS

2019 was a year of mixed results. Market share increased, but a quieter housing market resulted in less profit.

Turnover increased from NOK 120.1 million in 2018 to NOK 123.9 million in 2019. The operating profit amounted to NOK 8 million. This represented a reduction of approximately NOK 2.7 million from 2018. The result was affected by the fact that the company has invested in increased staffing without this having the full expected impact in a housing market in which the pace of sales is slowing. The operating margin was 6.5 per cent following this.

The company sold 2,028 properties in 2019, 21 more units than in 2018. The first 6 months of 2019 was a strong half year with 10 per cent volume growth in the number of sales, but this fell by an equivalent amount in the second half of the year due to a calmer housing market. The company increased its market share from 31.7 per cent to 32.2 per cent for used homes and holiday properties. The company ended the year with a market share of 48 per cent for new builds. The total sale value of the properties was NOK 5 billion.

EiendomsMegler 1 Hedmark Eiendom AS changed its name to EiendomsMegler 1 Innlandet AS on 4 September 2019. The change of name was a natural consequence of the company's geographical growth and the focus on a more regional range of services. With its latest venture in agricultural brokerage, the company now operates within all types of property.

In 2019, the company made the top 10 in the 'Great Place to Work' list of the best workplaces in the country, for the fourth time. The company has very high measured customer satisfaction and a high recommendation rate among its customers.

The company is staffed for growth and has ambitions to achieve the same market share as the parent company in the respective regions.

About EiendomsMegler 1 Innlandet AS

EiendomsMegler 1 Innlandet AS is a wholly owned subsidiary of SpareBank 1 Østlandet and 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 Innlandet. The organisation has 73 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 **www.eiendomsmegler1.no/innlandet/**

The figures from subsidiaries are not directly comparable with the figures in the Board of Directors' Report, Note 4 and Note 41, as figures from subsidiaries are consolidated into the Group unaudited. Any changes are included as changes in equity or in the income statement in the first quarter of 2020.

EiendomsMegler 1 Oslo Akershus AS

2019 was a challenging year for the company with major changes and the replacement of its core system and CRM system, combined with high staff turnover. Income fell from NOK 209 million in 2018 to NOK 208 million in 2019.

At the same time, operating costs dropped from NOK 207 million in 2018 to NOK 204 million in 2019. Pre-text profit amounted to NOK 4.9 million, NOK 1.2 million higher than in 2018.

Income was affected by a weak increase in arrangement fees for housing sales due to higher prices. Income also increased from sales of additional services such as banking cooperation, electricity contracts, home buyers protection insurance and covering the costs of sales of home buyers protection insurance. Agency commissions decreased and the reversal of a provision for marketing packages resulted in a significant drop in income.

Much of the reduction in costs came from writing down the old core system in 2018, and the reversal of cost provisions related to the aforementioned marketing packages.

In 2019, the company experienced high costs due to the investment in a new core system and CRM system, client interest costs from previous periods, differences in bad debts due to a major reversal in 2018, recruitment, training and portfolio build-up for new staff due to high staff turnover.

The company sold a total of 2,933 homes in 2019 compared with a total of 3,016 in 2018, a decrease of about 3 per cent. Its market share in Oslo and Akershus ended at 8.1 per cent for used homes in 2019, a decrease from 8.6 per cent the year before. However, the volumes for used home sales in the company were almost the same for 2019 (2,515) as in 2018 (2,519). In total, the volume for Oslo and Akershus was record high, although the company was unable to achieve the desired growth in a strongly growing volume market. This was partly due to the transition to a new core system, a new CRM system and transition to the joint alliance platform. It was also due to significantly higher turnover than wanted. The company recruited almost 30 new real estate brokers and authorised real estate brokers during 2019. The effects of this are not expected to be seen until sometime in 2020. New brokers are actively being recruited and trained with the goal of achieving growth in 2020.

The company has one of the region's largest new build departments and sales of new builds dropped slightly in 2019 compared with 2018. The number of new projects launched in the company has been slightly too low, but the portfolio is relatively good and there will be several major launches in 2020. The company is currently building up an extra new build department with the aim of growth and greater cooperation with SpareBank 1 Østlandet.

The main focus in 2020 will be on taking an aggressive approach in a steadily more competitive market. The goal is to grow organically by recruiting good heads of departments and brokers in the current department structure. The company is investing significant resources in strengthening its market position and consolidating its position as a leading real estate agency in the region. 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

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 11 years in a row. The company has 148 FTEs and 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: **www.eiendomsmegler1.no/osloakershus**

The figures from subsidiaries are not directly comparable with the figures in the Board of Directors' Report, Note 4 and Note 41, as figures from subsidiaries are consolidated into the Group unaudited. Any changes are included as changes in equity or in the income statement in the first quarter of 2020.

SpareBank 1 Finans Østlandet AS

The company posted a profit after tax of NOK 118.3 million for 2019. This represents a return on equity after tax of 8.4 per cent. Higher borrowing costs and increased losses were the main reasons for the weaker profitability than last year.

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.

In 2019, SpareBank 1 Finans Østlandet AS saw new sales of unsecured loans amounting to NOK 2,512 (2,235) million. For leasing, new sales amounted to NOK 1,822 (1,730) million, while new sales within consumer loans amounted to NOK 43 (90) million. During the year, the company tightened up its guidelines for granting consumer loans.

The company's book equity as at 31 December 2019 was NOK 1,638 (1,395) million.

Its total assets at the end of the year were NOK 8,918 (8,006) million. This represents growth in total assets of 11.4 (10.3) per cent. The company's net loans and receivables from customers amounted to NOK 8,746 (7,902) million.

Losses amounted to 0.49 (0.24) per cent of gross lending. Average losses over the last 5 years amounted to 0.38 per cent of gross lending. Actual total losses for 2019 of 0.49 per cent were somewhat higher than expected and desired. The main reasons were higher losses than before within consumer loans and fraud-related cases in the market. The company focused heavily on measures within this area during the course of 2019 and believes losses will be lower in 2020.

The company is interested in how its business impacts people, the environment and local communities. The company is therefore focusing on sustainability and has afforded this a key position in an overarching strategy. There is a good dialogue with the majority owner SpareBank 1 Østlandet in this area. In 2019, the company initiated and implemented several measures within sustainability and this work will also continue going forward.

Given satisfactory financial strength, a stronger focus on profitability and continued good risk management, the Board expects a satisfactory result in SpareBank 1 Finans Østlandet AS in 2020.

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet has 56 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 **www.sb1fo.no**

The figures from subsidiaries are not directly comparable with the figures in the Board of Directors' Report, Note 4 and Note 41, as figures from subsidiaries are consolidated into the Group unaudited. Any changes are included as changes in equity or in the income statement in the first quarter of 2020.

TheVIT AS

TheVIT AS achieved turnover of NOK 185 million in 2019. The group recorded a loss before tax of NOK 7.8 million in 2019, compared with a loss before tax of NOK 10.5 million in 2018.

The deficit was due to the group's accounting business, while the department that delivers financial and HR services achieved a satisfactory profit. The restructuring in the accounting business has been significantly more extensive and expensive than anticipated. The Board adopted a new restructuring plan in autumn 2018 that has generally been implemented. However, some adjustments had to be made in 2019 to speed up the changes to a more unified workflow and automation. Positive results are expected from all parts of the group's business areas in 2020.

SpareBank 1 Østlandet owns 70 per cent of the shares in the company. The remaining shares are owned by managing director Stein-Ragnar Noreng and Christian Martinsen. The owners' shared ambition is to create a profitable and powerful business in accounting/payroll, finance, HR and consulting, with Eastern Norway as its primary market area.

There was a heavy focus on developing a future-oriented and sustainable strategy in 2019. The associated measures and focus was on digitalisation, a unified workflow and automation, developing the corporate culture and building up TheVIT as a strong brand in the market. The company has achieved a higher profile and is reaching new groups of customers thanks to this. This work will be continued in 2020.

At the same time, the company is systematically working to support the UN Sustainable Development Goals, and has chosen to focus on 5 of the 17 goals. These are:

- SDG 5 – Gender equality
- SDG 8 – Decent work and economic growth
- SDG 9 – Industry, innovation and infrastructure
- SDG 13 – Climate action
- SDG 17 – Partnerships for the goals

About TheVIT

TheVIT provides services to companies 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 and has 12 offices. These are located in 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 **www.thevit.no**

The figures from subsidiaries are not directly comparable with the figures in the Board of Directors' Report, Note 4 and Note 41, as figures from subsidiaries are consolidated into the Group unaudited. Any changes are included as changes in equity or in the income statement in the first quarter of 2020.

APPENDIX

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	$\dfrac{(\text{Profit after tax} - \text{Interest expences on hybrid capital}) \times (\frac{\text{Act}}{\text{Act}})}{\text{Average equity} - \text{Average hybrid capital}}$ 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	$\dfrac{\text{Total operating costs}}{\text{Total net income}}$ This indicator provides information about the relationship between revenue and costs, and is a useful measure to assess the cost-effectiveness of the enterprise. It is calculated as total operating costs divided by total revenue.
Lending margin	**Weighted average interest rate on lending to customers and loans transferred to covered bond companies - Average NIBOR 3 MND** The loan margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' lending activities. Loans transferred to covered bond companies are included in the selection as they are included in the total lending activity.

Alternative performance measures	Definition and rationale
Deposit margin	Average NIBOR 3 MND - Weighted average interest rate on deposits from customers The deposit margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' deposit activities.
Net interest margin	Lending margin + Deposit margin The net interest margin is calculated for the retail and corporate market divisions and provides information on the profitability of the divisions' overall lending and deposit activities. Loans transferred to covered bond companies are included in the selection as they are included in the total lending activity.
Net interest income inclusive of commissions from covered bond companies	Net interest income + Commissions from loans and credit transferred to covered bond companies Loans transferred to covered bond companies are part of total lending, but the income and expenses associated with these loans are recognised as commission income. The indicator is presented because it gives a good impression of net income from the overall lending and deposit activities.
Gross loans to customers including loans transferred to covered bond companies	Loans to and receivables from customers + Loans transferred to covered bond companies Loans transferred to covered bond companies are subtracted from the balance sheet, but are included in the total lending business.
Deposit to loan ratio	$\frac{\text{Deposit from and liabilities to customers}}{\text{Gross loans to customers}}$ The deposit coverage ratio provides relevant information about SpareBank 1 Østlandet's financing mix. Deposits from customers are an important means of financing the Bank's lending business and the indicator provides important information about the Bank's dependence on market financing.
Deposit to loan ratio including loans transferred to covered bond companies	$\frac{\text{Deposit from and liabilities to customers}}{\text{Gross loans to customers} + \text{Loans transferred to covered bond companies}}$ Innskuddsdekning gir relevant informasjon om SpareBank 1 Østlandets finansieringsmiks. Innskudd fra kunder representerer en viktig del at av finansieringen av bankens utlånsvirksomhet og nøkkeltallet gir viktig informasjon om bankens avhengighet av markedsfinansiering.
Growth in loans during the last 12 months	$\frac{\text{Gross loans to customers}}{\text{Gross loans to customers 12 months ago}} - 1$ This indicator provides information about activity and growth in the Bank's lending activity.
Growth in loans including loans transferred to covered bond companies (CB) in the last 12 months	$\frac{\text{Gross loans to customers} + \text{Loans transferred to CB}}{\text{Gross loans to customers 12 months ago} + \text{Loans transferred to CB 12 months ago}} - 1$ This indicator provides information about activity and growth in the Bank's total lending activity. The Bank uses the covered bond companies as a source of funding, and the indicator includes loans transferred to the covered bond companies to highlight the activity and growth in overall lending including these loans.

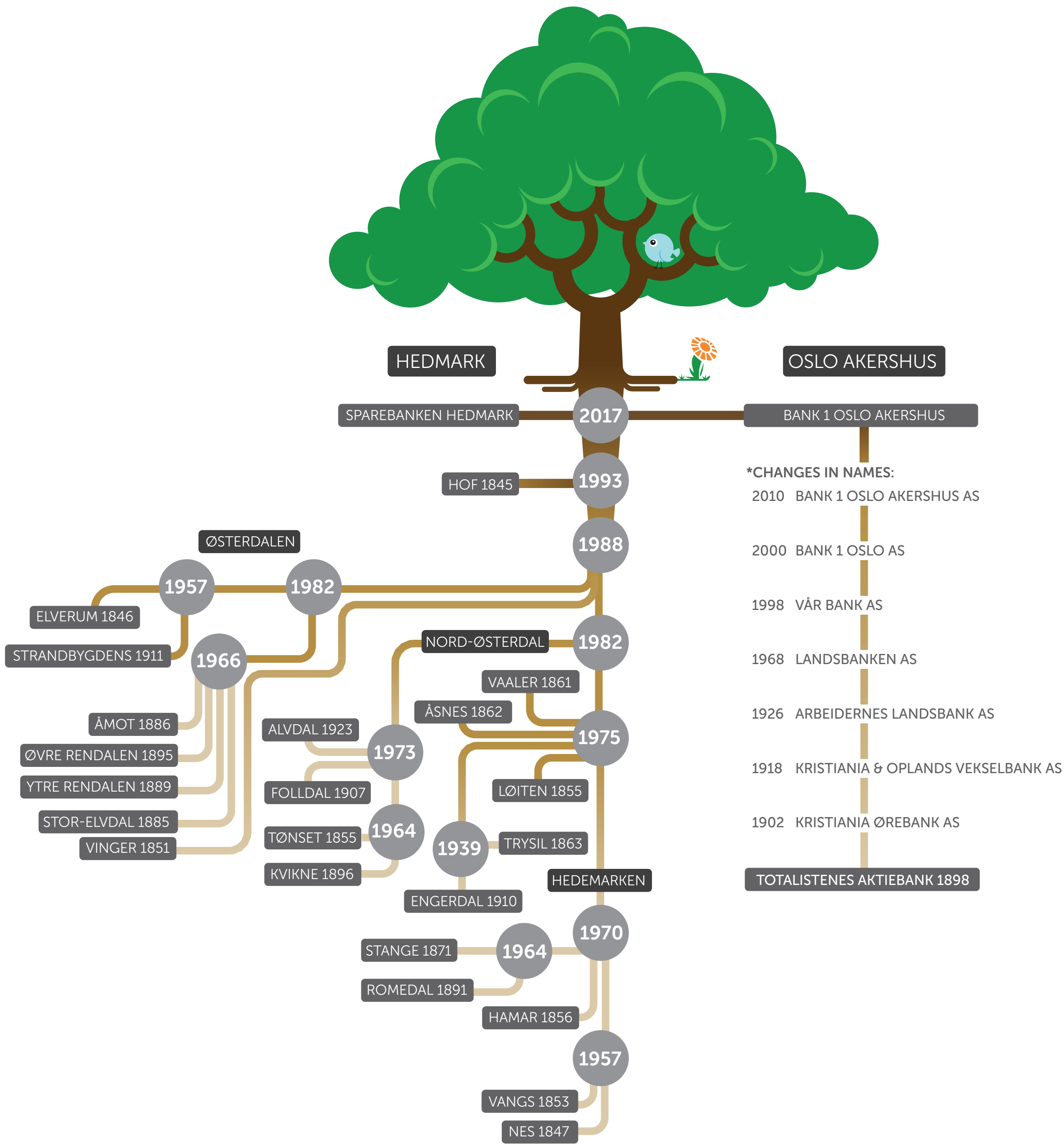
Alternative performance measures	Definition and rationale
Growth in deposits in the last 12 months	$\frac{\text{Deposits from and liabilities to customers}}{\text{Deposits from and liabilities to customers 12 months ago}} - 1$ This indicator provides information about the activity and growth of the depositing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

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

SpareBank 1 Østlandet

– locally rooted in central Eastern Norway

The historical tree shows only mergers from 1845 to the present. Name changes, aquisitions, sell-offs and different cooperation groupings are omitted. For Bank 1 Oslo Akershus, name changes are based on structural events leading up to the merger with Sparebanken Hedmark in 2017, as shown in the roots of the tree.

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Further facts about SpareBank 1 Østlandet's sustainability work

APPENDIX

CONTENTS

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/ Disclosure number	**Description**	**Sustainable Development Goals (SDG) and Global Compact (GC)**	**SpareBank 1 Østlandet's reporting 2019**	**Partial reporting 2019**
Organisational Profile				
102-1	Name of the organisation		SpareBank 1 Østlandet	
102-2	Activities, brands, products, and services		Annual Report, sections "About SpareBank 1 Østlandet" p. 9, and "Our strategic focus" p. 18.	
102-3	Location of headquarters		Annual Report, section "About SpareBank 1 Østlandet" p. 8.	
102-4	Location of operations		Annual Report, section "About SpareBank 1 Østlandet" p. 8.	
102-5	Ownership and legal form		Annual Report, section "Corporate Governance" pp. 32-43.	
102-6	Markets served		Annual Report, section "About SpareBank 1 Østlandet" pp. 8-9.	
102-7	Scale of the organisation		Annual Report, sections "Key figures from the Group" p. 6, "Income Statement" p. 80, and "Report of the Board of Directors" p. 63.	
102-8	Information on employees and other workers		Annual Report, sections "Key figures from the Group" p. 6, and "Our employees" p. 13. Extract from the HR system, and there are no significant variations related to the season or other factors.	The number of employees per contract type has not been broken down by the region.
102-9	Supply chain		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
102-10	Significant changes to the organisation and its supply chain		No significant changes related to size, structure, ownership or supply chain. For detailed information, see Annual Report, sections "About SpareBank 1 Østlandet" pp. 8-10, and "Corporate Governance" pp. 32-43, as well as Note 40 "Equity certificates and ownership structure" p. 148, Note 36 "Deposits from and liabilities to customers" p. 142, and Note 37 "Issued securities" p. 143.	
102-11	Precautionary Principle or approach	GC 7	With reference to Global Compact Principle 7, as well as the descriptions of the due diligence assessments in Annual Report, section "Responsible lending" pp. 50-53.	
102-12	External initiatives	SDG 17	Annual Report, section "Our part of the global responsibility" pp. 28-30.	
102-13	Membership of associations	SDG 17	Finance Norway. Annual Report, section "Our part of the global responsibility" pp. 28-30.	
Strategy				
102-14	Statement from senior decision-maker		Annual Report, section "A word from the CEO" p. 3.	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	SDG 8 and 16, GC 10	Annual Report, sections "Our strategic focus" p. 18, and "Ethics and anti-corruption" pp. 56 and 57. Link to Code of Conduct: https://www.sparebank1.no/content/dam/SB1/bank/ostlandet/omoss/samfunn/Etiske_retningslinjer_SpareBank1Ostlandet_290819.pdf	
Governance				
102-18	Governance structure		Annual Report, sections "Corporate Governance" pp. 32-44, "Report of the Board of Directors" pp. 63-79, and "Our Strategic Focus" pp. 20-21.	

Stakeholder Analysis				
102-40	List of stakeholder groups	SDG 17	Annual Report, section and Figure "Stakeholder dialogue and collaboration" pp. 15-16, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", and Table "Stakeholder engagement", pp. 184-185.	
102-41	Collective bargaining agreements	SDG 8, GC 3	100 per cent of staff covered by collective bargaining agreements, Annual Report, section "Our employees" p. 14.	
102-42	Identifying and selecting stakeholders	SDG 17	Annual Report, section and Figure "Stakeholder dialogue and collaboration" pp. 15-16, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", Table "Stakeholder engagement" pp. 184-185, and "Our part of the global responsibility" pp. 28-30.	
102-43	Approach to stakeholder engagement	SDG 17	Annual Report, section and Figure "Stakeholder dialogue and collaboration" pp. 15-16, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", Table "Stakeholder engagement" pp. 184-185, and "Our part of the global responsibility" pp. 28-30.	
102-44	Key topics and concerns raised	SDG 17	Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" pp. 184-185. Annual Report, sections "Sustainability and society – our material issues" pp. 48-60, and "Our part of the global responsibility" pp. 28-30.	
Reporting Practice				
102-45	Entities included in the consolidated financial statements		Annual Report, Note 1 "General information" p. 88, and Note 41 "Investments in subsidiaries, associates and joint ventures" pp. 149-151.	
102-46	Defining report content and topic Boundaries		Annual Report, sections "How to read our report" p. 4, and "Sustainability and society – our material issues", p. 49, as well as the Figure "Framework for our sustainability initiative" p. 30.	
102-47	List of material topics		Annual Report, Figure "Framework for our sustainability initiative" p. 30 and section "Sustainability and society – our material issues" p. 49.	
102-48	Restatements of information		None.	
102-49	Changes in reporting		None.	
102-50	Reporting period		2019	
102-51	Date of most recent report		March 2019.	
102-52	Reporting cycle		Annually.	
102-53	Contact point for questions regarding the report		karoline.hjerto@sb1ostlandet.no	
102-54	Claims of reporting in accordance with the GRI Standards		GRI standard level "core".	
102-55	GRI content index		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" p. 174.	
102-56	Applicable practice for external assurance of reporting		The report has been verified externally by PwC.	

SPECIFIC INFORMATION				
GRI indicator/ Disclosure number	Description	Sustainable Development Goals (SDG) and Global Compact (GC)	SpareBank 1 Østlandet's reporting 2019	Partial reporting 2019
FINANCES				
Overall financial reporting				
103-1	Explanation of the material topic and its Boundary		GRI 201-1: Annual Report, sections "Strategy and strategic priority areas" pp. 20-21, and "Corporate Governance" pp. 33-34. GRI 201-2: "Framework for our sustainability initiative" p. 30, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", section "Climate risk – TCFD reporting" pp. 206-208, and "Climate-related science based targets in line with the IPCC" pp. 187-196. GRI 203-1: Annual Report, section "We share our profits" p. 15.	
103-2	The management approach and its components		GRI 201-1: Annual Report, sections "Strategy and strategic priority areas" pp. 20-21, and "Corporate Governance" pp. 33-34. GRI 201-2: "Framework for our sustainability initiative" p. 30, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", section "Climate risk – TCFD reporting" pp. 206-208, and "Climate-related science based targets in line with the IPCC" pp. 187-196. GRI 203-1: Annual Report, section "We share our profits" p. 15.	
103-3	Evaluation of the management approach		GRI 201-1: Annual Report, sections "Strategy and strategic priority areas" pp. 20-21, and "Corporate Governance" pp. 33-34. GRI 201-2: "Framework for our sustainability initiative" p. 30, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", section "Climate risk – TCFD reporting" pp. 206-208, and "Climate-related science based targets in line with the IPCC" pp. 187-196. GRI 203-1: Annual Report, section "We share our profits" p. 15.	
Economic performance				
201-1	Direct economic value generated and distributed	SDG 8.5 and 9.4	Annual Report, sections "Key figures from the Group" p. 6, and "Income Statement" p. 80.	
201-2	Financial implications and other risks and opportunities due to climate change	GC 7, 8 and 10. SDG 13.3	Annual Report, section "Climate and climate risk" p. 29, and Appendix "Further facts about SpareBank 1 Østlandet's sustainability work", section "Climate risk – TCFD reporting" pp. 206-208, and "Climate-related science based targets in line with the IPCC" pp. 187-196.	
Indirect Economic Impacts				
203-1	Infrastructure investments and services supported	SDG 8.3	Annual Report, sections "We make banking easy for customers" p. 12, "We share our profits" p. 15, and "Ethical marketing of products and services" p. 60.	The reporting here is for investments in other services (disbursements from the Foundation, customer dividends, sponsorships, etc.) not investments in infrastructure.
Economic crime and anti-corruption				
103-1	Explanation of the material topic and its Boundary		Annual Report, sections "Ethics and anti-corruption" pp. 56-57 and section "Combating economic crime" pp. 54-55.	
103-2	The management approach and its components		Annual Report, sections "Ethics and anti-corruption" pp. 56-57 and section "Combating economic crime" pp. 54-55.	
103-3	Evaluation of the management approach		Annual Report, sections "Ethics and anti-corruption" pp. 56-57 and section "Combating economic crime" pp. 54-55.	

Anti-corruption				
205-1	Operations assessed for risks related to corruption	GC 10. SDG 16.5	Annual Report, sections "Ethics and anti-corruption" pp. 56-57.	Not broken down by business partners and regional affiliation.
205-2	Communication and training about anti-corruption policies and procedures			
205-3	Confirmed incidents of corruption and actions taken			
Economic crime				
SB1Ø-1	Efforts to combat money laundering and terror financing.	SDG 16.4	Annual Report, sections "Combating economic crime" pp. 54-55.	
Environment				
Emissions and compliance with environmental regulations				
103-1	Explanation of the material topic and its Boundary		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Energy and climate accounts 2019" pp. 197-204, and "Climate-related science based targets in line with the IPCC" pp. 181-190, and "Climate risk – TCFD reporting" pp. 200-202.	
103-2	The management approach and its components		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Energy and climate accounts 2019" pp. 197-204, and "Climate-related science based targets in line with the IPCC" pp. 187-196, and "Climate risk – TCFD reporting" pp. 206-208.	
103-3	Evaluation of the management approach		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Energy and climate accounts 2019" pp. 197-204, and "Climate-related science based targets in line with the IPCC" pp. 187-196, and "Climate risk – TCFD reporting" pp. 206-208.	
Emissions				
305-1	Direct (Scope 1) GHG emissions	GC 7, 8 and 9. SDG 12.2, 12.6, 12.8, 13.3, 15.a and b	Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Energy and climate accounts 2019" pp. 197-204, and "Climate-related science based targets in line with the IPCC" pp. 187-196.	
305-2	Energy indirect (Scope 2) GHG emissions			
305-3	Other indirect (Scope 3) GHG emissions			
305-4	GHG emissions intensity			
305-5	Reduction of GHG emissions			
Environmental Compliance				
307-1	Non-compliance with environmental laws and regulations	GC 7 and 8. SDG 13.3 and 16.6	No failures in compliance as far as the Bank is aware.	
Follow-up of suppliers - environment				
103-1	Explanation of the material topic and its Boundary		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
103-2	The management approach and its components		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
103-3	Evaluation of the management approach		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
Supplier Environmental Assessment				
308-1	New suppliers that were screened using environmental criteria	GC 7, 8 and 9. SDG 13.3	Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
308-2	Negative environmental impacts in the supply chain and actions taken			

SOCIETY				
Employees				
103-1	Explanation of the material topic and its Boundary		Annual Report, section "Our employees" pp. 13-14, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Our employees" pp. 180-182.	
103-2	The management approach and its components		Annual Report, section "Our employees" pp. 13-14, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Our employees" pp. 180-182.	
103-3	Evaluation of the management approach		Annual Report, section "Our employees" pp. 13-14, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Our employees" pp. 180-182.	
Employment				
401-1	New employee hires and employee turnover	GC 1 and 6. SGD 8.5, 8.8 and 16.b	Annual Report, section "Our employees" p. 13, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Our employees" pp. 180-182.	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.		All permanent employees in a 20 per cent position or more have the same rights and employee benefits. Temporary employees are only affiliated with the pension scheme and occupational injury insurance.	
401-3	Parental leave		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Our employees" pp. 180-182.	
Training and Education				
404-2	Programmes for upgrading employee skills and transition assistance programmes	SDG 4.4, 4.7 og 8.5	Annual Report, sections "Training and competence" p. 14, and "Sustainability and society – our material issues" pp. 48-60, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Our employees" p. 180.	
404-3	Percentage of employees receiving regular performance and career development reviews		Annual Report, sections "Training and competence" p. 14.	
Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees	GC 6. SDG 8.5 and 16.b	Annual Report, sections "Equal opportunities and diversity" pp. 13-14, "Our organisation" pp. 26-27, and "Information about the Board of Directors" p. 44.	We have no re-gistered data on other forms of diversity (such as minorities and vulnerable groups) for employees.
405-2	Ratio of basic salary and remuneration of women to men		Annual Report, sections "Equal opportunities and diversity" p. 13.	
SB1Ø-2	Saving and sex		Annual Report, Table "Saving and sex" p. 12.	
Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	GC 1, 2 and 6. SDG 8.8 and 16.b	Annual Report, sections "Working conditions" p. 13.	
Follow-up of suppliers - social				
103-1	Explanation of the material topic and its Boundary		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
103-2	The management approach and its components		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
103-3	Evaluation of the management approach		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	

Social assessment of suppliers				
414-1	New suppliers that were screened using social criteria	GC 1, 2, 3, 4, 5 and 6. SDG 12.6 and 16.6	Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
414-2	Negative social impacts in the supply chain and actions taken.		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 214-215.	
Marketing and privacy				
103-1	Explanation of the material topic and its Boundary		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 208-209.	
103-2	The management approach and its components		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 208-209.	
103-3	Evaluation of the management approach		Annual Report, Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Requirements for other suppliers", pp. 208-209.	
Marketing and Labelling				
417-2	Incidents of non-compliance concerning product and service information and labelling	GC 2. SDG 9.4, 12.6, 12.8, 13.3 and 16.5	Annual Report, sections "Ethical marketing of products and services" p. 60.	
417-3	Incidents of non-compliance concerning marketing communications		Annual Report, sections "Ethical marketing of products and services" p. 60.	
Customer Privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GC 2. SDG 16.4	Annual Report, sections "Combating economic crime" pp. 54-55.	
Product responsibility and active ownership				
103-1	Explanation of the material topic and its Boundary		Annual Report, sections "Responsible lending" pp. 50-53, and "Requirements for providers of financial services" pp. 58-59, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Responsible lending" pp. 204-205.	
103-2	The management approach and its components		Annual Report, sections "Responsible lending" pp. 50-53, and "Requirements for providers of financial services" pp. 58-59, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Responsible lending" pp. 204-205.	
103-3	Evaluation of the management approach		Annual Report, sections "Responsible lending" pp. 50-53, and "Requirements for providers of financial services" pp. 58-59, as well as the Appendix "Further facts about SpareBank 1 Østlandet's sustainability work" section "Responsible lending" pp. 204-205.	
Product Responsibility				
FS7	Monetary value of products and services designed to deliver a specific social benefit	GC 1. SDG 8.10, 9.4 and 12.6	Annual Report, sections "Responsible lending" pp. 50-53.	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	GC 8 and 9. SDG 9.4, 12.2, 12.6, 12.8, 13.3, 15.a and b	Annual Report, sections "Responsible lending" pp. 50-53.	
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.	GC 8. SDG 8.10, 12.6, 12.8, 13.3, 15.a and b	Annual Report, sections "Responsible lending" pp. 50-53, "Requirements for providers of financial services" pp. 58-59, and "Equity investments and sustainability monitoring" p. 43.	
FS11	Percentage of assets subject to positive and negative environmental or social screening.	GC 1, 2, 4, 5, 6 and 7. SDG 8.10, 12.6, 12.8, 13.3, 15.a and b	Annual Report, sections "Responsible lending" pp. 50-53, "Requirements for providers of financial services" pp. 58-59, and "Equity investments and sustainability monitoring" p. 43.	

Appendix to chapter 1.2

Our employees

Employment conditions - GRI 401

Why is this important for the Bank?
The management of employment conditions is important in order to fulfil requirements relating to consistent practice in the business, and it allows us to monitor and evaluate our competitiveness in the labour market according to various categories.

How is this issue managed at the bank?
Beyond the requirements related to the Working Environment Act and the Financial Institutions Regulations, this issue is embedded in our HR strategy and our remuneration policy, which is adopted by the board. The remuneration policy is exercised and monitored. This work is reported on to the Board of Directors by the internal auditor on an annual basis. We utilise the HAY job evaluation system for both internal and external benchmarking purposes.

All appointments that do not fall under the business agreement's definitions of executive employees are handled by the business's employee representatives. Both unions are represented there. Annual salary negotiations include discussions with the trade unions about the financial framework and arrangement of the settlement with employees.

How is the management system evaluated?
The remuneration policy and its implementation are evaluated on an annual basis by the internal auditor. The remuneration committee and the Board of Directors deal with the report concerning the implementation of the remuneration policy on an annual basis. Annual benchmarking is conducted using the HAY job evaluation system for both internal purposes and in relation to employment categories, industries and geography.

GRI 401-1: New appointments and turnover			Comments
a.1)	Enter the total number and frequency of new appointments during the reporting year by age.	42	"Age distribution new appointments: under 30: 15 30-50: 21 Over 50: 6"
a.2)	Enter the total number and frequency of new female appointments during the reporting year.	23	
a.3)	Enter the total number and frequency of new male appointments during the reporting year.	19	
a.4)	Enter the total number and frequency of new appointments during the reporting year divided by region.		We cover only one region
b.1)	Enter the total number and turnover frequency for employees during the reporting year by age.	32	Partial reporting, not divided by age.
b.2)	Enter the total number and turnover frequency for female employees during the reporting year.	15	
b.3)	Enter the total number and turnover frequency for male employees during the reporting year.	17	
b.4)	Enter the total number and turnover frequency for employees during the reporting year by region.		We cover only one region

GRI 401-3: Parental leave		
a.1)	The total number of female employees who were entitled to parental leave.	All
a.2)	The total number of male employees who were entitled to parental leave.	All
b.1)	The total number of female employees who took parental leave.	17
b.2)	The total number of male employees who took parental leave.	16
c.1)	The total number of female employees who returned to work during the reporting period after the end of their parental leave.	9
c.2)	The total number of male employees who returned to work during the reporting period after the end of their parental leave.	14
d.1)	The total number of female employees who returned to work following their parental leave and who continue to be employed 12 months later.	9 (All)
d.2)	The total number of male employees who returned to work following their parental leave and who continue to be employed 12 months later.	14 (All)
e.1)	Enter the percentage of female employees who returned to work after parental leave.	100%
e.2)	Enter the percentage of male employees who returned to work after parental leave.	100%
e.3)	Enter the percentage of female employees who remain employed 12 months after their return from parental leave.	100%
e.4)	Enter the percentage of male employees who remain employed 12 months after their return from parental leave.	100%

Training - GRI 404

Why is this a key theme for the Bank?

The bank's ambitions and activities related to training and education are dervied from the needs of the business, regulatory requirements relating to the industry and reputational considerations. Additionally, opportunities for professional further development that are part of the career development trajectory for individuals are considered important both as part of the effort to recruit and to retain key talented employees. The business' competence and employees' competence helps to provide advice of a high quality to our customers in different segments, both directly and indirectly.

How is this issue managed at the bank?

The bank's goal is to be a competent supplier to our customers, with our policies embedded in both our overall business strategy and our HR strategy. Additionally, annual risk assessments are carried out to identify any skills gaps. Individual managers are able to report any skills gaps in their own areas of responsibility through the annual management confirmation. Skills work is generally based in annual employee performance and career development interviews, where development plans are set up for the individual employee. These are then tracked throughout the year. Mandatory training activities are facilitated and monitored via the business' Learning Management System (LMS).

How is the management system evaluated?

Initiatives that help to check for and identify possible weaknesses in terms of skills/training work:

- Internal audit projects in selected areas
- Ongoing 1st and 2nd line control
- Ongoing compliance work
- Recorded incidents in incident database
- Centralised customer complaints handling
- Annual management verification
- Status reports from the Financial Industry Authorisation Schemes (FinAut)"

GRI 401-2	
Programmes for upgrading employee skills and transitioning to retirement.	The need for support and training is clarified during the annual employee performance and career development interview.

Diversity and gender equality - GRI 405

Why is this a key theme for the Bank?

The bank's goal is to recruit employees who reflect the society of which we are a part. Our HR strategy, recruitment policy and remuneration policy all include specific goals relating to equal treatment. This is important in order to further develop our reputation as an attractive employer, safeguard our strategic goals and obligations relating to running a sustainable business, and to safeguard our responsibility as significant societal entity. We base this on research that shows that diversity in many contexts can have a positive effect on working environment, development and value creation.

How is this issue managed at the bank?

The HR strategy, recruitment policy and remuneration policy are the most significant governing documents in this regard. Initiatives relating to diversity and equality are initiated and monitored by the HR department. Equality is reported separately in the company's annual report.

How is the management system evaluated?

Gender distribution in executive positions and salary conditions at different employment levels are tracked on an annual basis and reported in the company's annual report.

GRI 405-1			Comments
a.4)	Report the percentage share of individuals aged 30-50 years old in the organisation's corporate governance structure.	22 %	
a.5)	Report the percentage share of individuals aged over 50 years old in the organisation's corporate governance structure.	78 %	
b.3)	Report the percentage share of employees below the age of 30 years old by employee category.	7%	Permanent employees.
b.4)	Report the percentage share of employees aged 30-50 years old by employee category.	44 %	Permanent employees.
b.5)	Report the percentage share of employees over the age of 50 years old by employee category.	48 %	Permanent employees.
b.6)	Report the percentage share of employees where other indications of diversity are relevant (e.g. minorities and vulnerable groups) per employee category.		No recorded data for this point.

GRI 405-2			
	The relationship between base salary and remuneration for men and women for each employee category divided by "key operating locations"	22 %	Women's average salary as a percentage of men's average salary: • Line functions 90.6% • Managers and more demanding professional roles 93.3%
b)	Report the definition used for "key operating locations".		All positions in the bank are categorised using the employment positioning system on the basis of responsibility, complexity, skills requirements and performance requirements.

Non-discrimination - GRI 406

Why is this a key theme for the Bank?

An conscious attitude and working actively to avoid discrimination are both important in order to further develop our reputation as an attractive employer, safeguard our strategic goals and obligations relating to running a sustainable business. The bank is a major player in parts of the this market area, and we assume that clear attitudes indirectly contribute to affecting the society that we are a part of.

How is this issue managed at the bank?

The HR strategy, recruitment policy and remuneration policy are the most significant governing documents in this regard.
The main focus is connected to recruitment, salary conditions, advancement and career opportunities. These processes are all maintained and monitored in all regards by the HR department.

How is the management system evaluated?

Gender distribution in executive roles and salary conditions at different employment levels are tracked annually and reported through the annual report.

Stakeholder dialogue 2019

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 our dialogue with stakeholders in 2019.

Stakeholders	Arena for dialogue	Most important topics for stakeholders	Measures associated with topics
Customers.	Customer satisfaction surveys. Expectation surveys. Measuring satisfaction with interviews.	Customer satisfaction with our bank has increased from 2018 to 2019. In general, customers are interested in good digital solutions, although some miss closer relationships with their bank. Customers with a personal customer adviser are more satisfied with the Bank than those without.	Via our extensive network of branches and capable advisers, we will be proficient, nearby and engaged for customers.
	Direct Bank (customer service centre for retail and corporate customers within day-to-day banking services, credit and insurance). Business Centre. Customer communication in the online bank, chat and chatbot. The Bank's social media channels.	**Day-to-day banking:** Customer maintenance, logging in, cards, payments/transactions, loans, direct transfer, payment agreements, savings, community engagement. **Insurance:** Invoices, info and terms and conditions, new insurance offer/sale, change of agreements/customer relationships. Establish customer relationships and create companies, use of Nettbank Bedrift and integration with accounting systems, financing and insurance. All kinds of questions, comments and viewpoints.	Ongoing answers to the different issues.
Employees.	Organisational surveys of employee satisfaction. Employee performance and career development interviews related to overall strategy. Sustainability workshops in different departments and regions. Management meetings. General meetings and departmental meetings. Cooperation and working environment committees Regular dialogue with trade unions	Good and stronger implementation capacity in the departments and our ability to work across the Group. Stable, high level of engagement among both employees and managers. The department's positive and negative impact on people, environment, society. UN Sustainable Development Goals. How to improve within sustainability in internal processes, products and services. Also in own operations.	Results were reviewed and followed up at the department level. Various measures are described in the section on *Sustainability and society – our material issues* in the annual report.
Owners.	Information meetings, investor presentations, themed presentations. Meetings of the Supervisory Board. Stock exchange reports and quarterly reports. Websites. Social media.	Financial results, credit quality, strategic direction, return on equity certificates, dividends, results of scores and ratings.	Quarterly performance presentations aimed at existing owners, analysts and potential new investors.
Suppliers (both suppliers to the Bank and to the Alliance).	Email and meetings.	Dialogue surrounding tenders. Follow-up of guidelines within sustainability.	Clarifying what our sustainability requirements entail.

Cont. next page >

Other SpareBank 1 banks and in the joint committee, e.g. within procurement and asset management/funds.	Email discussion groups, physical meetings and online meetings in established sustainability forums. Talks and training for joint committees. Saving and investment committee in the Alliance. Communication committee.	• 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. • Reputational risk linked to individual cases and general practice.	• Establishment of working group within fund management to strengthen the work. Managed by 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. • Following up of individual cases that capture the attention of the authorities and become a reputational risk for the banks.
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.
Capital markets.	• Savings and Investments Committee in the SpareBank 1-alliance. • Sustainability Committee in SpareBank 1-alliance. • Direct dialogue with managers.	• ESG themes related to individual companies and funds. • Follow-up of ESG in fund distribution.	• Common guidelines have been prepared in SpareBank 1. • Process implemented to follow up fund distribution in the SpareBank 1-alliance. • Dialogue has resulted in managers selling their entire positions in some companies.
Rating agencies and analysts.	Email, phone meetings and face-to-face meetings.	Methods for measuring the companies' performance related to ESG/sustainability.	Thorough feedback in order to improve methods.
Competitors.	Various forums with other banks within a number of areas that the industry as a whole is concerned about (often via Finance Norway).	• Framework conditions for the banking industry. • Climate risk. • UNEP FI's 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. Talk on sustainability to strengthen the cooperation and our work. Reputation-related themes for the financial services industry.
Special interest groups.	Formal and informal meetings and written communication with, among others, Amnesty, the Rainforest Foundation, WWF, Fokus, Norwegian People's Aid, Ethical Trade Norway, Future in Our Hands, Green Building Alliance, Nature and Youth – Young Friends of the Earth Norway, Workers Youth League (AUF), Friends of the Earth Norway and the Norwegian Consumer Council.	The Bank's work on sustainability, mainly within core operations. Risk of natural disasters, human rights, climate risk, international law.	Professional input from organisations to sustainability work, preparation of guidelines and operationalisation of the work.
	The board of the newly-established Norwegian network for the UN Global Compact (companies and organisations). SpareBank 1 Østlandet acts as the deputy chair of the board.	Disseminating information on the Global Compact's 10 principles for responsible business. Getting the Norwegian network up and running.	Establishing the board and procedures for its work, appointing a chief executive and starting work on strategy.
Society, public opinion, public actors.	Various corporate networks. The Bank's annual leadership conference, as well as other conferences and seminars. Educational institutions in the market area.	Sustainability, business development. Education, innovation.	The Bank co-hosts seminars and conferences. The Bank collaborates with and supports educational institutions with funding.
Academia.	Meetings and lectures. Emails. NTNU, NHH, NMBU, Inland Norway University of Applied Sciences.	Our approach to sustainability. Our experience from sustainability efforts. How a company should work with sustainability. Improvements in our sustainability reporting.	Because we focus on Sustainable Development Goal 4 regarding quality education, we come along and give talks when asked to do so.
Society in general 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.
Sports clubs, teams and associations.	Various forums.	The Bank as a local supporter, contributor and source of inspiration.	Exchange Weekend. Information seminars and other events. Foster home recruitment combined with sponsorships.
Relief measures, e.g. the Blue Cross, crisis shelters.	Meetings, phone calls.	Information about their services and apply for funds.	Contributed donations for Christmas.

Our strategic focus

Goals and secondary goals – sustainability

The executive management team has adopted ambitions, goals and targets for our sustainability efforts. The Bank's ambition is to significantly enhance our positive impact while reducing our negative effect on people, the environment and society. We have two main goals with the associated targets for the work on sustainability, as well as 50 goals within the various business areas. All of these are linked to the Sustainable Development Goals at a target level. Our main goals and secondary goals are:

1 We are driving forces behind sustainable development in our market area.

  1.1 We actively support customers' sustainability efforts and promote external sustainable innovation.

  1.2 We offer sustainable products and services, and promote sustainable innovation in-house.

  1.3 We initiate and support good sustainability activities.

2 We consider sustainability in both major and minor decisions, making it an integral part of our business.

  2.1 All employees are aware of our commitment to sustainability.

  2.2 Sustainability is a part of our work processes.

  2.3 We strive for openness and transparency in our work.

Updated guidelines

Good guidelines are one of the prerequisites for good sustainability work. The Board and the executive management team have adopted guidelines for corporate social responsibility and sustainability in all important topics and areas of business.

For a complete overview of our guidelines, see: **https://www.sparebank1.no/en/ostlandet/about-us/sustainability/guidelines-and-policies.html#par_title**

Science-based Climate Targets according to the UN Intergovernmental Panel on Climate Change

Report provided by

February 2020

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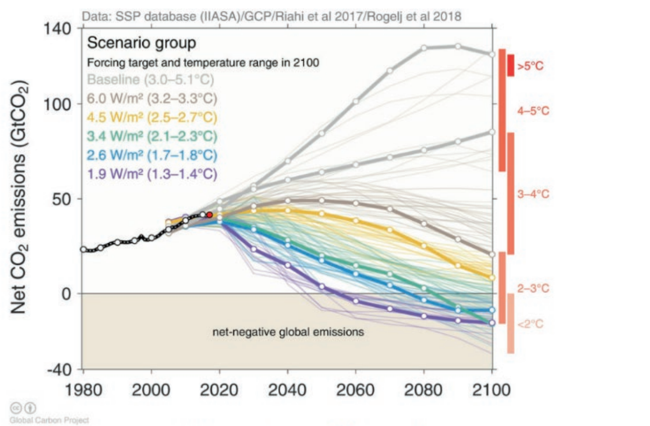
SpareBank 1 Østlandet: Science-based Climate Targets

One of the biggest challenges facing the world today is climate change. The Norwegian Climate Act (January 1, 2018) requires Norway to reduce emissions in order to avoid dangerous climate change and to contribute to the green transition towards a low-emission society in 2050. Norway will reduce its greenhouse gas emissions by 40% by 2030 and 80-95% by 2050 (start year 1990). The Paris Agreement was adopted in 2015 and is based on studies from the UN Intergovernmental Panel on Climate Change (IPCC). The agreement aims to strengthen the global response to the threat of climate change. The goal is to limit the global temperature rise of this century to well below 2°C, but preferably below 1.5°C, compared to the level of pre-industrial times. The agreement has been signed by 174 of a total of 196 of the world's countries. They are committed to creating a plan to limit emissions. Norway has signed this agreement.

What is a Science-based Climate Target?



Global CO2 emissions (gigatonnes, GtCO2) for all IAM runs in the SSP database. SSP no-climate-policy baseline scenarios are shown grey, while various mitigation targets are shown in colour. Bold lines indicate the subset of scenarios chosen as a focus for running CMIP6 climate model simulations. Chart produced for Carbon Brief by Glen Peters and Robbie Andrews from the Global Carbon Project.

Targets for reduced greenhouse gas emissions are considered to be science-based if they are in line with studies on climate change that lay guidelines to limit warming to below dangerous levels. In this analysis, the UN Intergovernmental Panel on Climate Change's fifth main report is used as a source of reduction targets for SpareBank 1 Østlandet in line with Norway's Climate Act. The UN Intergovernmental Panel on Climate Change's studies have given us the Paris Agreement's 2°C and 1.5°C targets, both of which say that the entire world must reduce its total emissions by 72-100% from 2010-2050. The figure above illustrates precisely the point that global warming must be limited to below 2°C in order to avoid dangerous climate changes. The Paris Agreement assumes that the entire world reduces its emissions to mitigate dangerous climate change.

Level of ambition

SpareBank 1 Østlandet aims to be a driver for sustainable development in its market area and considers sustainability in large and small decisions, making it an integral part of its business. The bank is implementing measures that demonstrate how the business contributes to promoting sustainable development by both minimising negative and maximising positive environmental, climate and social impact. Since 2010, the company has prepared annual climate accounts, and work on setting a Science Based Target (SBT) started in 2019. The bank's climate accounts include emissions from heating oil, company cars, energy consumption, flights, distance-based car allowance and waste.

The largest financial institutions in Norway are asked to report annually to the Carbon Disclosure Project (CDP). The CDP is a non-profit organisation with the intention of helping business and government to gain a better overview of their own climate impact. They request annual reporting on climate management and climate change work from 5,600 different companies in over 90 different countries. In order to receive a high grade from the CDP, the company must be able to point to reductions in its own emissions of greenhouse gases and plans for how it will work on this in the future. In addition, it must show how the business will handle climate-related risks and opportunities. To achieve the highest score on its Science-based Climate Target from the CDP, all emissions from Scope 1 and Scope 2 must be included, while no specific requirements are included for the inclusion of its Scope 3 emissions. This means that most companies who have set Science-based Climate Targets through CDP do not include emissions from Scope 3. SpareBank 1 Østlandet has not been asked to report to the CDP, but still wants to do so from the 2019 reporting year.

Greenhouse Gas (GHG) The protocol is the standard framework for climate accounts, and the method for the calculations is explained on pages 10 and 11. The start year for SpareBank 1 Østlandet's Science-based Climate Goal is set as 2018. It has included all direct emissions, as well as indirect emissions from energy, flights, distance-based car allowance and waste. A preliminary figure for greenhouse gas emissions for the loan portfolio is calculated for 2019, but not included in the Climate Target. A small number of Norwegian companies, including financial institutions, include parts of Scope 3 emissions in their Science Based Climate Target because they want the target approved by the Science Based Target initiative (SBTi). To further target indirect Scope 3 emissions, SBTi has stated that during the last six months of 2020, it will publish a framework for how financial institutions can include greenhouse gas emissions related to their investments in long-term climate targets. SpareBank 1 Østlandet has stated that it wants to take advantage of this initiative as soon as it becomes available.

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SpareBank 1 Østlandet: Analysis of measures and projections towards 2050

Sources of emissions	Internal measures in SpareBank 1 Østlandet	External measures and explanation for projections of emissions
Scope 1: Heating oil	Not relevant as the one building that previously consumed heating oil was sold in the latter half of 2019.	The use of fossil oil and kerosene for heating homes and as a main load in commercial buildings was banned as of 1 January 2020. This implemented initiative states that fossil oil and kerosene can still be used as a *peak load* in commercial buildings. Heating for other purposes in industry, primary industries and building and construction activities is also not covered by this proposal. The same applies to district heating systems subject to licensing. In February 2015, the Norwegian parliament asked the government to consider extending the ban referred to above to include peak load. *Source (1).*

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Scope 1: Company car fuel	Replacement of the company car fleet whereby two fossil cars and two hybrid cars will be replaced by four electric cars by 2030. Emissions from company cars will therefore be 0 tCO_2e from 2030 onwards.	More efficient fuel consumption and car fleet in coming years. More tax barriers and the possibility of renewable solutions and mixing with biofuel. Measures in the transport sector can mainly be grouped into three categories: 1. Zero and low emission technology 2. Mixing with biofuels 3. Transport reduction and redistribution. Low and zero emission technologies include, inter alia, electric, hydrogen and hybrid operation of vehicles. The second largest reductions in emissions are the result of measures that involve biofuels for road traffic and other diesel-powered mobile sources. The lowest proportion of emissions reductions is related to measures that involve transport reduction or redistribution of transport. Distribution of emission reductions in the transport sector: • Introduction of zero and low emission technology: 48% • Mixing with biofuels: 40% • Transport reduction/redistribution: 12% Although there are political goals and guidelines, some powerful tools will be required for the goals to be achieved and the measures implemented. All new car sales of passenger cars and vans will be electric or hydrogen cars within a few years. Based on these measures, it can be assumed that all direct fossil emissions from road traffic light vehicles will be gone by 2050. Here we assume that 70% of all light vehicles will be non-fossil by 2030, while by 2050 all older fossil cars (other than 2030 models and newer) will be completely phased out. Furthermore, 50% of new car sales of heavier vehicles and other diesel-powered engines will be non-fossil by 2030, while mixing with biofuel will lead to reductions in emissions, along with the facilitation of infrastructure and conversion to more renewable types of transport. *Sources (2).*

Sources of emissions	Internal measures from SpareBank 1 Østlandet	External measures and explanation for projections of emissions

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Scope 2: Electricity and district heating	The bank has been environmentally certified for over 10 years and during that time has significantly reduced its electricity consumption. Furthermore, it has set itself the goal of having a 3% annual reduction in electricity consumption until 2025. This reduction will be based on, among other things, the replacement of all windows in one of the bank premises in Oslo. There will also be upgrades to LED lighting in buildings that are remodelled.	We are already seeing a transition to renewable electricity and district heating production in all the Nordic countries. Such a renewable power sector makes electricity increasingly attractive as a source of energy in the transport, construction and industrial sectors. Electricity and district heating emissions will be close to 99% renewable in 2050. In addition, the authorities tighten requirements for building and consumption of energy that will affect the buildings we have offices in, and appliances that use electricity in offices will become smaller and more efficient over the next 30 years. All this means that we expect location-based emissions in Scope 2 to be zero in 2050. Over the past 10 years, this emission factor has been reduced by 14% annually. It is assumed that the rate of reduction will slow down by 2050, because we will have turned off the most carbon-intensive sources in our energy production. We have therefore posted a 2% reduction here annually from 2020 to 2050. *Sources (3).*

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Sources of emissions	Internal measures from SpareBank 1 Østlandet	External measures and explanation for projections of emissions
Scope 3: Flights	The bank sets clear restrictions in its travel regulations where all travel must be justified by a clear need and where other options such as telephone, Skype or video meetings are considered as alternatives to travel. This restrictive attitude to travel in general means that the bank already has a very limited scope of flights and contributes to very low climate emissions - compared to businesses it is natural to use as a comparison. In 2019, only 227 flights were completed, and almost 60% of these were domestic flights. Only 8 flights were intercontinental. Nevertheless, there is still a clear ambition to contribute further to reduced greenhouse gas emissions related to air travel. This will be done through continued rigorous assessment of the need to take flights, and it is also assumed that an increasing proportion of the trips up to 2030 can be taken using aircraft that are not based on fossil fuels and which have far lower climate emissions than today.	Emissions of greenhouse gases from aviation are covered by the EU's climate quota system and CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation). CORSIA is a market-based instrument for limiting emissions from international aviation. The goal is to help ensure that further growth in international aviation after 2020 does not increase net greenhouse gas emissions, so-called carbon neutral growth, by aircraft operators compensating for growth with the purchase of emission units. Aircraft operators will compensate for increased emissions after 2020 by purchasing and deleting emission units. The system sets a common European ceiling on the number of tonnes of greenhouse gases that companies can emit in total. Up to and including 2020, the available quota volume will be reduced by 1.74 per cent each year. The European quota ceiling will be 21 per cent lower in 2020 than emissions in 2005. Furthermore, up to 2030, the available quota volume will be reduced by 2.2 per cent annually. We also see that airlines themselves set long-term climate targets. One example is SAS, which aims to reduce emissions by 25% in 2030. The aircraft become more efficient and use less fuel and alternative, more environmentally friendly fuels, are mixed in. Technology will affect how we fly and "waste" by circulation, logistics and speed timing will reduce emissions. Short flights will be powered by electricity in the future. In the last 10 years, the emission factor for aircraft has been reduced by a total of 16%, corresponding to 2% annually. It is expected that the reduction in emissions based on the above measures will be greatest in the first years and then level off. A reduction of 1% has therefore been added annually from 2018 to 2050. *Sources (4).*

Sources of emissions	Internal measures from SpareBank 1 Østlandet	External measures and explanation for projections of emissions

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Scope 3: Distance-based car allowance	The bank encourages employees to reduce travel using their own car if it is not strictly necessary. At the same time, they are encouraged to use alternative public transport, such as trains and buses. Furthermore, the bank also encourages the replacement of fossil fuel cars with electric cars in the event that employees buy a new car. The measures are anchored in the personnel handbook in addition to campaigns to raise employee awareness. No specific reduction measure has been included in the SBT analysis based on these internal measures.	More efficient fuel consumption and car fleet in coming years. More tax barriers and the possibility of renewable solutions and mixing with biofuel. Measures in the transport sector can mainly be grouped into three categories: 1. Zero and low emission technology 2. Mixing with biofuels 3. Transport reduction and redistribution. Low and zero emission technologies include, inter alia, electric, hydrogen and hybrid operation of vehicles. The second largest reductions in emissions are the result of measures that involve biofuels for road traffic and other diesel-powered mobile sources. The lowest proportion of emissions reductions is related to measures that involve transport reduction or redistribution of transport. Distribution of emission reductions in the transport sector: • Introduction of zero and low emission technology: 48% • Mixing with biofuels: 40% • Transport reduction/redistribution: 12% Although there are political goals and guidelines, some powerful tools will be required for the goals to be achieved and the measures implemented. All new car sales of passenger cars and vans will be electric or hydrogen cars within a few years. Based on these measures, it can be assumed that all direct fossil emissions from road traffic light vehicles will be gone by 2050. Here we assume that 70% of all light vehicles will be non-fossil by 2030, while by 2050 all older fossil cars (other than 2030 models and newer) will be completely phased out. Emissions from the Norwegian fleet of cars have been reduced by 18% in the last ten years, by 3% annually and we have extrapolated emissions from distance-based car allowance paid at the same rate compared to 2050, where emissions from driving will be zero. *Source (5).*

Sources of emissions	Internal measures from SpareBank 1 Østlandet	External measures and explanation for projections of emissions
Scope 3: Waste	The bank aims to reduce emissions from waste by 50% in the period 2018-2050. Since 2011, it has been a member of Grønt Punkt Norge ("Green Dot Norway") and follows its reporting and rules. Measures will be to increase the degree of sorting by facilitating sorting at source in the offices and focus on reducing waste that goes to incineration, which is in line with their Eco-Lighthouse certification. Internal measures the bank takes to reduce waste are to impose requirements on suppliers and their use of packaging to limit the amount of waste collected in the offices. In line with the Eco-Lighthouse guidelines, disposable packaging such as cardboard and plastic cups, cutlery and the like will be removed in the future.	The transition to a circular economy is substantially on the road to the low-emission society and applies to a great extent to waste. When products and materials are utilised as far as possible by smarter production and design, and resources from waste are re-used to make new products, the pressure on both land and resources will be significantly reduced. Norway's target for non-quota emissions is currently a 40% reduction in 2030 compared to 2005. In June 2017, the industry agreement between the authorities and the food industry on reduced food waste was signed. The purpose of the agreement is to halve food waste in Norway, measured in kg/inhabitant up to 2030, through the sub-targets of a 15% reduction in 2020 and 30% reduction in 2025. The agreement is in line with the UN Sustainability Goal 12.3 "By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses." which Norway has committed to fulfil. Waste that is recycled is contained within an emission factor which includes transport of the waste to the recycling station. An increased focus on sorting and a reduced proportion of waste for incineration will reduce emissions to near zero. Waste will also be transported to waste facilities with zero emission vehicles. This assumes that the methodology for calculating the emission factor for recycled waste contains only the transport of the waste, and not the process involved in recycling it for new products. Emissions from the incineration of waste will be reduced by increased recycling of petroleum products such as plastics. Regulations, measures and communication of waste management in the municipality will reduce the proportion of plastic in waste that goes to incineration. Measurement of emissions for incineration of waste is difficult, but the emission factor may be updated to show a smaller proportion of non-biological substances. Incineration of the residual waste that is left over is currently performed at the Klemetsrud incineration plant. Capture and storage of emissions from this facility is planned in the future, whereby there will be almost no emissions left in 2050. Thus, we assume that emissions from waste are close to zero. Waste incineration is an industry that is growing, with great predictability, and the project will have significant transfer value to facilities worldwide. There is great potential for BIO-CCS; the UN Intergovernmental Panel on Climate Change (IPCC) points out the importance of this in achieving its climate goals. A small reduction in waste has been projected, but no major changes will take place until changes at Klemetsrud have been implemented. We assume that this will not happen until closer to 2050. As of now, few of SpareBank 1 Østlandet's branches have Klemetsrud as a waste station. *Sources (6)*

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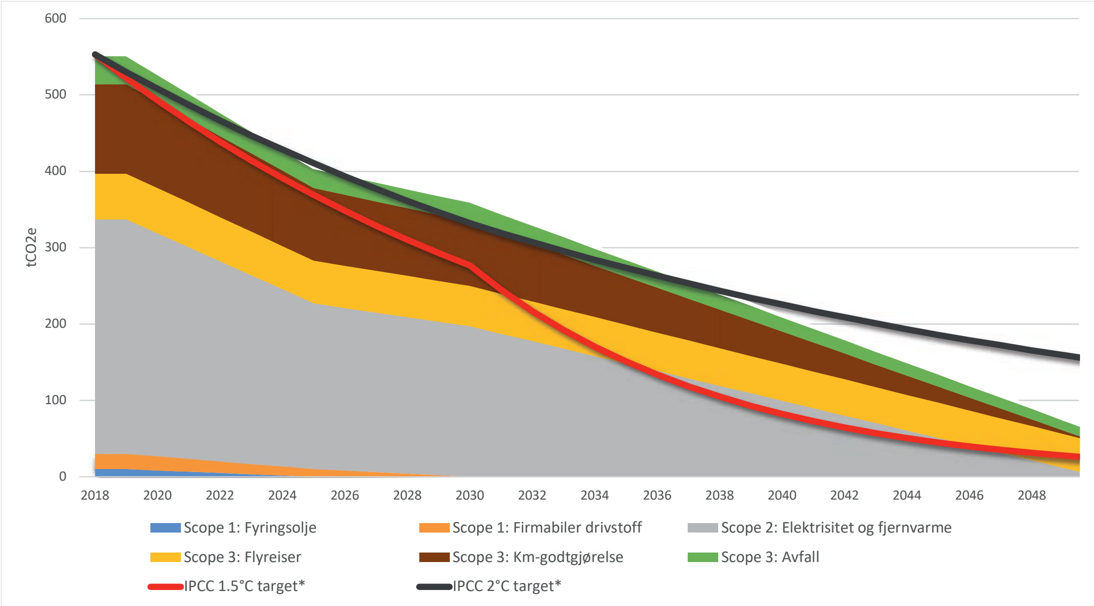
SpareBank 1 Østlandet: Science-based Climate Targets (2018-2050)



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Method and references for climate accounting using the GHG protocol

The GHG protocol was developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The analysis in this report was carried out according to "A Corporate Accounting and Reporting Standard Revised edition", one of four accounting standards under the GHG protocol. The standard includes the following greenhouse gases, which are converted into CO2 equivalents: CO2, CH4 (methane), N2O (nitrous oxide), SF6, HFK and PFK gases.

This analysis is based on the operational control aspect, which thus defines what should be included in the climate accounts of an organisation's assets, as well as the distribution between the various scopes. The method distinguishes between operational control and financial control. If the operational control method is used then emission sources that the organisation physically controls, but does not necessarily own, are included. Thus, you also do not report on sources of emission that you own but have no control over (e.g. it is the tenants who report the electricity consumption in scope 2, not the landlord).

The GHG protocol divides climate accounts into three scopes, which consist of both direct and indirect emission sources:

Scope 1 Mandatory reporting includes all emission sources related to fixed assets where the organisation has operational control. This includes all fossil fuel use for stationary or transportation needs (self-owned, leased or rented vehicles, oil boilers, etc.). Furthermore, any direct process emissions (of the six greenhouse gases) are included.

Scope 2: Mandatory reporting of indirect emissions related to purchased energy: electricity or district heating/cooling. For example, this applies to buildings you rent and do not necessarily own. The emission factors used in CEMAsys for electricity are based on national production mixes, the historical three-year rolling average (IEA Stat). The Nordic mix factor covers production in Sweden, Finland, Norway and Denmark and reflects the common Nordic market area (Nord Pool Spot). With regard to emission factors for district heating, either actual production mix based on information obtained from the individual manufacturer is used, or average mixes based on IEA statistics (see source reference).

In January 2015, the GHG Protocol's (2015) new guidelines for calculating emissions from electricity consumption were published. This opens up for two-part reporting of electricity consumption.

In practice, this means that companies reporting their greenhouse gas emissions should make visible both actual greenhouse gas emissions that come from electricity production and the market-based emissions associated with the purchase of guarantees of origin. The purpose of these changes is, on the one hand, to show the effect of energy efficiency and savings measures (physical), and on the other to show the effect of entering into renewable electricity through a guarantee of origin (market). This illustrates the effect of all measures that an enterprise can implement in connection with electricity consumption.

Physical perspective (location-based method): This emission factor is based on actual emissions associated with electricity generation within a specific area. Within this area, there are various energy producers who use a mix of energy carriers, where the fossil energy carriers (coal, gas and oil) lead to direct greenhouse gas emissions. These greenhouse gases are reflected through the emission factor and thus distributed to each individual consumer.

Market-based perspective: The emission factor calculation is based on whether or not the company chooses to purchase guarantees of origin. By purchasing guarantees of origin, the supplier documents that purchased electricity comes only from renewable sources, which gives an emission factor of 0 grams CO2e per kWh.

Electricity that is not linked to guarantees of origin will receive an emission factor based on the production remaining after the original guarantees of origin for the renewable share have been sold. This is called residual mix, and is usually significantly higher than the location-based factor.

Scope 3: Voluntary reporting of indirect emissions related to purchased goods or services. These are emissions that can be indirectly linked to the organisation's activities, but which take place outside their control (hence indirect). Typical scope 3 reporting will include flights, logistics/transport of goods, waste, consumption of various raw materials etc.

In general, climate accounting should include enough relevant information so that it can be used as a decision support tool for the company's executive management team. In order to achieve this, it is important to include the elements that are of economic relevance and weight, and which are possible to influence.

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Energy & Climate Accounts 2019

SpareBank 1 Østlandet

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 for SpareBank 1 Østlandet.

The information used in climate accounting originates from external and internal sources, and is converted to tonnes of CO2 equivalents. The analysis is based on the international "A 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.

Energy and climate accounts

Category	Explanation	Consumption	Unit	Energy (MWh)	Emissions (tCO2e)	Emissions (distribution)
Transport				*45.3*	*10.7*	*2.4%*
Diesel (B5)		-	litre	-	–	-
Petrol		1,474.0	litre	14.2	3.4	0.8%
Diesel (NO)		3 036.0	litre	31.1	7.3	1.6%
Stationary combustion				*-*	*-*	*-*
Light heating oil		-	litre	-	–	-
Scope 1 total				45.3	10.7	2.4%
*Electricity**				*5,481.3*	*213.8*	*47.6%*
Electricity Nordic mix		5,481,344.0	kWh	5,481.3	213.8	47.6%
District heating/cooling Nordic loc.				*1,747.0*	*22.2*	*5.0%*
District heating Oslo		332,294.0	kWh	332.3	5.0	1.1%
District heating Hamar		1,414,660.0	kWh	1,414.7	17.3	3.8%
District heating, general				*-*	*-*	*-*
Heat Bio 90		-	kWh	-	–	-
Scope 2 total				7,228.3	236.0	52.6%
Flights				*-*	*75.4*	*16.8%*
Continental/Nordic RF		172,177.0	Pkm	-	27.3	6.1%
Intercontinental, RF		63,078.0	Pkm	-	12.3	2.7%
Domestic, RF		140,454.0	Pkm	-	35.8	8.0%
Business trips				*-*	*101.9*	*22.7%*
Km car allowance (NO)		728,047.0	Km	-	101.9	22.7%
Km electric car allowance (NO)		-	Km	-	–	-
Waste				*-*	*24.1*	*5.4%*
Residual waste, combustion		44,813.0	Kg	-	22.5	5.0%
Paper waste, recycling		51,318.0	Kg	-	1.1	0.2%
Glass waste, recycling		1,474.0	Kg	-	–	-
Organic waste, recycling		17,350.0	Kg	-	0.4	0.1%
Plastic waste, recycling		1,532.0	kg	-	–	-
EE waste, recycling		3,471.0	kg	-	0.1	-
Special waste		914.0	kg	-	–	-
Paper				*-*	*-*	*-*
Paper, office		-	kg	-	–	-
Water consumption				*-*	*0.9*	*0.2%*
Water consumption		2,624.0	m3	-	0.9	0.2%
Scope 3 total				-	202.3	45.1%
Total				*7,273.6*	*449.0*	*100.0%*
Electricity market-based					*201.3*	
Scope 2 market-based					*223.5*	
Total market-based					*436.5*	

Energy and emission accounts

SpareBank 1 Østlandet had total greenhouse gas emissions of 449 tonnes of CO2 equivalents (tCO2e) in 2019. Greenhouse gas emissions had the following distribution:

Scope 1: 10.7 tCO2e (2.4%)
Scope 2: 236.0 tCO2e (52.6%)
Scope 3: 202.3 tCO2e (45.1%)

There was a total reduction of 103.9 tCO2e (-18.8%) emissions from 2018 to 2019, and the reduction included all three scopes.

Data basis

The energy and climate accounts are based on activity from the departments of Alvdal, Asker, Brumunddal, Elverum, Flisa, Fornebu, Gjøvik, Hamar Vest, Hamar (head office), Jessheim, Kongsvinger, Koppang, Lillehammer, Lillestrøm, Lørenskog, Løten, Majorstuen, Moelv, Oslo Sentrum, Rena, Sandvika, Ski, Skotterud, Stange, Trysil, Tveita, Tynset, Vika, Våler and Årnes. Data from these departments was first reported in the Environmental Lighthouse Portal and then extracted and used as the basis for the energy and climate accounts 2019.
However, the departments of Eidsvoll, Grorud, Kirkenær and Skarnes did not report data in the Environmental Lighthouse Portal and emissions from their activity are not included in the energy and climate accounts 2019.

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 21.7 per cent increase in the Bank's greenhouse gas emissions, which corresponded to 99 tCO2e from 2017 to 2018. 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.

KPI

The bank's KPIs are shown in the table *"Key figures - Energy and climate indicators"* on page 6. From 2018 to 2019, there has been a decrease in all KPIs excluding total kWh/m2 which had a minimal increase of 0.1%.
Energy consumption per area was 182.4 kWh/m2 and the total energy consumption was 7,228 MWh in 2019.

Scope 1

Transport: Actual consumption of fossil fuels in the company's vehicles (owned, rented, leased). Consumption of diesel and petrol resulted in total emissions of 10.7 tCO2e. Emissions from fossil fuels have been reduced by 45% from 2018 to 2019. Consumption of petrol was 4,478 litres in 2018 and 1,474 litres of petrol in 2019. For diesel, consumption was 3,594 litres in
2018 and 3,036 litres in 2019.

Stationary combustion: Consumption of heating oil. One building that previously had consumption of heating oil was sold in the latter half of 2019. There is no basis data for how much oil was consumed in the period leading up to the sale, and this is therefore not included in the energy and climate accounts. In 2018, however, emissions from combustion of heating oil were 10.3 tCO2e.

Scope 2

Electricity: Measured consumption of electricity in self-owned or rented premises/buildings. The table shows greenhouse gas emissions from electricity calculated with the location-based emission factor Nordic mix. Emissions from electricity consumption were 213.8 tCO2e in 2019 and emissions were reduced by 25.5% from 2018 to 2019. Consumption of electricity was
6,378 MWh in 2018 and 5,481 MWh in 2019.

One of the reasons for this decrease is because the emission factor Nordic mix was reduced by 13% since 2018, reflecting that electricity from sources with lower greenhouse gas emissions (such as hydropower compared to gas power) has been produced in 2019 compared to the previous year.

Electricity with a market-based factor is presented under the tables in this report. SpareBank 1 Østlandet bought guarantees of origin (GO) for 82% of its electricity consumption in 2019, which resulted in 0 tCO2e in emissions. For the remaining electricity consumption of 18%, the market-based factor Nordic residual mix was used, and this consumption resulted in 201.3 tCO2e emissions. The practice of presenting emissions from electricity consumption with two equal emission factors is further explained under Scope 2 under the *"Method and References"* on page 7.

District heating: Use of district heating in owned/rented buildings. Total emissions from district heating in 2019 were 22.2 tCO2e. Emissions from district heating have increased by 10% from 2018 to 2019. Consumption of district heating has increased from 911 MWh in 2018 to 1,747 MWh in 2019. One of the reasons for the increased emissions may have been partly due to a fault in the basis data for 2018 in which district heating for the Fornebu department was under-reported by mistake. Furthermore, the emission factor for district heating location Hamar has also increased by 28.4% from 2018 to 2019, while the emission factor for location Oslo was unchanged during the same period.

Scope 3

Flights: Measured in passenger kilometres travelled (pkm) per region. Flights resulted in greenhouse gas emissions of 75.4 tCO2e
and accounted for 16.6% of total greenhouse gas emissions from the bank. SpareBank 1 Østlandet travelled 230,587 pkm in 2018 and 375,709 pkm in 2019 by air. Emissions from flights therefore increased by 25% from 2018 to 2019. The emission factors for flights were reduced by 2.5%, 8% and 14.6% respectively for the "Continental/Nordic, RF", "Intercontinental, RF" and "Domestic, RF" factors, respectively.

Km allowance: In 2019, km allowances were granted for 728,047 km. This resulted in 101.9 tCO2e emissions in 2019. In 2018, km allowances were granted for 864,554 km. Compared to 2018, emissions have been reduced by 12.9%.

Waste: Reported waste in kg distributed by various waste fractions, as well as method of treatment (recycled, energy recovered, deposited). Emissions from waste were 24.1 tCO2e and accounted for 5.3% of the total emissions. Emissions from waste were almost the same as in 2018. The basis data for waste for Easter Norway locations was estimated on the basis of waste data from SpareBank 1 Østlandet's department at Youngstorget in Oslo, where the bank has good control over the amount and type of waste. For the Hedmark locations, only data on waste from SpareBank 1 Hamar head office was reported.

Water consumption: The head office in Hamar reported a water consumption of 2,624 m3, which resulted in greenhouse gas emissions of 0.9 tCO2e in 2019. Water consumption has not been reported in previous years.

Annual report - climate accounting (tCO2e)

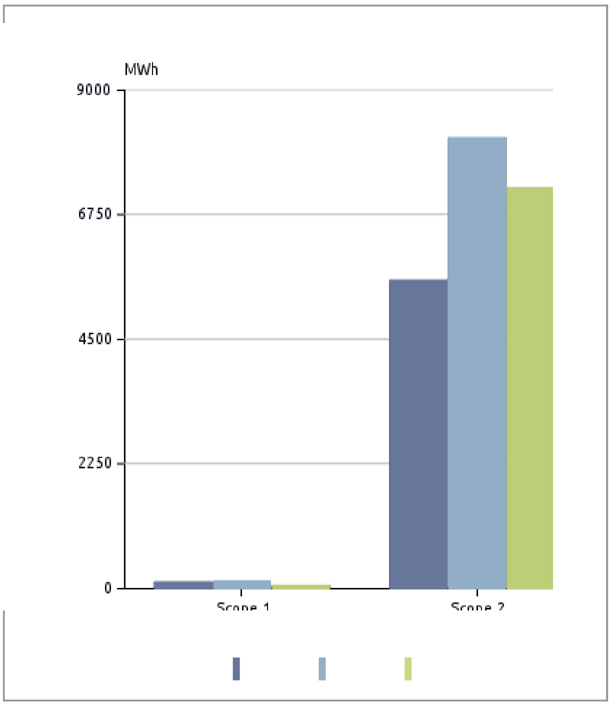
Category	Explanation	2017	2018	2019	% change from the previous year
Stationary combustion					-
Light heating oil		10.3	10.3	-	-100.0%
Transport					-
Diesel (B5)		9.4	9.2	-	-100.0%
Diesel (NO)				7.3	100.0%
Petrol		5.7	10.3	3.4	-66.9%
Scope 1 Emissions		25.4	29.8	10.7	-64.2%
District heating/cooling Nordic loc.					-
District heating Hamar		7.6	8.1	17.3	113.4%
District heating Oslo			0.9	5.0	462.5%
*Electricity**					-
Electricity Nordic mix		203.6	287.0	213.8	-25.5%
District heating, general					-
Heat Bio 90		11.1	11.1	-	-100.0%
Scope 2 Emissions		222.3	307.1	236.0	-23.1%
Flights					-
Continental/Nordic RF		7.4	9.0	27.3	203.1%
Domestic, RF				35.8	100.0%
Intercontinental, RF		6.2	4.3	12.3	187.9%
Nordic, RF		43.7	46.3		-100.0%
Waste					-
Glass waste, recycling		-	–	–	-
Hazardous waste, recycled			0.1		-100.0%
Organic waste, recycling		0.4	0.2	0.4	61.6%
Paper waste, recycling		0.8	1.7	1.1	-35.2%
Plastic waste, recycling		0.1	-	–	-
Special waste				-	-
Residual waste, combustion		19.4	22.5	22.5	0.1%
EE waste, recycling		0.1	0.1	0.1	-7.5%
Wood waste, recycling			-		-
Business trips					-
Km car allowance (NO)		112.8	117.0	101.9	-12.9%
Km electric car allowance (NO)		-	0.2	-	-100.0%
Paper					-
Paper, office		15.7	14.7	-	-100.0%
Water consumption					-
Water consumption				0.9	100.0%
Scope 3 Emissions		206.6	216.0	202.3	-6.3%
Total		454.3	552.9	449.0	-18.8%
Percentage change			*21.7%*	*-18.8%*	

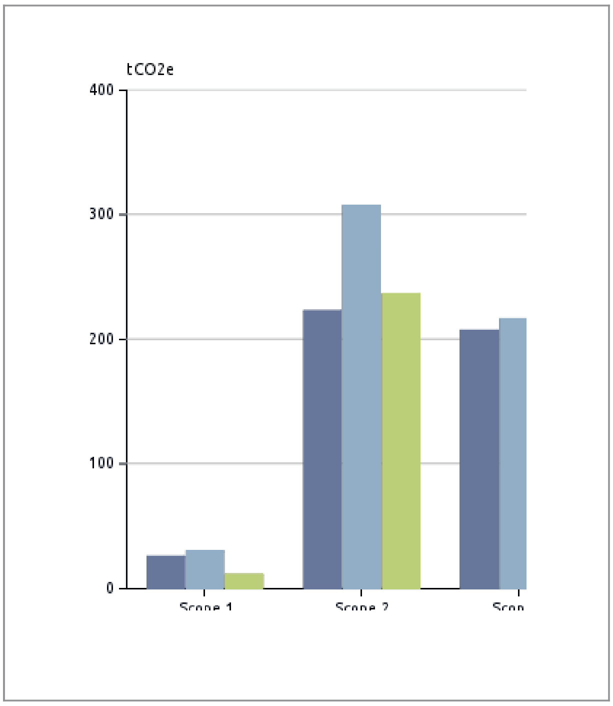
Market-based GHG emissions summary

Category	*Unit*	*2017*	*2018*	*2019*
Electricity market-based	*tCO2e*		*370.8*	*201.3*
Scope 2 market-based	*tCO2e*	*18.6*	*390.9*	*223.5*
Total market-based	*tCO2e*	*250.7*	*636.7*	*436.5*
Percentage change			*154%*	*-31.4%*

Key figures - Energy and climate indicators

Total kWh/m2		168	1		0.1%
Scope 1 + 2 emissions (tCO2e)		247	3		-26.8%





Method and references

The GHG protocol was developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The analysis in this report was carried out according to "A Corporate Accounting and Reporting Standard Revised edition", one of four accounting standards under the GHG protocol. The standard includes the following greenhouse gases, which are converted into CO_2 equivalents: CO_2, CH_4 (methane), N_2O (nitrous oxide), SF_6, HFK and PFK gases.

This analysis is based on the operational control aspect, which thus defines what should be included in the climate accounts of an organisation's assets, as well as the distribution between the various scopes. The method distinguishes between operational control and financial control. If the operational control method is used then emission sources that the organization physically controls, but does not necessarily own, are included. Thus, you also do not report on sources of emission that you own but have no control over (e.g. it is the tenants who report the electricity consumption in scope 2, not the landlord).

The climate accounts are divided into three scopes, which consist of both direct and indirect emission sources.

Scope 1 Mandatory reporting includes all emission sources related to fixed assets where the organisation has operational control. This includes all fossil fuel use for stationary or transportation needs (self-owned, leased or rented vehicles, oil boilers, etc.). Furthermore, any direct process emissions (of the six greenhouse gases) are included.

Scope 2 Mandatory reporting of indirect emissions related to purchased energy: electricity or district heating/cooling. For example, this applies to buildings you rent and do not necessarily own. The emission factors used in CEMAsys for electricity are based on national production mixes, the historical three-year rolling average (IEA Stat). The Nordic mix factor covers production in Sweden, Finland, Norway and Denmark and reflects the common Nordic market area (Nord Pool Spot). With regard to emission factors for district heating, either actual production mix based on information obtained from the individual manufacturer is used, or average mixes based on IEA statistics (see source reference).

In January 2015, the GHG Protocol's (2015) new guidelines for calculating emissions from electricity consumption were published. This opens up for two-part reporting of electricity consumption.

In practice, this means that companies reporting their greenhouse gas emissions should make visible both actual greenhouse gas emissions that come from electricity production and the market-based emissions associated with the purchase of guarantees of origin.
The purpose of these changes is, on the one hand, to show the effect of energy efficiency and savings measures (physical), and on the other to show the effect of entering into renewable electricity through a guarantee of origin (market). This illustrates the effect of all measures that an enterprise can implement in connection with electricity consumption.

Physical perspective (location-based method): This emission factor is based on actual emissions associated with electricity generation within a specific area. Within this area, there are various energy producers who use a mix of energy carriers, where the fossil energy carriers (coal, gas, oil) lead to direct greenhouse gas emissions. These greenhouse gases are reflected through the emission factor and thus distributed to each individual consumer.

Market-based perspective: The emission factor calculation is based on whether or not the company chooses to purchase guarantees of origin. By purchasing guarantees of origin, the supplier documents that purchased electricity comes only from renewable sources, which gives an emission factor of 0 grams CO_2e per kWh.

Electricity that is not linked to guarantees of origin will receive an emission factor based on the production remaining after the original guarantees of origin for the renewable share have been sold. This is called *residual mix*, and is usually significantly higher than the location-based factor.

Scope 3 Voluntary reporting of indirect emissions related to purchased goods or services. These are emissions that can be indirectly linked to the organisation's activities, but which take place outside their control (hence indirect). Typical scope 3 reporting will include flights, logistics/transport of goods, waste, consumption of various raw materials etc.

In general, climate accounting should include enough relevant information so that it can be used as a decision support tool for the company's executive management team. In order to achieve this, it is important to include the elements that are of economic relevance and weight, and which are possible to influence.

References:

Department for Business, Energy & Industrial Strategy (2019). Government emission conversion factors for greenhouse gas company reporting (DEFRA)

IEA (2019). CO2 emission from fuel combustion, International Energy Agency (IEA), Paris.

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AIB, RE-DISS (2019). Reliable disclosure systems for Europe – Phase 2: European residual mixes.

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WBCSD/WRI (2011). Corporate value chain (Scope 3) accounting and reporting standard: Supplement to the GHG Protocol corporate accounting and reporting standard. World Business Council on Sustainable Development (WBCSD), Geneva, Switzerland /World Resource Institute (WRI), Washington DC, USA, 149 pp.

WBCSD/WRI (2015). GHG protocol Scope 2 guidance: An amendment to the GHG protocol corporate standard. World Business Council on Sustainable Development (WBCSD), Geneva, Switzerland /World Resource Institute (WRI), Washington DC, USA, 117 pp.

The reference list above is not complete, but contains the main references used in CEMAsys. In addition, there will be a number of local/national sources that can be relevant, depending on the emission factors use

Climate risk – reporting in line with the Task Force on Climate Related Financial Disclosure (TCFD)

Stakeholders	Arena for dialogue	Most important topics for stakeholders	Measures associated with topics
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
a) Describe the board's oversight of climate-related risks and opportunities: The Board discussed climate risk on several occasions in 2019: - Comprehensive ESG assessment of the Bank, including climate risk. - Climate risk assessment of the most important industries in the credit portfolio. - Description of how scenario analyses will be introduced in the Bank in order to improve the management of climate risk among customers. - The work on reporting CO2, GHG and our environmental leadership work. - Guidelines and action plan for the climate and climate risk.	**a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term:** In 2019, the Bank conducted several overarching ESG analyses of risk and opportunity. The climate is an area where we lacked information to produce a better picture of both risk and opportunity. Based on the available information we have identified that we are exposed to climate risk mainly through lending to the corporate market. This is primarily in the medium and long term, but also to some extent in the shorter term. In our analysis of in which industries we have the greatest climate-related risk and opportunities, we have identified that we have a high risk, but also a lot of leeway for having a positive impact, in our two largest industries, real estate and agriculture. So far we have assessed the physical climate risk in our buildings and operations to be limited, but are focusing on climate adaptation where necessary.	**a) Describe the organisation's processes for identifying and assessing climate-related risks:** At an overarching level and operational risk: We carry out an annual overarching ESG analysis of the Bank, which includes climate risk. In 2019, all of the Bank's key business areas took part in the assessment. The potential ESG risks were identified and systematised in advance by a special working group. Areas with a high risk are subsequently followed up with measures. In the loan portfolio: The Risk and Compliance Department has, in cooperation with the head of sustainability, carried out an overarching risk analysis of the physical climate risk and transitional risk for the industries in our loan portfolio. The categorisation was made based on a double-digit NACE code. This has provided us with a preliminary overview of climate risk. We assess both physical climate risk and transitional risk. Within transitional risk, we assess political and legal risk, reputational risk, market risk and climate-driven technological innovation. We arrive at the climate risk by assessing likelihood, vulnerability and exposure. Our exposure is spread across a limited geographic area. We have used the Norwegian Centre for Climate Services' assessment of physical climate risk in the analysis. We have chosen to involve customer advisers in the next round of risk analyses. In connection with this, more thorough scenario analyses were made within the agriculture and real estate portfolios. This is both to disseminate knowledge to the advisers and to ensure that those with first-hand knowledge about the customer will contribute their knowledge to the analysis. At a customer level: The dialogue on climate risk with customers has begun, especially in the two largest industries, agriculture and real estate.	**a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process:** For a complete overview of our measures and goals within climate risk, see: The guidelines and action plan for climate and climate risk, under the tab *Corporate social responsibility and sustainability* under the area *About us* on our website, sb1ostlandet.no. The goal of the Group is to be climate neutral in line with the Paris Agreement, and we have set Science Based Targets for this. We depend on input factors that so far so not produce zero emissions; we will become climate neutral by purchasing quotas before 2021. Quotas are not included in calculations for our Science Based Targets up to 2030 and 2050. We use the Eco-Lighthouse environmental management system as a tool and our environmental certification is verified externally. We will implement the banking criteria that were launched in 2019 for granting credit, financing, bonds, savings products/investing the customers' deposits and management of the organisation's own funds. We will report on these criteria from and including the annual report for 2020.

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Stakeholders	Arena for dialogue	Most important topics for stakeholders	Measures associated with topics
		We carry out a due diligence assessment when granting loans to companies in these industries. In these we also assess the customer's climate risk, for example how the customer has prepared for stricter regulations and changes in consumer behaviour. In the fourth quarter of 2019, this work was expanded to cover all industries. In the assessment of the market and liquidity risk: **The Bank has made a general assessment of ESG risk, and the overall risk in the portfolio is considered low. Assessments are also made to determine which issues are most relevant to the overall risk profile.** New products/services: The Bank has implemented a policy for new and revised products, solutions and processes. The routines require assessments of ESG factors, with climate an important one, prior to the launch of new products, processes and services. This applies to both self-developed products and also products the Bank gets from SpareBank 1 Utvikling.	We are developing calculation methods for emissions in our loan portfolio (Scope 3). A preliminary calculation has been published in this annual report, although we recognise that the method is inadequate and that we do not have sufficient data at an industry and enterprise level to make a satisfactory calculation. We will continue to work on this in cooperation with other banks, including in working groups in UNEP FI. The scenario analyses that have been carried out at an industry level were created in partnership with the Centre for International Climate and Environmental Research (CICERO). We are also involved in the CICERO project, Sustainable Edge. The goal is to ensure that the financial services sector receives better information about climate risk in the companies in which we invest. The project is developing a practical tool for investors and lenders that enables us to analyse climate risk and the extent to which the companies we invest in are contributing to the transition to the low-emission society. The tool is close to completion. The cooperation with CICERO has also helped provide us with an overview of climate-related risks and opportunities in some of the industries we lend to. This is combined with our own analyses. The analysis is at the double-digit NACE code level.
b) Describe management's role in assessing and managing climate-related risks and opportunities: Responsibility for incorporating climate risk lies with the Chief Risk Officer (CRO), in collaboration with Sustainability and Corporate Market. The executive management team has defined the overarching ambitions and is monitoring the work closely. They discussed the theme in several meetings in 2019. All board matters are discussed by the executive management group, and climate and climate risk have been part of various other cases.	**b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning:** One of the Sustainable Development Goals SpareBank 1 Østlandet has chosen, is Sustainable Development Goal 13 regarding climate action. The work is strategically anchored in a number of guidelines, including in the General Guidelines for Corporate Social Responsibility and Sustainability, General Guidelines for Corporate Social Responsibility and Sustainability (Policy Document) – Nature, Agriculture and the Environment and the guidelines for the specific business areas. In 2019, all of the commitments within climate and climate risk were collated in the guidelines and action plan for climate and climate risk. These describe how the Bank manages the climate challenge, risks and opportunities, see *Corporate social responsibility and sustainability/ About us* on sb1ostlandet.no.	**b) Describe the organisation's processes for managing climate-related risks:** For managing credit risk: When granting loans, companies are asked industry-specific questions about how they approach climate risk, both physical and restructuring risk. In addition, the corporate market, in cooperation with the head of sustainability, has looked at which industries are most CO2 intensive. This overview is used to see which industries will see the biggest changes in the future and where the greatest restructuring risk exists. We will also set and publish sector-specific, scenario-based goals for portfolio prioritisation due to climate risk. The Bank offers green mortgages and green agriculture loans, which we believe will help mitigate risk in the current loan portfolios in the long term. For managing market and liquidity risk: Corporate social responsibility and sustainability guidelines have been developed for liquidity management. In addition, this is described in guidelines for investments, with ESG frameworks for the purchase of securities. Climate risk is part of both, although the theme will probably be strengthened going forward as a result of climate risk becoming more important, the information improving and our receipt of more data at the sector and business level.	**b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:** Scope 1, Scope 2 and Scope 3, excluding the loan and funds portfolio, as well as emissions from our suppliers: See the Bank's energy and climate accounts in the appendix: *Further facts about SpareBank 1 Østlandet's sustainability work*, page xx. For Scope 3, a preliminary calculation has been carried out for the loan portfolio, see the annual report page xx. Because we do not manage our own funds but instead act as intermediaries for funds from other providers, we have so far not calculated the emissions in our funds portfolio. Nor have we calculated emissions at our other providers, because this is not a particularly significant area for us.

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Stakeholders	Arena for dialogue	Most important topics for stakeholders	Measures associated with topics
	We were the first Norwegian bank to sign up to the UN's Environment Programme's six Principles For Responsible Banking. We have also signed the UNEP FI's climate commitments as part of this initiative. In the Bank's action plan for climate and climate risk, we show how we are delivering and continuing to work on this. SpareBank 1 Østlandet will work together with the industry to follow up the recommendations in Roadmap for Green Competitiveness in the Financial Sector, which was launched in June 2018. We have set the targets in the roadmap in our own action plan for and will strive to deliver on the recommendations during this strategy period, i.e. 9 years before the milestone in the roadmap, which is 2030. A group has been established to work on climate risk with representatives from Credit, Risk Management and Sustainability.	Operational risk: Operational events are recorded throughout the year and followed up in the Bank's incident database to ensure lessons are learned. The Bank is a registered Eco-Lighthouse and produces its own climate accounts. Together, this means that the Bank believes it has control over its climate-related operational risk. Business practice risk: The Bank follows up of adverse incidents in the area of ESG each quarter as an integral part of managing business practice risk and monitoring the defined risk tolerance for business practice risk.	
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario: Work on the scenario analyses has started. So far we have used simple scenarios, one with high restructuring risk and low physical climate risk, and one with low restructuring risk and high physical climate risk, RCP 2.6 and RCP 6. RCP stands for Representative Concentration Pathway and is a designation used by the IPCC to specify greenhouse gas concentrations. RCP 2.6 has relatively high restructuring risk and relatively low climate risk. RCP 6 has relatively high physical climate risk and relatively low restructuring risk. Overall, our market area has relatively low physical climate risk from an international perspective. Our portfolio also has a relatively low carbon footprint. Our analysis tells us that, among other things, an RCP 2.6 scenario results in a high risk in our loan portfolio due to high restructuring risk in our industries. RCP 6 results in an especially high risk in the agriculture sector due to physical climate change. Because we have the greatest risk and the greatest potential within real estate and agriculture, more thorough scenario analyses will be conducted in these sectors. The analysis will be conducted in a collaboration between Sustainability, Credit and Risk Management and Compliance. The customer account managers will be involved in the analysis processes. The analysis will be conducted in the first quarter of 2020.	**c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management:** The climate has been integrated into the organisation's governing documents in the risk area and in all other relevant areas. Responsibility for climate risk lies with the Chief Risk Officer (CRO), in collaboration with Sustainability and Corporate Market. Climate is integrated into our annual overall ESG risk assessment. We are in a dialogue with subsidiaries and portfolios about climate risk, for example non-life insurance and funds portfolios. Therefore, in our opinion, the processes for identifying, assessing, and managing climate-related risks are well integrated into the organisation's overall risk management, although we will continue to focus on this going forward. We consider this to be a key area of our risk management. We are therefore focusing on the theme and dedicating resources to follow it up. Climate risk will be a theme in more specialist seminars for risk management and compliance in 2020.	**c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets:** See the guidelines and action plan for climate and climate risk, under the tab Corporate social responsibility and sustainability under the area *About us* on our website, sb1ostlandet.no.

Appendix to chapter 4.1

Responsible lending

In 2019, we implemented our guidelines for corporate social responsibility and sustainability in lending processes.

We do not grant loans to businesses that:

- Driver extraction of, 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).
- We currently do not lend to businesses that engage in the production of fossil fuels. No do we have any ambition to do so.
- 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 relating to documentation of the real rights holders and the origin of funds necessary for establishing a customer relationship.

We encourage customers to:

- Establish targets for energy efficiency and reduction of greenhouse gases.
- Work on reducing pollution and contribute to good routines for waste management and recycling.
- Use renewable energy where appropriate.

We also expect our customers to:

- Have a clear awareness of climate risk and are focused on reducing their negative impact on the climate and environment.
- Businesses prevent negative consequences for local areas that are registered on the list of UNESCO's World Heritage Sites, wetlands registered in the Ramsar Convention or vulnerable natural areas/ protected areas registered by the International Union for Conservation of Nature (IUCN).
- Companies that operate in areas with endangered plant- and animal species, including animal species registered on IUCN's list of endangered species, take these into account and minimise encroachment in nature.
- Respect the United Nations Convention on Employee- and Human Rights and ensure that they do not contribute to violating these.
- Respect the ILO Conventions, which establish the minimum of rights to be respected in the workplace. These are divided into the following four main categories: banning child labour, freedom of association, banning discrimination and banning forced labour.
- Safeguard the rights of individuals in war or conflict situations.
- Our expectations and suggestions relating to these.
- Have zero tolerance for corruption and economic crime in its own business and the companies they interact with.
- In the event of suspected corruption, contribute to full transparency on the part of the company and assist in investigating the situation.
- Institute active corporate governance where they have proprietary positions.
- Document that they follow up on issues that are in conflict with the expectations and requirements of our corporate social responsibility and sustainability guidelines.

The following themes are covered in the due diligence assessments (example):

General under-standing	General understanding of the risk of human rights violations, environmental challenges or corruption risk in own industry and business.
	Risk in input factors or suppliers/supply chain.
Environmental and climate risk (the environ-ment)	Environmental certification and environmental management system.
	Measures to cut greenhouse gas emissions.
	Measures to cut energy consumption.
	Energy labelling (construction).
	Risk of natural disasters: How the project impacts vulnerable ecosystems.
	Familiarity with, and any measures implemented from, the industry's roadmap.
	Climate risk: How the project has been adapted for climate change and changing framework conditions. More specific questions here for agriculture.
	Environmentally certified input factors (e.g. construction materials).

Social/human rights risk (social)	The company's familiarity with industry risk related to human rights, workplace crime, e.g. social dumping.
	The extent to which the company has relevant guidelines.
	Acts and regulations regarding health, safety and the environment (HSE).
Finances/ governance risk (governance)	The company's familiarity with industry risk related to econo-mic crime such as corruption, money laundering and bribery.
	The extent to which the company has relevant guidelines and/ or routines.
	Separate form for anti-money laundering due to the anti-money laundering regulations.
Other	Other measures that have a positive impact on the environment or social or economic conditions.
	Other things that indicate the company is involved in harming/ having a negative impact on the environment or social/ economic conditions?

SpareBank 1 Østlandet's specific goals and measures within the environment and climate for sustainable credit and customers establishments

In the *Action Plan for Climate and Climate Risk* (shown below), reference is made to where this can be found in the Sustainability Strategy 2019-2021 *(SS)*, adopted by the Board on 27 June 2019, the Sustainability Action Plan *(SAP)*, adopted by the executive management team on 3 June 2019 (internal), the Roadmap for Green Competitiveness in the Financial Sector *(RGC)*, the UNEP FI's six climate commitments for banks*(UNEP FI)*, and the guidelines for CM *(CM guidelines)* and RM *(RM guidelines)*.

Area	Scope	Goal	Action	Department responsible	CO2 effect
Sustainable granting of credit and establish-ment of customer relationships (SS 2.2)	3	Work continuously towards a sustainable credit portfolio. (SS, 2.2) Help ensure our customers have a conscious relation-ship to sustainability and climate risk, and expect them to take an active approach to their own practice in this area (SS, 2.2).	**From our guidelines:** • Conduct a dialogue and work with our customers on the necessary changes. (UNEP FI 2, RM and CM guidelines) • We expect our customers to have a clear awareness of climate risk and are focused on reducing their negative impact on the climate and environment. (CM guidelines) • We encourage customers to set energy efficiency goals and reduce greenhouse gases, work to reduce pollution and contribute to good waste management and recycling procedures and use renewable energy where appropriate. (CM guidelines) • We do not grant loans to enterprises that carry out extraction of or power production based on coal or tar sands, or use timber obtained from organisations that perform illegal logging, sell ille-gally felled timber or engage in deforestation and/or destroy tropical rainforests, remove primary forest or protected forests (High Conservation Value Forests). (CM guidelines) • We currently do not lend to businesses that engage in the production of fossil fuels. No do we have any ambition to do so. (CM guidelines) **From our Action plan:** • We have implemented absolute requirements, both in the establishment of customer relationships and the credit process. (SAP 2.2.5, CM) • We conduct due diligence in connection with establishing customer relationships, to reduce the risk of negative impact on the environment and climate. (SAP 2.2.4, CM) • We conduct due diligence on our corporate customers, to reduce the risk of negative impact on the environment and climate. (SAP 2.2.1, CM) This involves certification, energy consumption, energy labelling, impact on vulnerable ecosystems such as wetlands, roadmap measures, climate adaptation and certified input factors. • We include climate as part of the credit process. (SAP 2.2.2, CM and RGC) • We set climate requirements for loans for housing and commercial buildings. (SAP 2.2.3, CM and RGC) • We measure (estimate) carbon-related credit exposure. (SAP 2.2.7, CM and RGC) • We offer several green products to corporate market customers, which stimulate sustainable change. (SAP 1.2.1, CM) • We offer good advice and sell good products and solutions that result in the smallest possible environmental footprint for customers, the community and the Bank. (SAP 1.2.2, RM) • At the latest by the end of 2022 (3 years after signing), we will set and publish sector-specific, scenario-based goals for portfolio prioritisation. (UNEP FI)	CM, RM and Risk/Compliance	Significant

Appendix to chapter 4.1

Industry-by-industry calculation of carbon-related credit exposure

Business	Total lending to business in Norway (NOK millions)[1]	CM portfolio's share of total lending in Norway	Total emissions to air (1,000 tonnes CO2 equivalents) [1]	Emission intensity: tonnes CO2 equivalents per NOK million in loans	CM portfolio's estimated emissions (1,000 tonnes of CO2 equivalents)
Sale and operation of property*	720,844	2.3%	430*	0.60	9.9
Development of construction projects**	117,017	4.4%	1,299**	11.10	57.6
Agriculture and associated services	61,270	8.4 %	4,876	79.58	410.7
Forestry and associated services	4,603	25.2%	39	8.47	9.8
Professional and financial services	80,138	4.7%	–	–	–
Wholesale and retail, motor vehicle repair	83,388	2.0%	972	11.66	19.6
Industry***	62,232	2.6%	2,746***	44.13	70.1
Other building and construction**	59,495	1.8%	661**	11.10	12.2
Other service activities	69,066	1.3%	477	6.91	6.3
Accommodation and food service activities	15,130	3.9%	136	8.99	5.3
Other transport and storage****	87,125	0.6%	3,004****	34.48	17.4
Electricity, gas, steam and air conditioning supply	42,733	0.4%	1,840	43.06	8.2
Information and communication	22,866	0.7%	61	2.67	0.4
Total	**1,681,579**	**2.4%**	**16,541**	**9.84**	**627.6**

1) Source: Statistics Norway - table 08116, table 09288

Method:
The calculation is based on how large a proportion of lending by Norwegian banks and financial institutions the Bank accounts for in the individual industries. This proportion is then multiplied by the total emissions (CO2 equivalents) from the individual industry.

Assumptions:
The individual industry's borrowing needs are equally distributed across the country. The individual industry's emissions intensity is equally distributed across the country. Therefore, the model does not take account of regional differences with respect to borrowing needs and emissions intensity. The Bank may be both under-represented and overrepresented in some industries.

Application of results:
The model provides a rough estimate of carbon-related credit exposure and carbon intensity in the industries the Bank lends to. The method is not precise enough to be used as a basis for comparisons with other banks.

Clarifications regarding industry distribution:
Extraction of crude oil and natural gas with associated services, air freight and international shipping have been excluded since the Bank has no exposure to these industries.

* Sale and operation of property: includes emissions from heating of commercial property.

** Development of construction projects/other building and construction: emissions related to building and construction are distributed to these industries by lending volume.

***Industry: oil refining and metal production have been excluded since the Bank has no exposure to these industries.

**** Other transport and storage: domestic shipping has been excluded since the Bank has no exposure to this industry.

Appendix to chapter 4.1

Responsible lending within liquidity management

Why is this a key theme for the Bank?

As part of its liquidity management, SpareBank 1 Østlandet has a portfolio of liquid securities with a high credit quality. The Bank has implemented social and sustainability assessments in its liquidity management in order to evaluate and minimise the risk of the liquidity portfolio conflicting with the Bank's guidelines for corporate social responsibility and sustainability.

The CFO bears overall responsibility and the finance manager is responsible for operationalising the Group's liquidity management.

What did we achieve in 2019?

The Bank has carried out a general assessment of the risk of issuers in the portfolio's investment universe breaching the Group's guidelines for corporate social responsibility and sustainability. Overall, the risk of the portfolio breaching these is considered low.

While the investment framework is relatively broad the vast majority of the portfolio is classified as 'low/moderate' risk. The entire investment universe of current investments is subject to risk assessments. All new investments are assessed and followed up annually. Assessments are also made of which topics are the most relevant in the overall risk picture associated with corporate social responsibility and sustainability.

In early 2019, the Bank initiated a number of meetings with Swedbank in connection with a money laundering case. Swedbank has subsequently communicated that they have addressed the matter, and implemented organisational and structural changes. We consider this sufficient at this time.

What remains to be done in the strategy period and from a longer term perspective?

The entire liquidity portfolio will continue to be assessed annually and deviations will be followed up. During the strategy period, we will seek to strengthen the method for social and sustainability assessments, especially in relation to climate risk.

Training

Any employee who is involved in any way with the Bank's liquidity management must be familiar with the Bank's strategy for corporate social responsibility and sustainability and regularly review the guidelines for this area. All employees received training in sustainability in 2019.

Strategic anchoring and goals for the area
Important guidelines: Corporate Social Responsibility and Sustainability Strategy, General Guidelines for Corporate Social Responsibility and Sustainability, and Guidelines for Corporate Social Responsibility and Sustainability in Liquidity Management.

Goals from our action plan: The entire liquidity portfolio undergoes an ESG assessment each year, deviations are followed up. (2.2.11 target).

GRI indicators: FS10 and F11. Training: 404-2,3

SDG: 12.6, 13.3, 15a, 16.4 and 16.5.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Appendix to chapter 4.4

Requirements for providers of financial services

Requirements for other suppliers

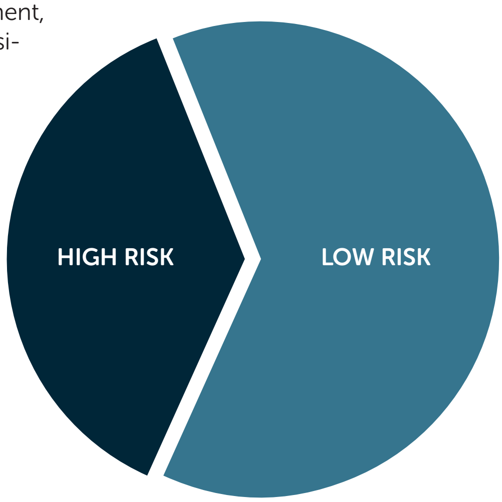
The SpareBank 1-alliance is a significant buyer of goods and services via agreements made on behalf of alliance banks, including SpareBank 1 Østlandet. The Bank also has eight local agreements. Both new and existing agreements are assessed based on the suppliers' approach to the environment, social conditions and ethical business practice. We require them to have guidelines for sustainability and for these to be translated these into action.

Following up suppliers

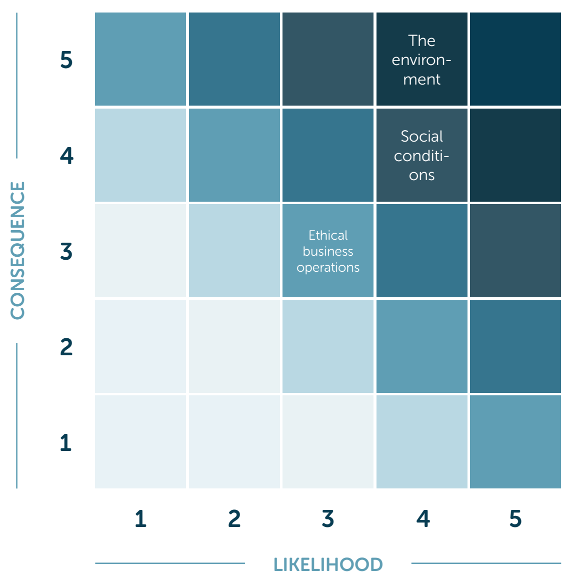
SpareBank 1 Utvikling has agreements with 249 suppliers. A tool has been developed for risk assessing the suppliers' negative impact on the environment, social conditions and ethical business practice. Based on the assessment, suppliers are followed up if they have an increased risk of having a negative impact and to ensure that they take a systematic approach to sustainability. This applies to both existing and new suppliers. Where we find conditions inadequate, we initiate a dialogue with the supplier to ensure that our requirements are met.

Risk assessments of existing suppliers

249 suppliers distributed by the risk of having a negative impact of the environment, social conditions and ethical business practice. 91 suppliers are considered to have a higher risk. These will be followed up more closely. The other 158 are considered to have a low risk and there is little need for follow-up.



RISK MATRIX



Risk assessment

Suppliers' risk of having a negative impact on:

- The environment
- Social conditions
- Ethical business practice

Suppliers are assessed according to the risk matrix and placed in risk classes (see below). Suppliers who score higher than a given risk are followed up. The matrix is a discretionary starting point, where, for example, individual elements with a high risk and the delivery's financial value may indicate a changed assessment.

Risk classes and follow-up

Average score from risk matrix	Supplier risk class	Follow-up of supplier
1-4	Class 1 – acceptable	No follow-up.
5-10	Class 2 – must be considered	See below
11-25	Class 3 - unacceptable without measures being assessed	Suppliers in classes 2 and 3 must be followed up more closely.

Activity plan for sustainability in purchasing

Goals for 2019	Result 2019	Goals for 2020	Goals for 2021-2023
• Establish guidelines and routines for sustainability in purchasing.	• Guidelines and routines are in place. • Follow-up of suppliers' guidelines and practical work on sustainability has commenced.	• Complete the follow-up of the suppliers from 2019. • Based on the follow-up of suppliers, identity suppliers and categories requiring further follow-up.	• Evaluate and further develop the work on sustainability in purchasing. • Improve systems and follow-up of suppliers.

In the first half of 2020, we will complete the follow-up of the 91 existing suppliers. Those who do not meet our requirements will be given a deadline by which they must do so. In the second half of 2020, we will, based on the follow-up of suppliers, identity individual suppliers and categories requiring further follow-up. The suppliers' knowledge about the risk of negative impacts on the environment and social conditions in their own operations and supply chain will be a key factor.

Creating together

SpareBank 1 Østlandet is a modern, digital bank with a 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.

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