



Investor Presentation

Second quarter 2019

SpareBank 1 Østlandet – Where we are

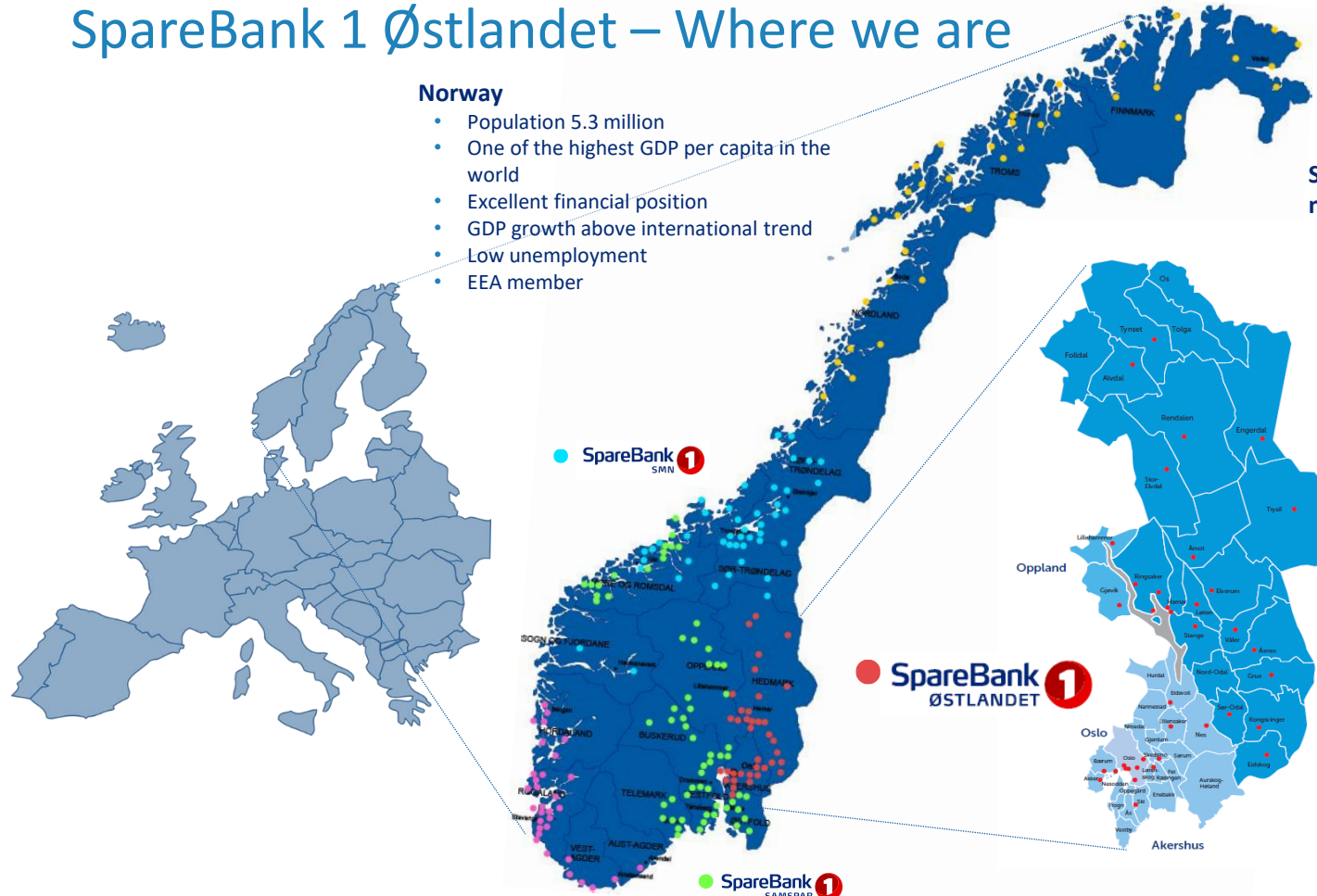
Norway

- Population 5.3 million
- One of the highest GDP per capita in the world
- Excellent financial position
- GDP growth above international trend
- Low unemployment
- EEA member



SpareBank 1 Østlandet's home market

- Population 1.7 million
- The fastest growing region of Norway for both population and job creation
- Low unemployment and high economic activity
- Market leader in the Inland region, challenger in the Capital region
- 343,000 customers



Executive summary



SpareBank 1 Østlandet

- Norway's fourth largest savings bank
- The best capitalised regional savings bank in Norway - CET1 16.9 %, Capital ratio of 19.1 %, Leverage ratio 7.3 %
- Low risk bank book with a 74% retail share
- Diversified income stream
- Long history of solid returns and profits. Stable low loan losses over time.
- Largest owner of SPABOL, The SpareBank 1 Alliance's covered bond issuer

Funding and rating

- Rated A1 (stable outlook) by Moody's
- Deposit coverage ratio 76.1 %
- Liquidity coverage ratio (LCR) 170.7 %
- Access to covered bond financing through SpareBank 1 Boligkreditt (SPABOL)

Norwegian economy

- One of the highest GDP per capita in the world
- Excellent financial position with large budget surplus and the sovereign wealth fund accounting for almost three times GDP

Home market

- The fastest growing region of Norway for both population and job creation
- Low unemployment and high economic activity
- Market leader in the Inland region, challenger in the Capital region

Transaction rationale

The Bank's ambitions have implications for our funding strategy

SpareBank 1 Østlandet" (SPOLNO) has mandated BayernLB, Commerzbank, Goldman Sachs International and Nordea to organize a series of pan-European investor meetings commencing on Wednesday 18th September. A EUR 500mn (no grow) RegS senior preferred transaction, expected to be rated A1 (Moody`s) with a 5yr maturity will follow, subject to market conditions.

MIFID II Target Market: Manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients only. (all distribution channels).

Screen announcement 16 September 2019

- The Bank's revised business strategy has implications for the funding strategy going forward
- Deposits are and will continue to be the Bank's most important funding source
- The Bank exclusively uses SPABOL for covered bond funding
- Senior unsecured in NOK will still be the most important source for senior funding
- **Senior unsecured in EUR will be important going forward**
 - The inaugural EUR 500 million senior unsecured was very well received by the market
 - In addition the Bank has high activity in EUR private placements
 - Planning at least one EUR benchmark issue per year going forward

Content





Introduction to SpareBank 1 Østlandet

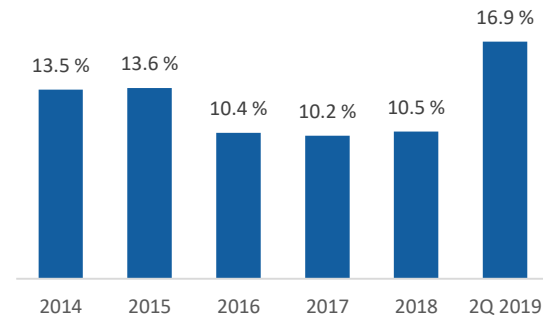
Business overview

SpareBank 1 Østlandet at a glance

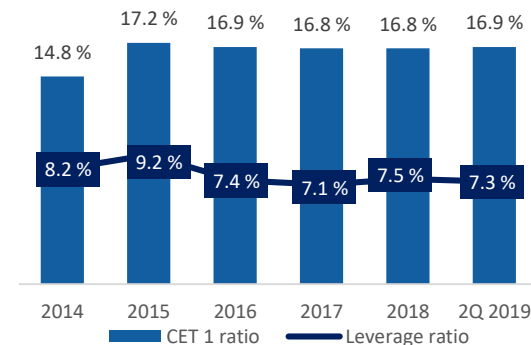
Highlights

- Established in 1845 – known as Sparebanken Hedmark (“SBHE”) until 1 April 2017.
- Norway’s fourth largest savings bank – total adjusted assets (incl. cov. bonds) of approx. NOK 174 bn as of 2Q-19.
- Operations in Hedmark, Oppland, Oslo and Akershus – a market with more than 1.7 million inhabitants.
- Head office in Hamar (90 minute drive north of Oslo) – 37 bank branches and 1,130 FTEs as of 2Q-19.
- 343,000 customers – retail share of total lending 74%.
- Diversified product offering – provides banking, leasing, accounting and real estate brokerage services.
- Part of the SpareBank 1 Alliance – owns 12.4% of SpareBank 1 Gruppen AS.

Return on Equity (ROE) (%)



CET 1 ratio & Leverage ratio (%)



Diversified main activities

Several sources of income - parent bank, subsidiaries and other ownership interests

Operational divisions*

	Retail Segment
	Corporate Segment
	Organisations & Capital Markets
	Administration & Support

Selected key subsidiaries

100%	EiendomsMegler 1 Innlandet AS <i>Real estate agent</i>
100%	EiendomsMegler 1 Oslo Akershus AS <i>Real estate agent</i>
95%	SpareBank 1 Finans Østlandet AS <i>Financing/Leasing</i>
~71%	SpareBank 1 Østlandet VIT AS <i>Accounting/financial advisory</i>

Selected other ownership interests

~25%	Totens Sparebank <i>Savings bank</i>
~24%	KOMM-IN AS <i>Local venture capital</i>
9.99 %	BN Bank ASA <i>Commercial bank</i>
100%	Youngstorget 5 AS <i>Real estate SPV</i>
100%	Vato AS <i>Property management</i>

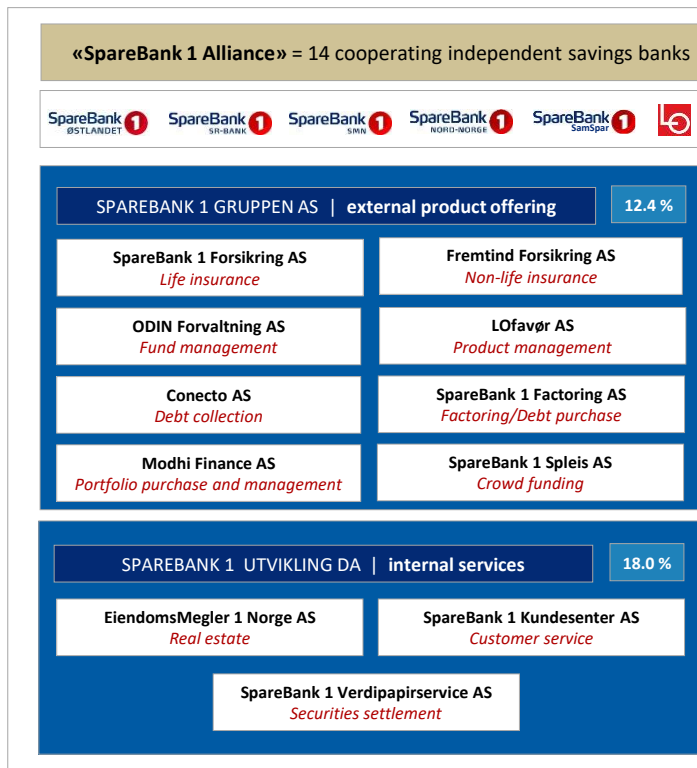
Part of the SpareBank 1 Alliance

Provides operational and financial economies of scale as well as diversified product offering

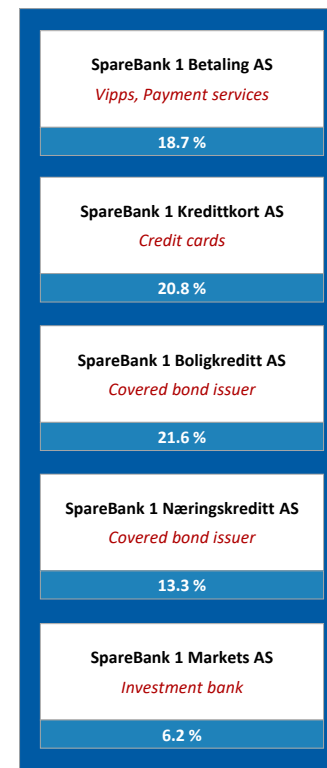
Key comments

- Total number of branches: 301
- Total number of FTEs: 6,000
- 14 independent Savings Banks
 - 6 listed equity capital certificate (ECC) banks
 - 1 public listed ordinary share bank (SR-Bank)
 - 7 traditional Savings Banks with ECCs
- The SpareBank 1 Alliance is Norway's second largest* financial group in terms of total assets.
- The SpareBank 1 Alliance was created in 1996 to strengthen each local bank's competitiveness, profitability and solvency, as well as to ensure each bank's future independence and regional ties.

Key joint ventures

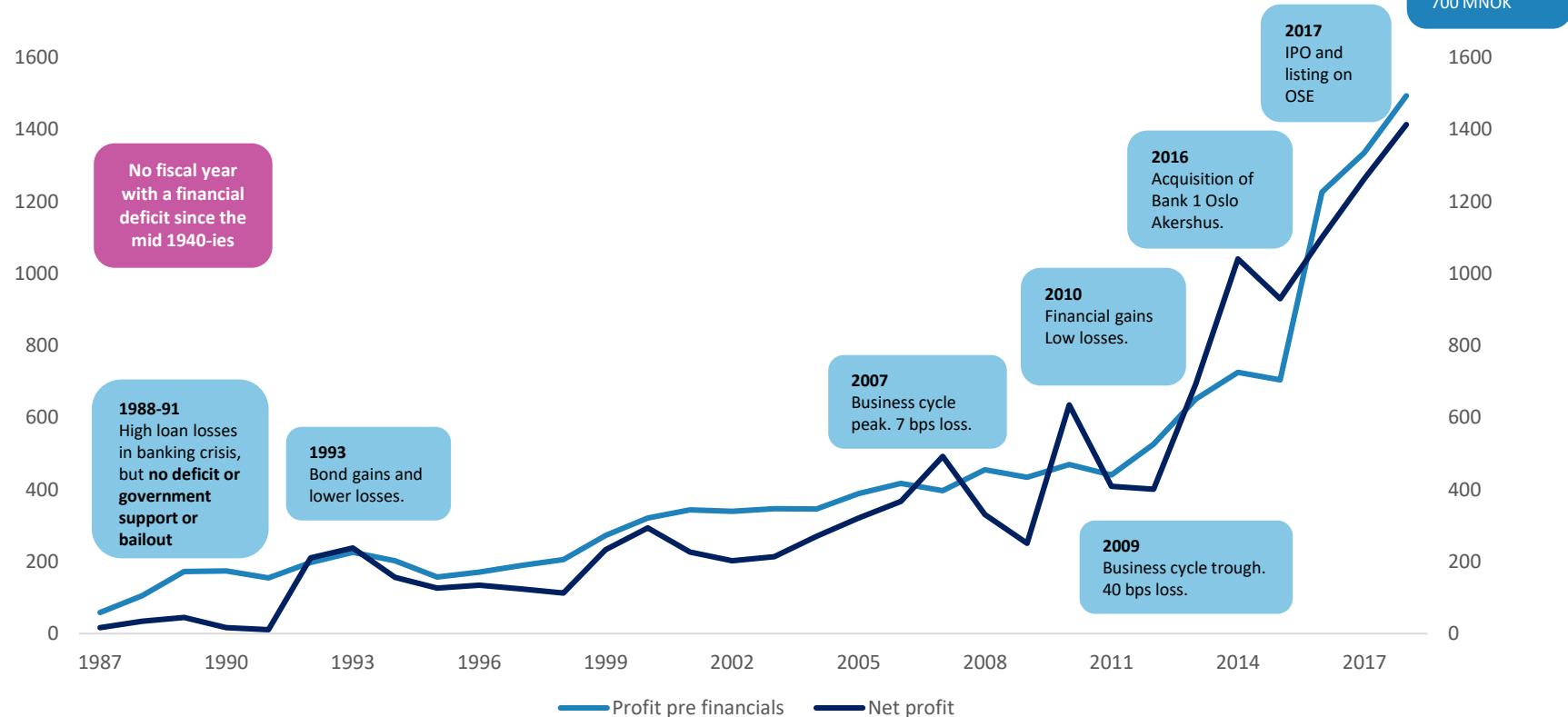


Key associated companies



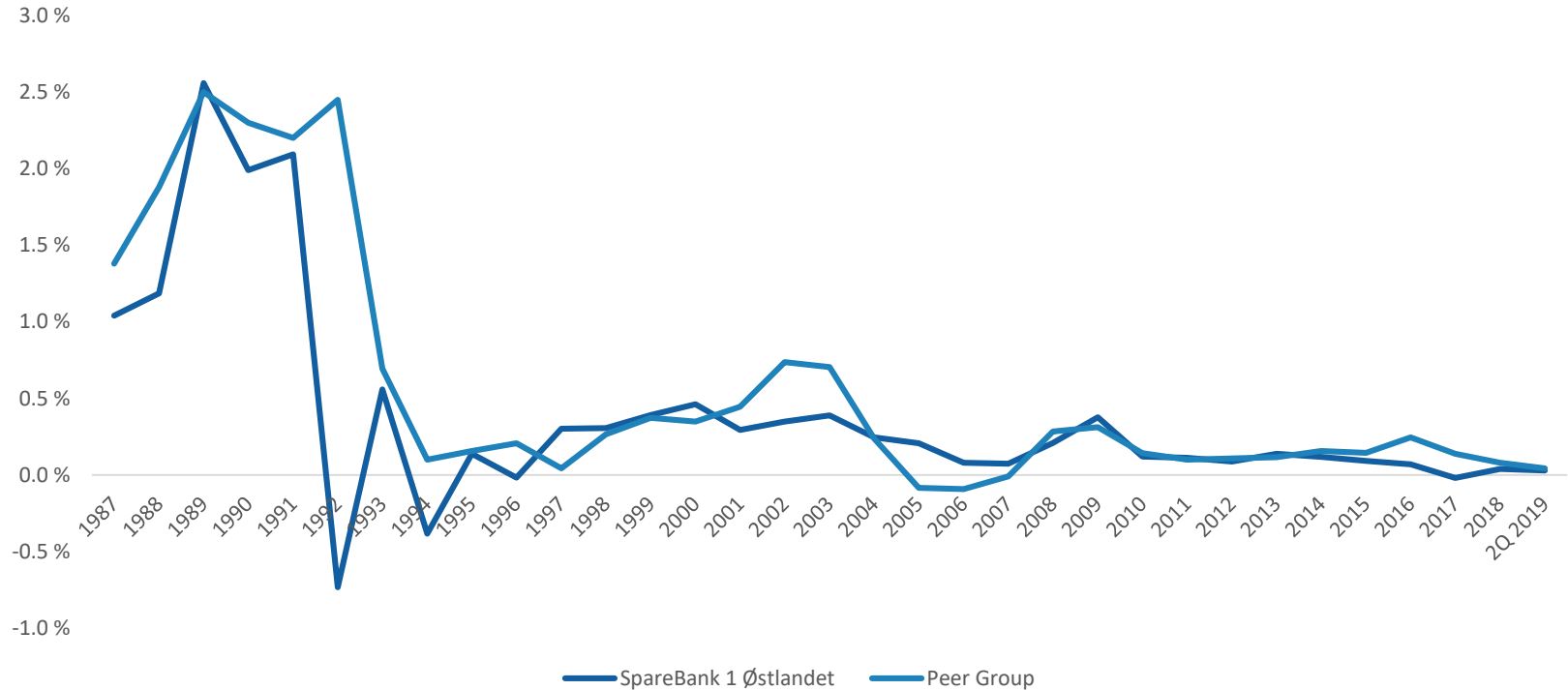
The Bank has a history of increasing profits

Net profit and profit pre-financials and loan losses (NOK million)



Long history of low loan losses

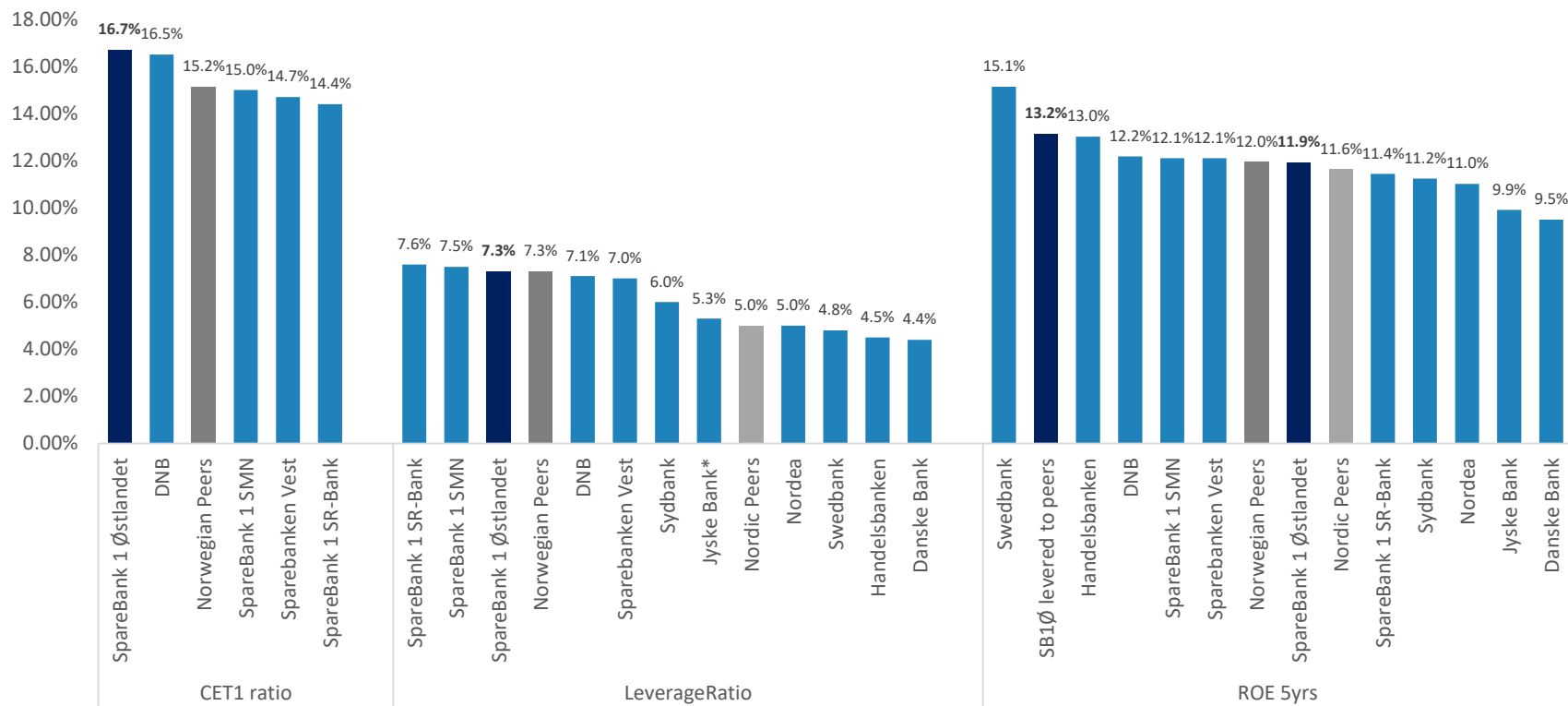
Net loan losses as percentage of total lending*



Source: Bank reports and SpareBank 1 Markets 2Q 2019. Peers: NONG, SRBANK, MING, MORG, SVEG
(*) Included loans transferred to covered bond companies

Higher capitalization and solid returns

SpareBank 1 Østlandet versus Norwegian and Nordic peers



The financial accounts show significant improvements from last year

(Last year's figures in brackets)

Extraordinary high profit

Pre-tax profit in 2Q-19 isolated NOK 471 million (NOK 416 million).
Pre-tax profit in 1H-19 NOK 1,227 million (NOK 730 million).

Return on equity

ROE in 2Q-19 at 12.8% (12.9%).
ROE in 1H-19 at 16.9% (11.4%).

Solid capitalization

CET 1 ratio 16.7 % (16.1 %).
Leverage ratio at 7.3 % (7.3 %).

Dampened lending growth

Lending growth of 6.5 % (8.9 %) (incl. covered bond companies) last 12 months.

Strong deposit growth

Deposit growth of 9.5 % (6.0 %) last 12 months.

Reversal on loan losses

Impairments on loans and guarantees NOK 8 million in 2Q-19.
Impairments on loans and guarantees in 1H-19 NOK -25 million (NOK 12 million).



The bank and the market area

Lillestrøm and Romerike is a region of strong growth, both when it comes to population and creation of new jobs. SpareBank 1 Østlandet has a strong presence.

Our market position gives ample opportunities to grow the bank

By the end of 2021 – our strategy pillars



We are the third largest savings bank in Norway.



We have one of the most attractive equity certificates on Oslo Stock Exchange.



We have differentiated ourselves from the main competition and have increased our market share.



We have made banking easy for our customers and employees.



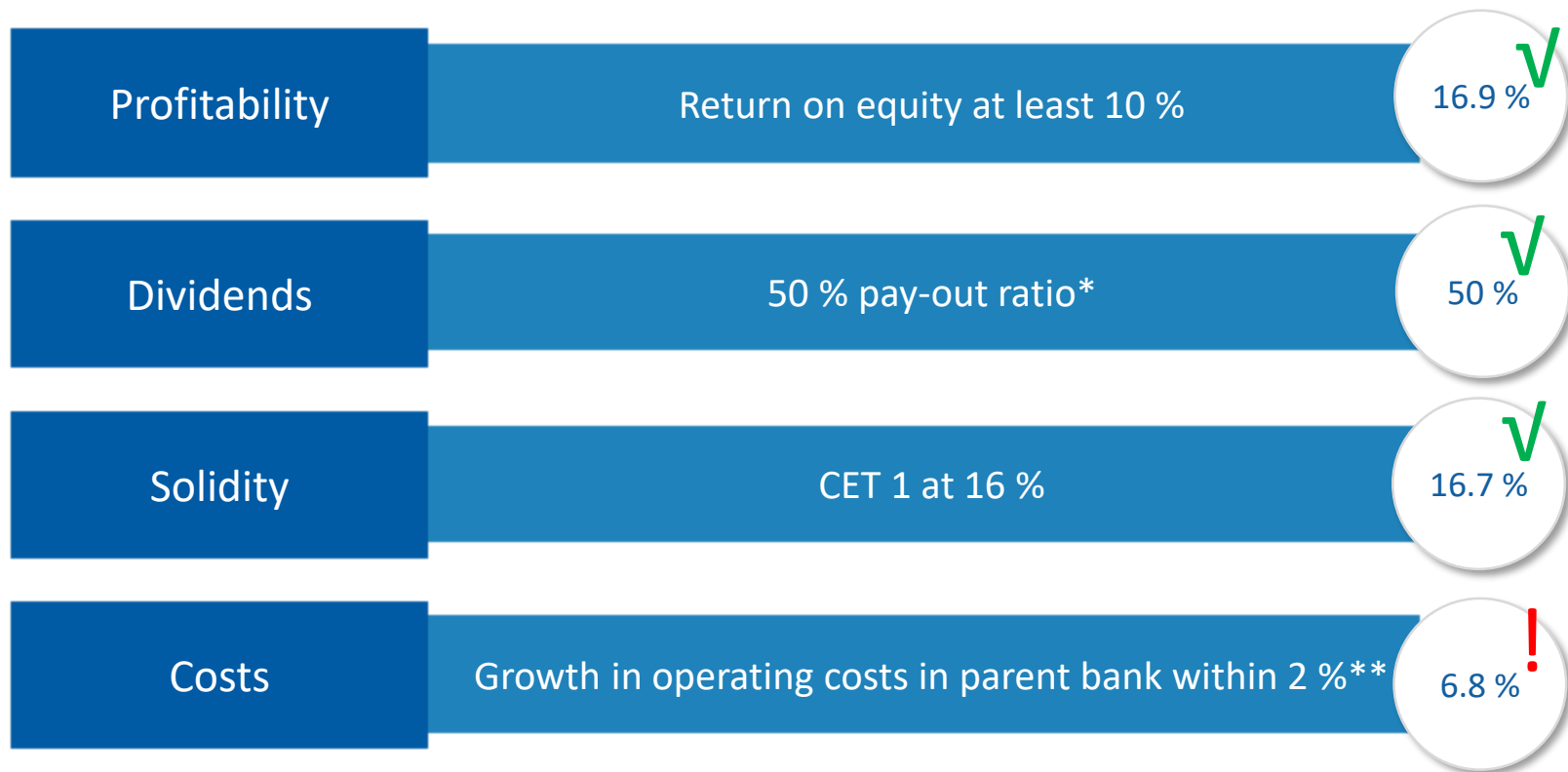
Best at cross-sales in the alliance and have utilised the profitable potential in the Group.



We have established ourselves as a bank with a distinct ESG profile.

High profitability in 1H-19, but also high growth in operating costs

Financial targets 2019 and actual performance



Solid position and growth opportunities

Market leader in Hedmark, market challenger in other counties

Hedmark

Population	197, 571
Market share* RM	49 %
Market share CM	45 %
Position	market leader
Unemployment	2.1 %

Oppland

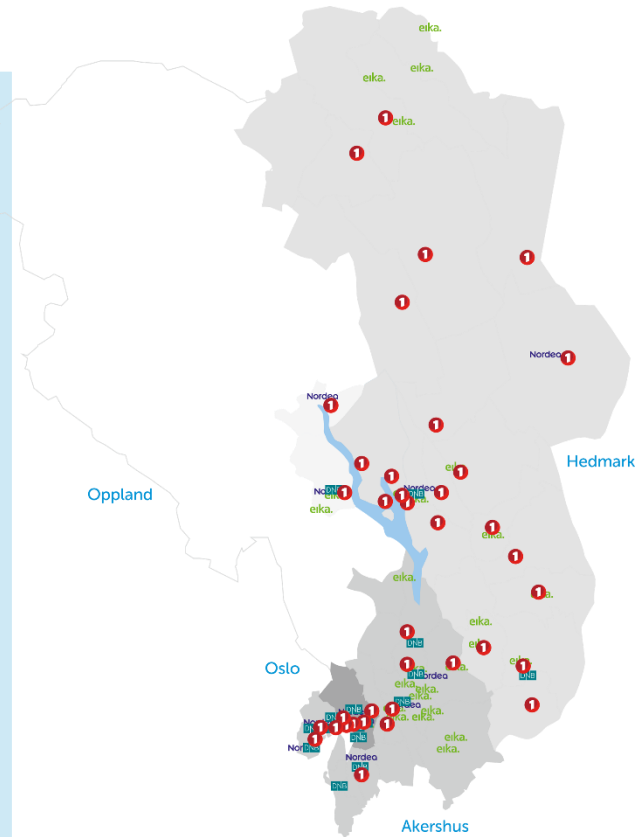
Population	189,343
Market share RM	4 %
Market share CM	8 %
Position	challenger
Unemployment	1.8 %

Oslo

Population	685,811
Market share RM	11 %
Market share CM	2 %
Position	challenger
Unemployment	2.7 %

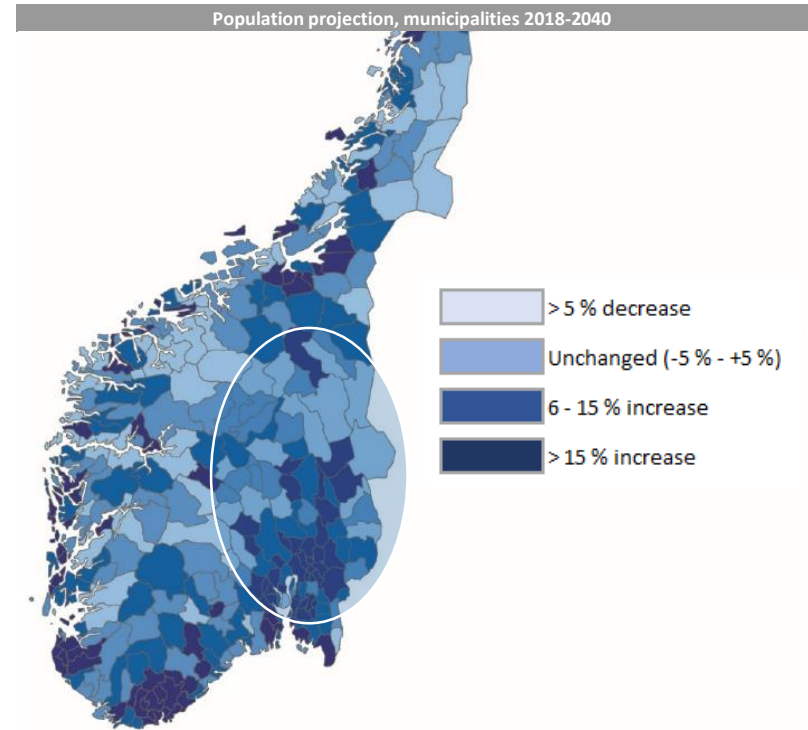
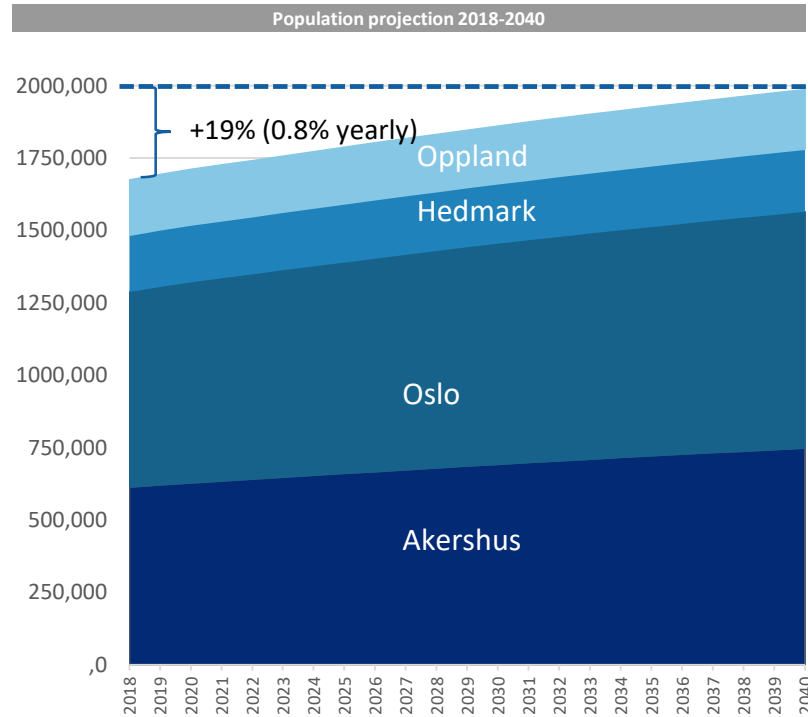
Akershus

Population	628,746
Market share RM	7 %
Market share CM	4 %
Position	challenger
Unemployment	2.0 %



A market area with long term growth potential

Considerable population growth in the Greater Capital Area



The bank is strengthening its ESG focus

Obtaining a distinct ESG profile is a cornerstone of our business strategy



- SpareBank 1 Østlandet has signed up for the United Nations Global Compact**

 - Ensures all 10 principles of sustainability are integrated in day-to-day operations
 - The bank is since 2017 reporting ESG performance according to the GRI reporting standard *)
- The SpareBank 1 Alliance is a member of the Norwegian Green Building Council**

 - The Norwegian Green Building Council, a part of the World Green Building Council, was established in 2010 to drive sustainability in the Norwegian built environment, primarily through the introduction of environmental rating tools
- SpareBank 1 Østlandet established a CSR strategy in 2014**

 - The CSR strategy has since been expanded to cover all relevant aspects of the bank's ESG initiatives, including credit policies, investment policies, HR policies, procurement policies and so on.
- The SpareBank 1 Alliance's asset manager and insurance company are guided by sustainability in their investments**

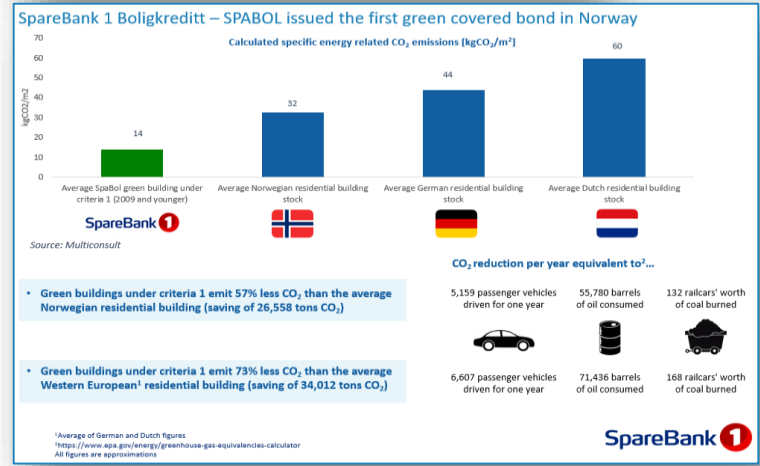
 - The SpareBank 1 asset manager ODIN is a signatory of the UN PRI – principles for responsible investments
 - SpareBank 1 insurance integrated ESG factors in its investments and is in the process of evaluating international initiatives to sign up to. Nearly all external fund managers for the insurance company are UN PRI signatories
- SpareBank 1 Østlandet's branch offices are certified as 'Eco-lighthouses' in Norway**

 - This is an initiative where over 5400 Norwegian companies, public institutions and other organizations have become certified and follow certain industry specific rules and principles to reduce their environmental impact.
 - The EU recognized Norway's Eco-lighthouse arrangement in December 2017, meaning it complies with the eco-management and audit scheme (EMAS) in the European Union.

SpareBank 1 Østlandet introduced a «green mortgage» in 2017

- Increase energy efficiency in existing buildings
- Complete refurbishments of older buildings
- Construct new passive houses

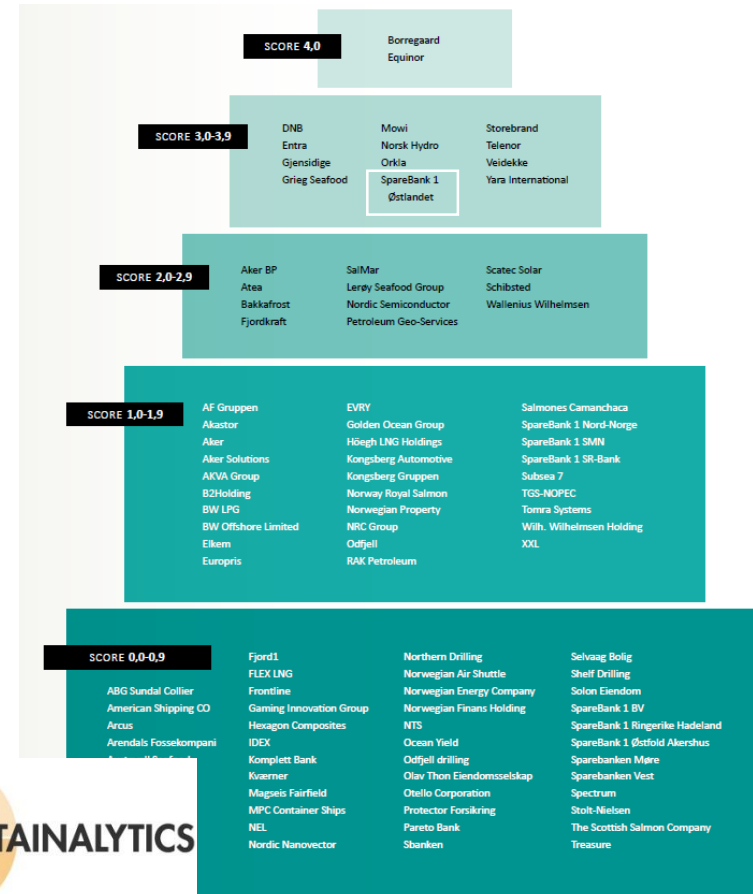
Terms: 0% - year 1 (money market rate is 0,8%, normal mortgage rate 2,50%)
0,5% - year 2, increasing 0,5% annually to maximum 1,5%



The strategic focus on ESG bears fruit

SpareBank 1 Østlandet receives solid ESG ratings

- In the survey “Sustainable Brand Index 2019”, customers named SpareBank 1 Norway’s most sustainable banks.
- In 1Q-19, the Bank received its first ESG rating from Sustainalytics. Sustainalytics rates SpareBank 1 Østlandet as one of the best among Norwegian savings banks according to their ESG framework.
- In 2Q-19, the bank received an “A” ESG-rating from MSCI.
- SpareBank 1 Østlandet is climbing on the ranking from Fair Finance Guide Norway , and is now among the highest ranked regional savings banks.
- The Governance Group scores SpareBank 1 Østlandet among the top companies on Oslo Stock Exchange when it comes to ESG reporting.



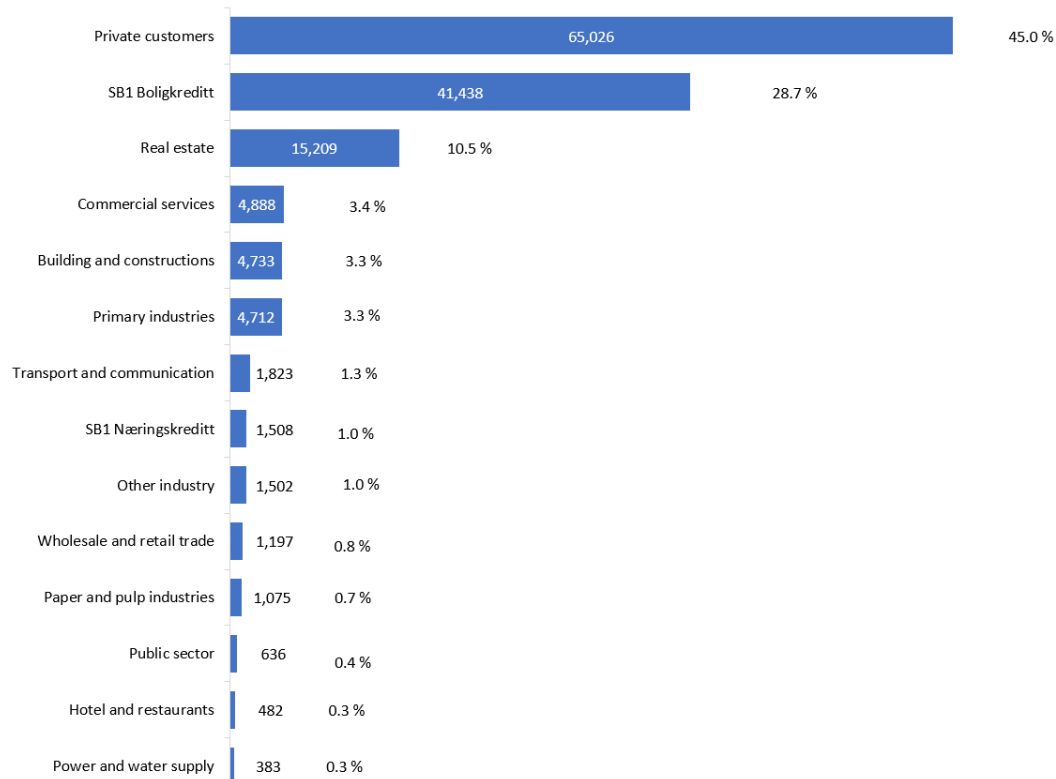


Oslo Airport, centrally located in the bank's market area, is one of several large infrastructure investments ongoing in the region.

Asset quality,
rating and
funding plans

Loan book dominated by retail and SME lending

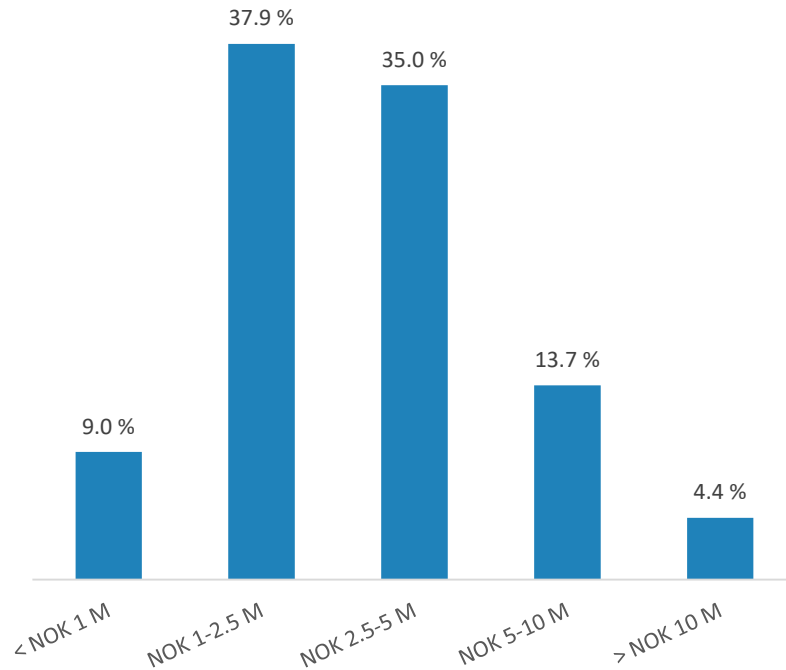
Lending to customers per sector (NOK million and %)



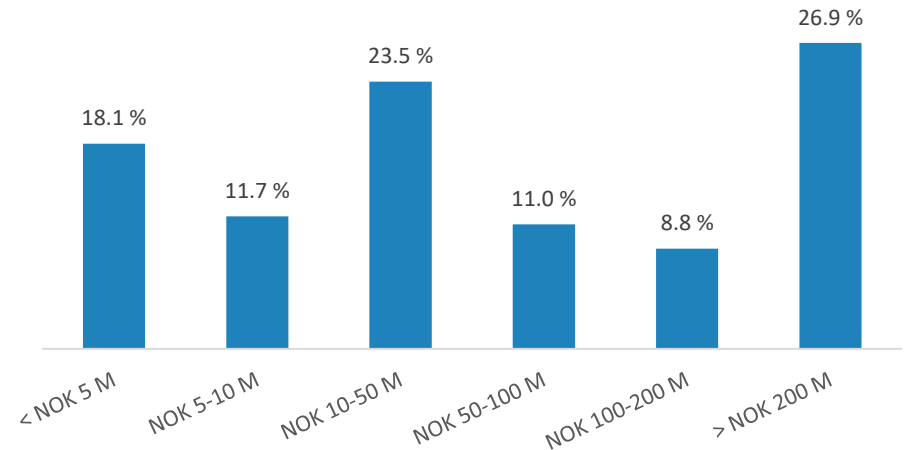
The concentration risk is low

Retail and corporate loans by size (% share)*

Retail market

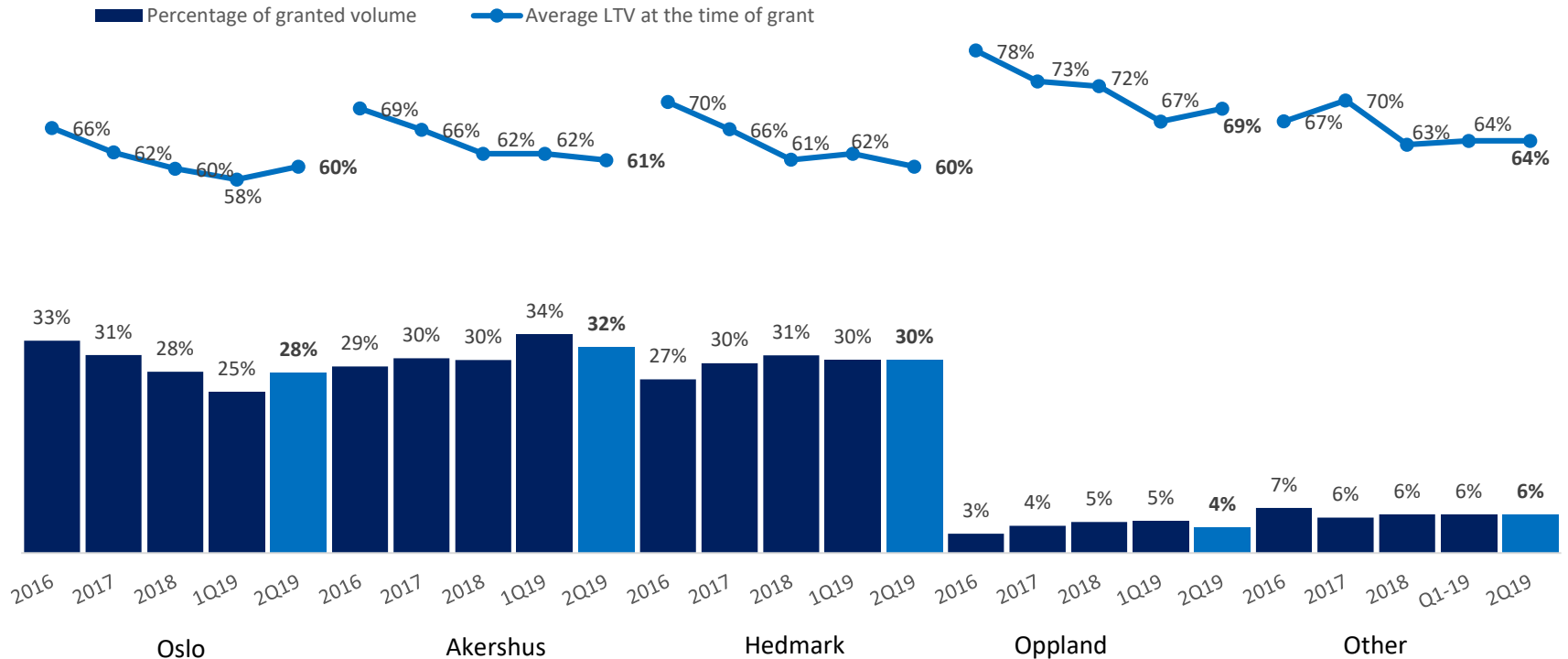


Corporate market



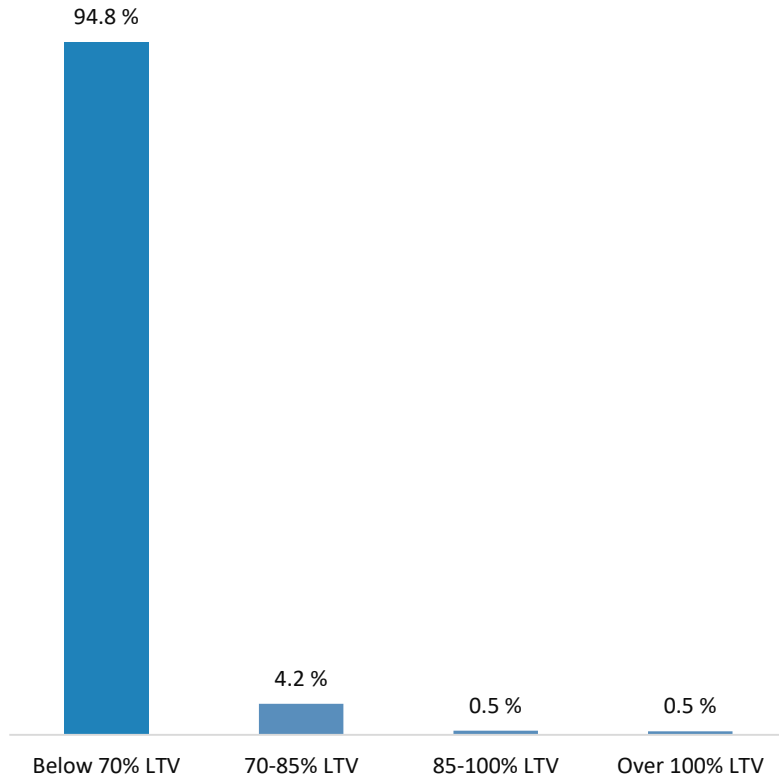
High quality credit process leads to low and stable LTV

Percentage of granted mortgages and average LTV per period and county



Mortgage regulation – The Bank is utilising the flexibility quota

Exposure per LTV bucket in the residential mortgage portfolio



Mortgages - Utilisation of flexibility quota in 2Q-2019:

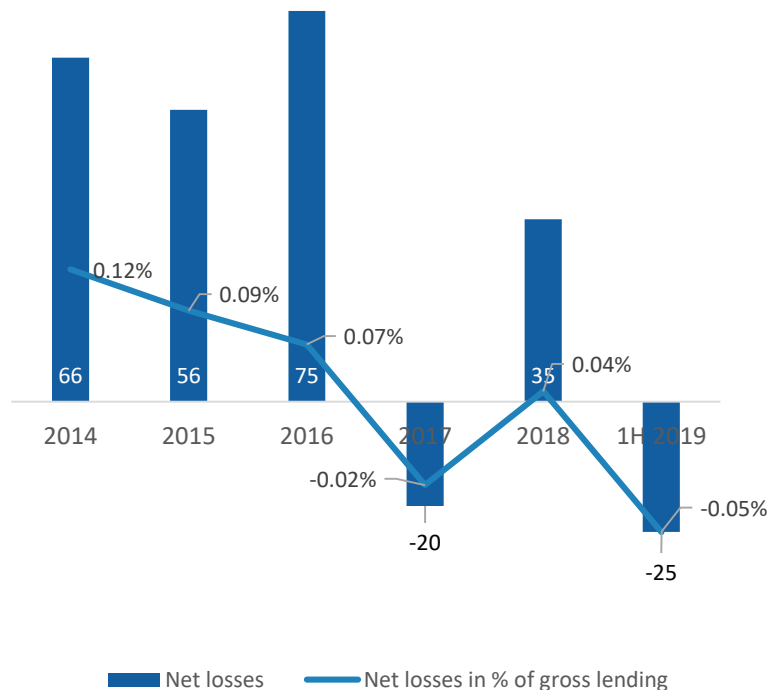
City of Oslo
7.4 % (8 % quota)

Other areas
6.5 % (10 % quota)

- The mortgage regulation* constrains housing mortgage lending through defined requirements:
 - Debt servicing capacity
 - Stress test of 5 % mortgage rate increase
 - Maximum loan to value
 - 85 % LTV on new lending
 - (A stricter 75 % LTV legal requirement in the SB1 Boligkreditt cover pool)
 - Gearing
 - Total debt must not exceed five times gross annual income
 - Requirement of installment payment
- Exceptions are permitted within 10 % (8 % for Oslo) of the total granted volume each quarter
 - The so called “Flexibility quota”

Still very low impairments on loans and guarantees

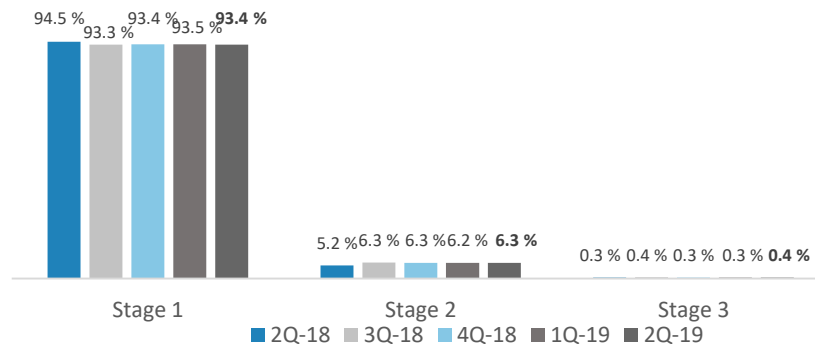
Net losses* and stage exposure



Impairments per segment - quarterly

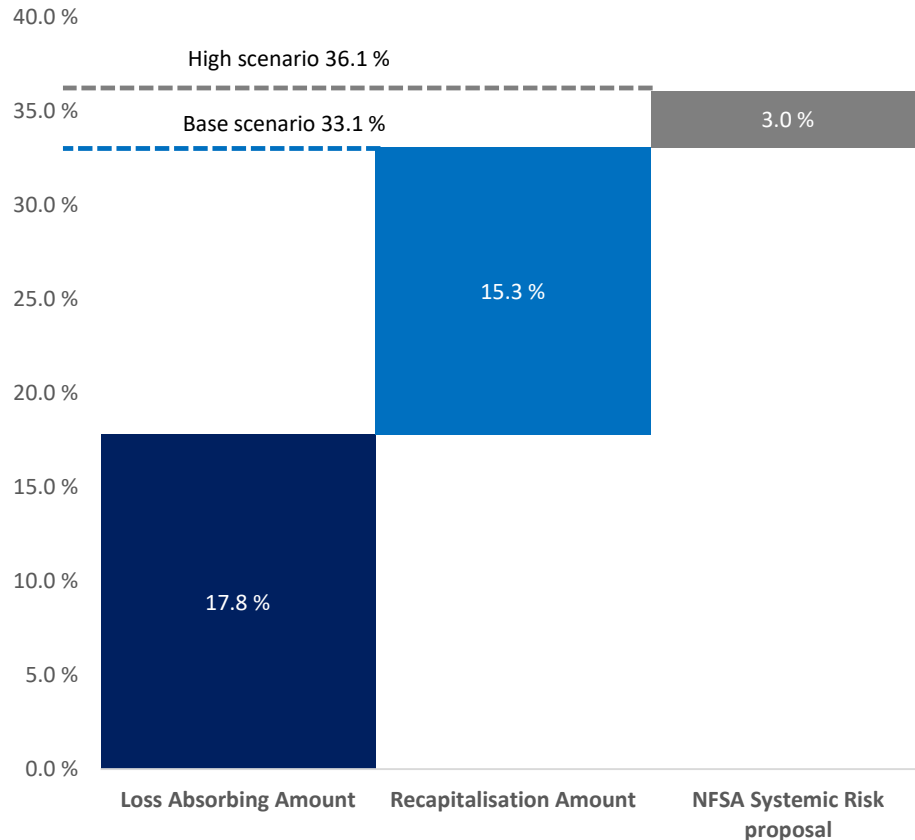
	2Q-19	1Q-19	4Q-18	3Q-18	2Q-18
Personal customers	-0,2	-8,6	0,2	3,6	1,1
Corporate customers	2,8	-36,0	4,6	0,3	5,4
SB 1 Finans Østlandet	5,4	11,6	6,7	8,0	0,8
Total	8,1	-32,9	11,4	11,9	7,2

Maximum exposure net of accumulated impairments (on and off-balance sheet items)



Minimum Requirement for Own Funds and Eligible Liabilities

MREL – The Norwegian legislation

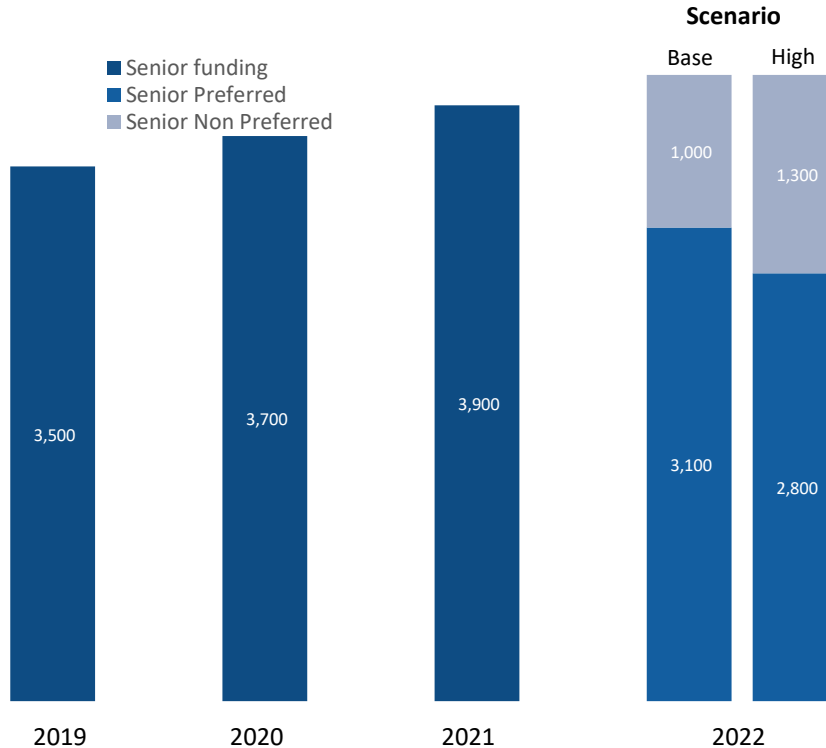


- Legislation

- Loss absorbing amount equal to Pillar 1 and Pillar 2 requirements and combined buffer requirement
 - Covered by AT1 and Tier 2
- Recapitalization amount equal to Pillar 1 and Pillar 2 requirements and combined buffer requirements except countercyclical buffer
 - Covered by excess capital and capital subordinated to senior debt
- NFSA has proposed an increase in the systemic risk buffer to 4.5 % (+1.5 %)
- Still uncertainty concerning final consequences for the bank

MREL and moving regulatory parts

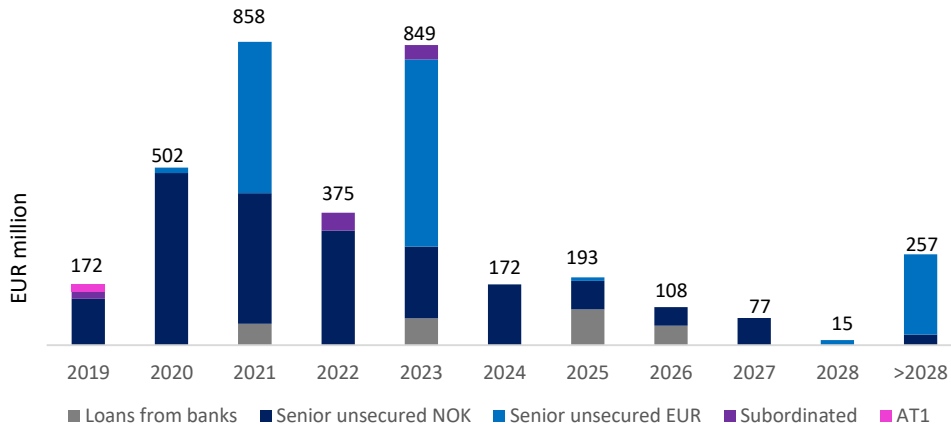
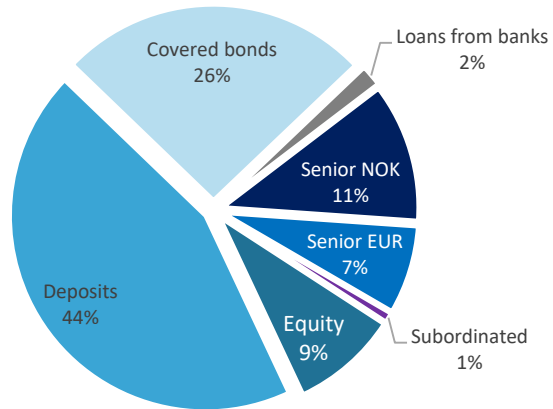
Two main funding scenarios based on regulatory uncertainty (EUR million)



- **Base scenario:**
 - The Norwegian legislation as of today (previous slide)
 - App. EUR 1 bn SNP debt by YE2022
- **High scenario:**
 - NFSA has proposed a higher systemic risk buffer
 - Significantly higher MREL levels
 - App. EUR 1.3 bn SNP debt by YE2022
- The Bank's response
 - MREL - Gradually refinancing of maturing senior debt with SNP until YE2022
 - Implementation – timing and scope - highly dependable of regulatory decisions

The bank's ambitions for the funding strategy

Today's funding mix and thoughts on funding going forward



- The Bank's revised business strategy leads to higher funding activity going forward
- Deposits are and will continue to be the Bank's most important funding source
- The Bank exclusively uses SPABOL for covered bond funding
- Senior unsecured in EUR will be increasingly more important in the funding mix going forward
 - Building a senior unsecured curve in EUR
 - Planning at least one EUR benchmark issue per year going forward
 - Active curve in PP with tenors up to 15 years

A1 Moody's Senior Unsecured rating

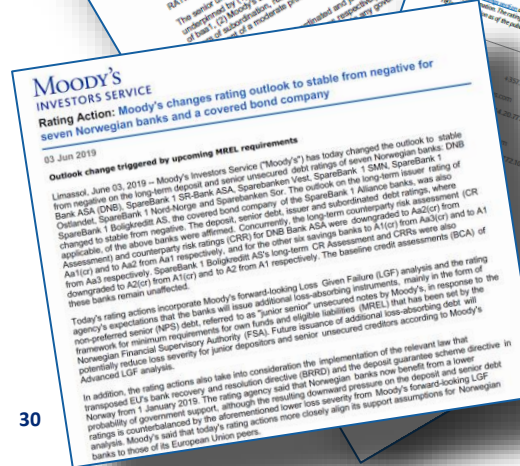
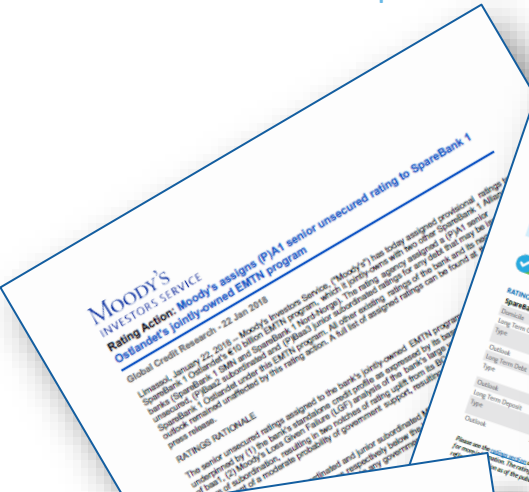
Based on Credit Opinion as of 12 June 2019

Main take aways

- “SpareBank 1 Østlandet's ratings are supported by its Very Strong Macro Profile”
- “Solid capital levels, which are the strongest among peers”
- “Asset risk metrics are strong on the back of a low credit risk portfolio” and
- “Large volume of deposits and junior debt resulting in deposit ratings benefiting from a very low loss-given-failure rate”
- **Rating Action – 3 June 2019:** Moody's changes rating outlook from negative to stable for seven Norwegian banks and covered bond company based on upcoming MREL requirements

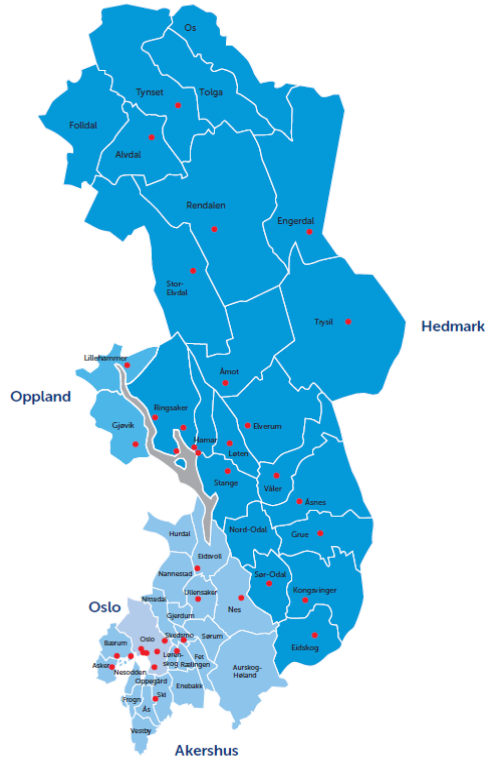


RATINGS	
SpareBank 1 Ostlandet	
Domicile	Hamar, Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable



Solid performance and a strengthened regional footprint

Summary



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APPENDIX

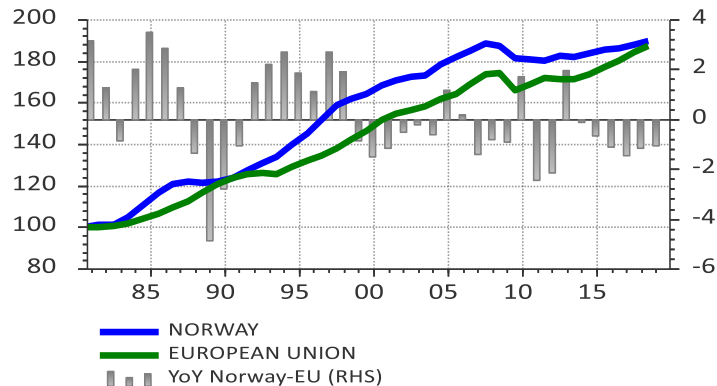
Norwegian and regional outlook



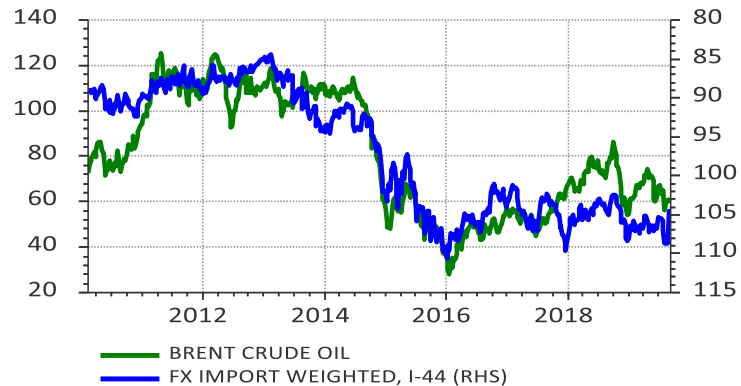
Norway: Positive economic conditions and outlook

Turnaround in oil, growth on trend and falling unemployment

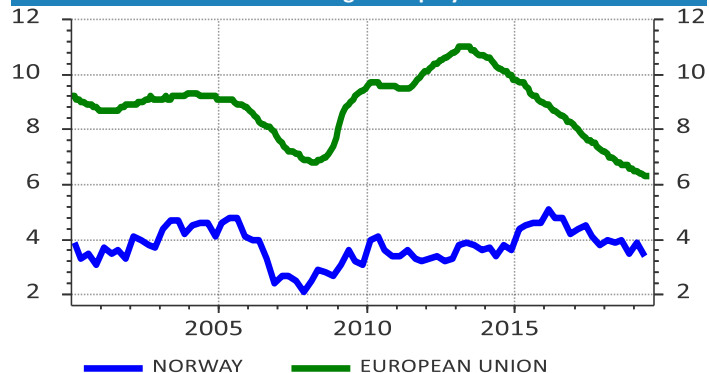
Major improvement in GDP/capita – low global correlation



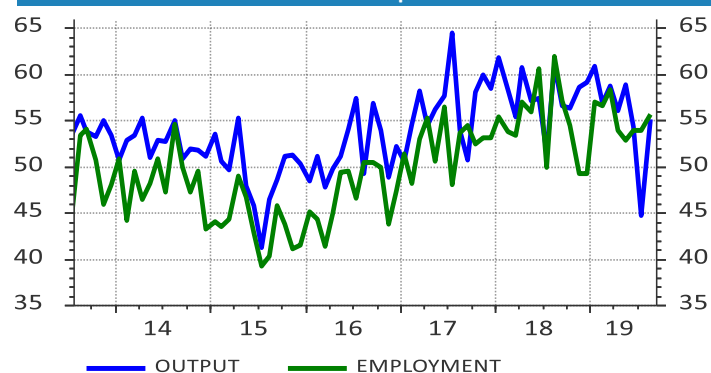
NOK normally moves with oil – but divergence this time



Low and falling unemployment



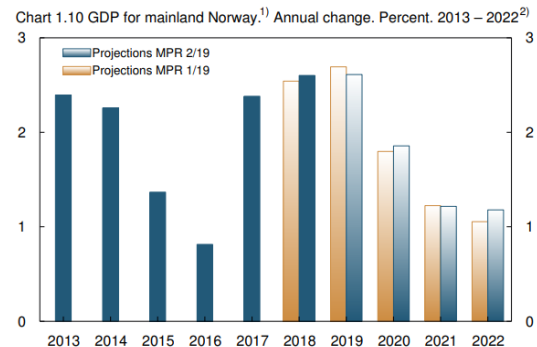
PMI – Positive expectations



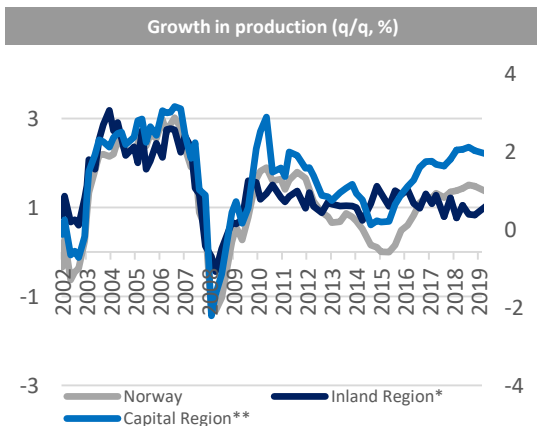
Strong Norwegian economic momentum

Macro outlook

- **Base Case: *Strong economic momentum***
 - GDP growth above trend short term
 - Stable low unemployment – but could end up tight
 - Inflation higher than expected
- **For SpareBank 1 Østlandet's market area**
 - Diverse and cyclical stable
 - High population growth long term
- **Worst Case: *Rapid decrease in real estate/increase in interest rates***
 - Thorough credit work in the loan portfolio
 - Reduced LTVs through a corrective cycle in real estate markets.



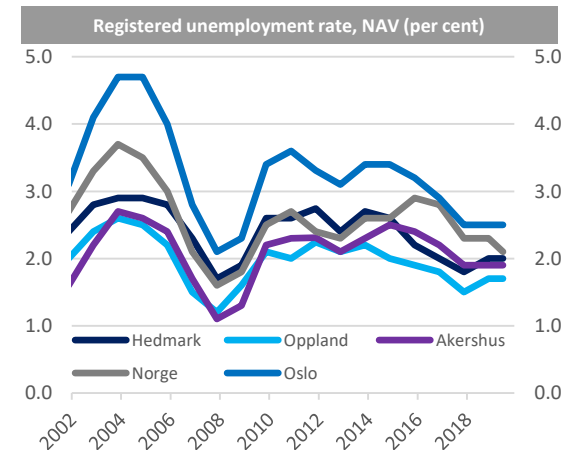
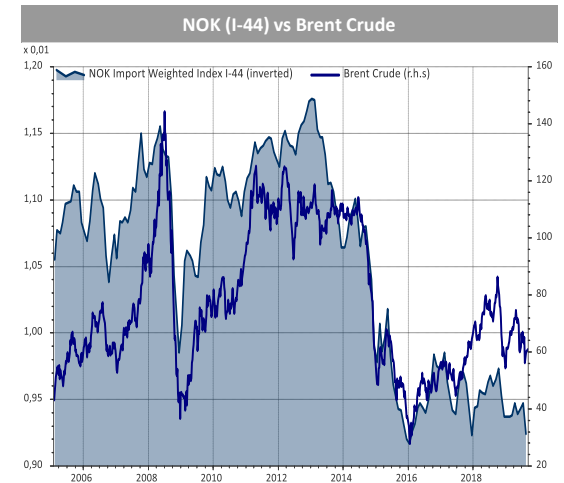
¹⁾ Working-day adjusted. ²⁾ Projections for 2019 – 2022.
Sources: Statistics Norway and Norges Bank



Robust and diverse market area counterweight worst case scenarios

Macro outlook

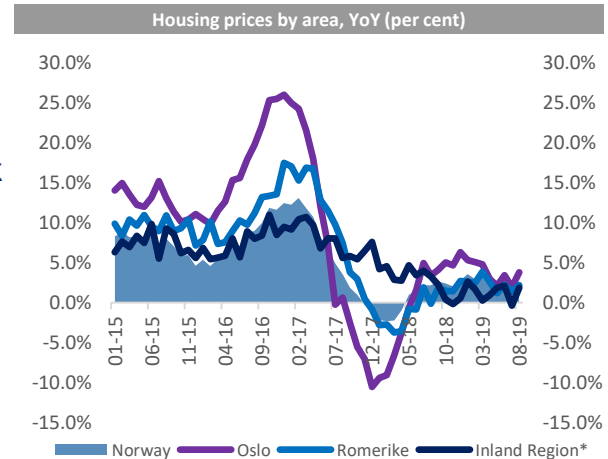
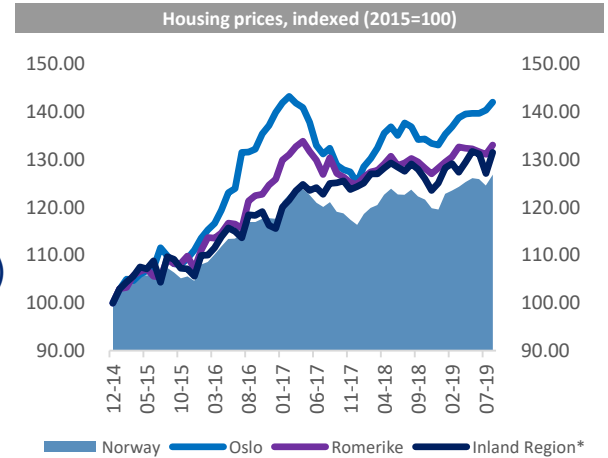
- Lower oil prices
 - Indirectly affected by the lower oil prices in 2014-2015
 - Weaker currency and government stimulus turned positive for the area
- Sharper real estate downturn
 - Will affect the general economy and the performance of the bank
 - But a solid and conservative portfolio will act as buffer
- Tightening of global financial conditions
 - Weaker currency – positive impact
 - Lower interest rates and (probably) higher funding costs



Moderate housing price growth on record high turnover

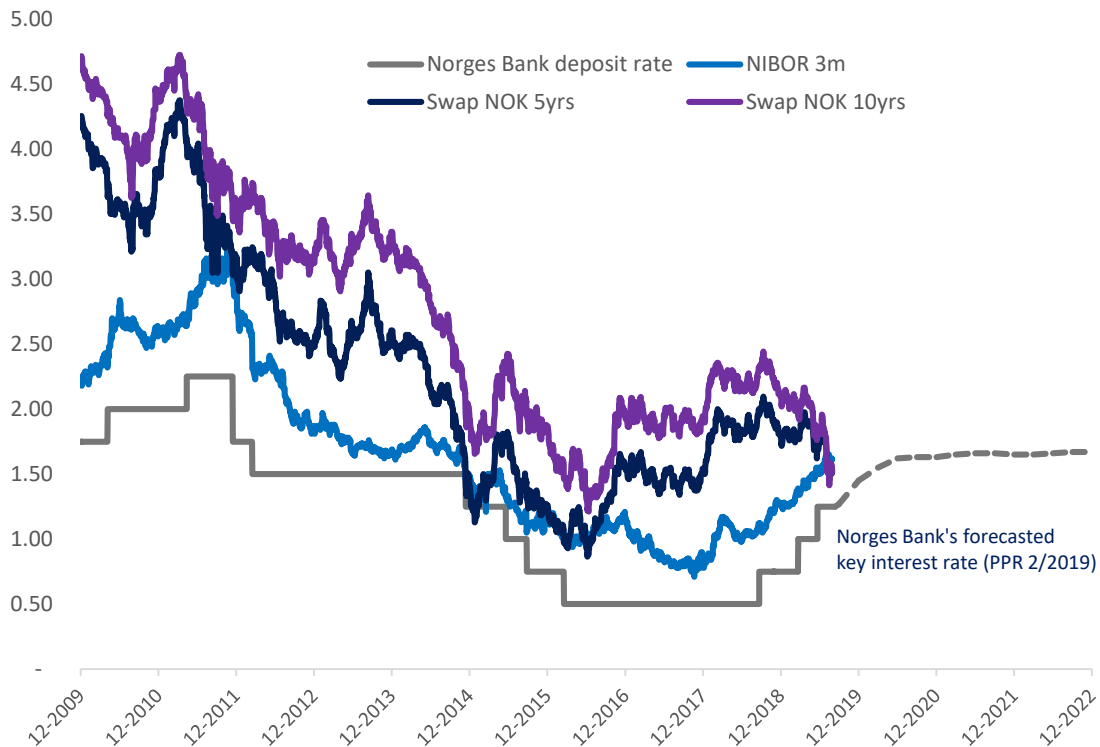
Housing prices, indexed and YoY

- Moderate growth in housing prices after a corrective period
 - August: +2.6 % in Norway YoY (Oslo +3.8 %/Inland Region +1.9 %)
 - Balance in the market: High supply – high demand
 - Short lead times
- The Mortgage Regulation works well
 - More modest growth and well balanced market
 - Could be used counteractively if necessary
 - Flexibility quota gives us the opportunity to be a supportive bank for good customers
 - Oslo: 7.4 % (quota 8%)
 - Rest of Norway: 6.5 % (quota 10 %)



Norges Bank: Hawkish central bank

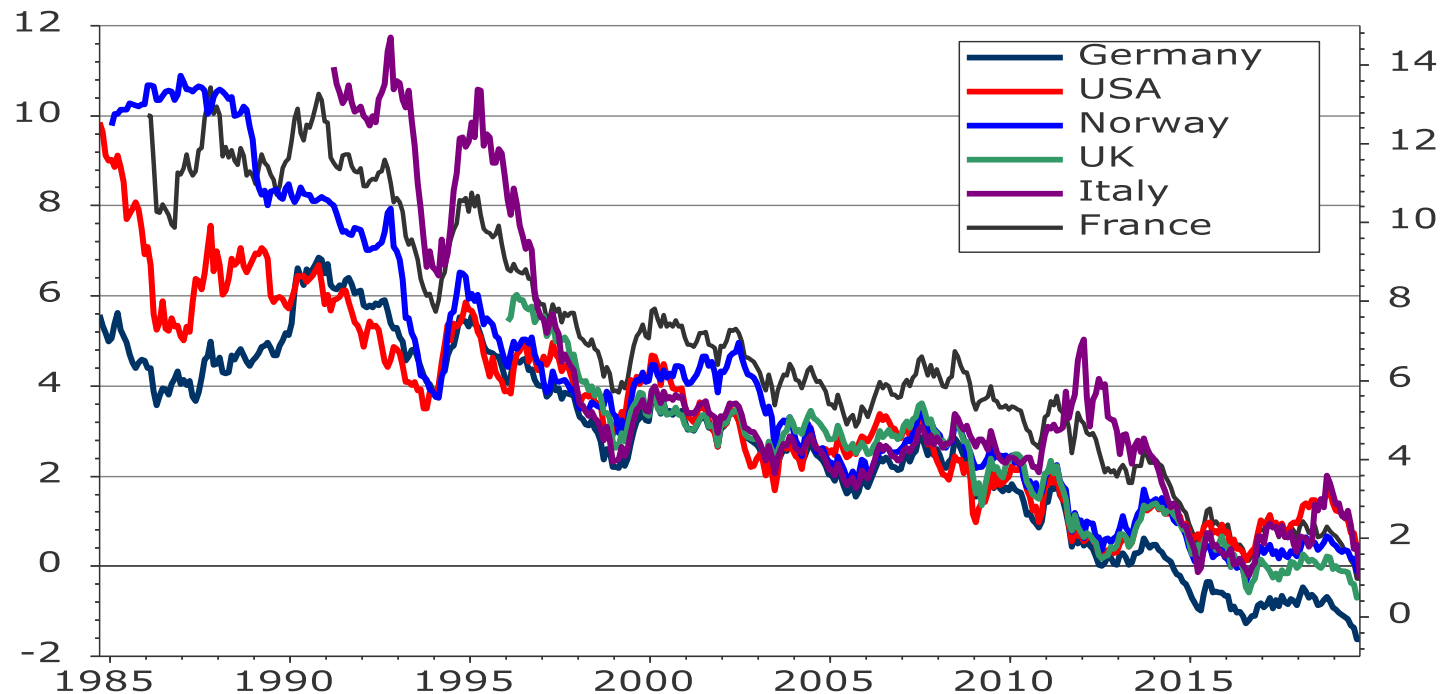
Hiking mode



- First hike since 2011 in September 2018 – followed up in March and June 2019
- The Central Bank's interest rate path indicates one more hike this year
 - September or December
- Flat curve from mid 2020 based on dovish international sentiment
 - Based on strong underlying macro the risk is perceived to be on the upside

Pressure down on interest rates after dovish central banks

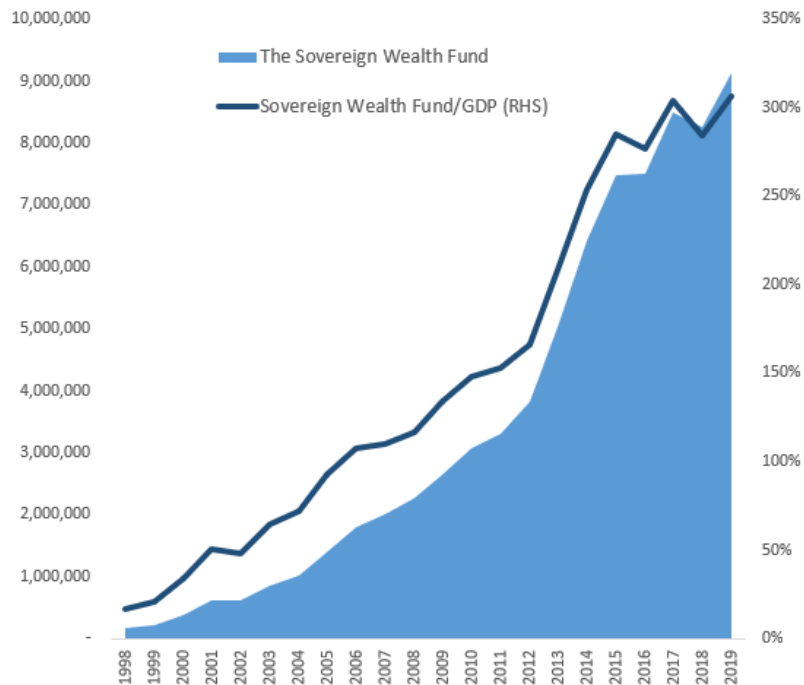
Government benchmark bonds 10 years



Source: Thomson Reuters Datastream

Strong Public sector finances

The Sovereign Wealth Fund



- The sovereign wealth fund is almost 3 times GDP
- All petroleum related income – oil taxes and direct revenue flows into the fund
- 3 % of the fund’s size may be spent in the National Budget
 - Could be used as a countercyclical buffer through the cycle
 - In 2016 and 2017, total government expenditure was slightly above its income (before oil income)
 - The countercyclical buffer is used in these years
- The fund is restricted from investing in Norwegian assets or banks
- The return from the fund outweighs the reduction in buffer
 - Positive net return

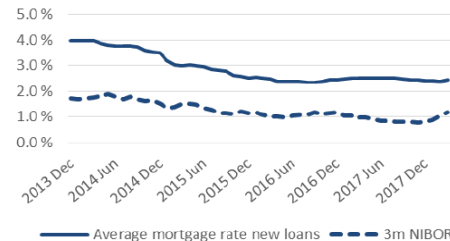
Mortgage market: key characteristics

Mortgage Market	<ul style="list-style-type: none"> Total size approximately NOK 3,000 billion (USD 375 billion, €330 billion) Private banks (incl. savings banks) are the dominant suppliers of mortgages with over 95% market share Scheduled repayment mortgages: 83.4%, flexible: 16.6% Typical maturity: 25 years First priority security market with thorough documentation vetting
Home Ownership	<ul style="list-style-type: none"> Over 80% of households owner occupied (little buy to let) Between 50 and 60% are detached one-family houses
Social security	<ul style="list-style-type: none"> Unemployment benefits represents ca 60% of salary for 2 years
Personal Liability	<ul style="list-style-type: none"> Borrowers are personally liable for their debt Swift foreclosure regime upon non-payment Transparent information about borrowers
Regulation	<ul style="list-style-type: none"> Loan to value: 85% (75% legal limit for cover pool) Flexible repayment mortgages: max 60% LTV 5% mortgage interest rate increase as stress test High risk weighting for banks for mortgage lending (20-25%) Maximum 5x debt / gross income for borrowers
Interest Payments	<ul style="list-style-type: none"> 90-95% of mortgages are variable rate Interest rates can be reset at the lender's discretion, by giving the debtor 6 weeks notice
Tax Incentives	<ul style="list-style-type: none"> 24% of interest paid is tax deductible (equal to the basic rate of tax) Low effective real estate tax (lower net worth tax on real estate than financial assets)

Household credit growth
(12 months growth rate)



Avg. variable interest rate for new mortgages





Financial Accounts 2Q-2019

Income statement 2Q 2019 and 1H 2019

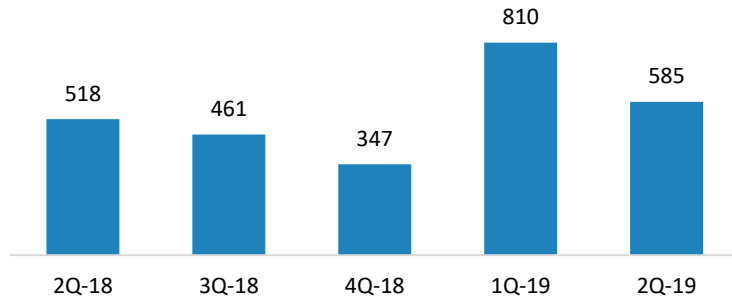
Group

	2Q 2019	2Q 2018	1H 2019	1H 2018	2018
Net interest income	520	511	1,027	1,006	2,074
Net commission income	287	283	560	564	1,106
Other income	78	51	145	93	181
Total operating expenses	489	468	983	918	1,881
Operating profit before losses on loans and guarantees	396	377	749	745	1,480
Impairment losses on loans and guarantees	8	7	-25	12	35
Operating profit after losses on loans and guarantees	388	370	774	733	1,445
Dividends	6	0	18	13	13
Net profit from ownership interest	131	54	477	84	198
Net income from financial assets/liabilities	61	95	125	98	80
Profit before tax	585	518	1,395	928	1,735
Tax charge	114	102	167	198	321
Profit after tax	471	416	1,227	730	1,414
Return on equity capital after tax	12.8 %	12.9 %	16.9 %	11.4 %	10.5 %
Total operating costs in relation to total income	45.2 %	47.6 %	41.8 %	49.4 %	51.5 %
Losses on loans as a percentage of gross loans	0.03 %	0.01 %	-0.05 %	0.01 %	0.04 %

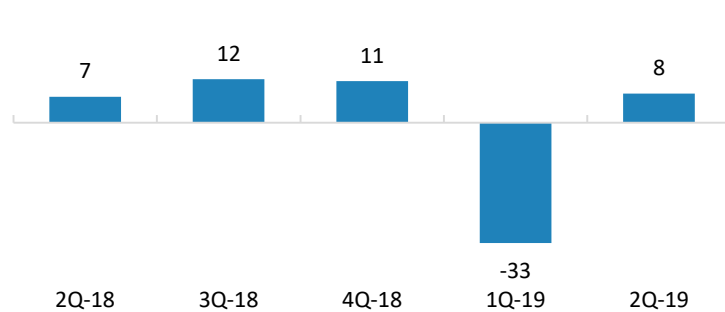
Key financials – quarterly

(1)

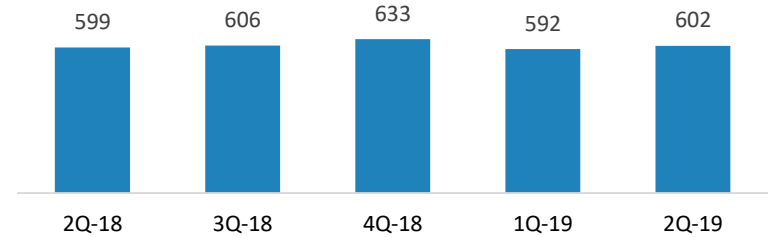
Pre-tax profit (NOK million)



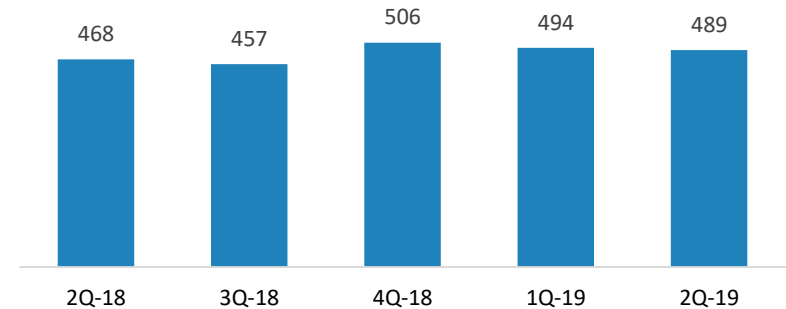
Impairments on loans and guarantees (NOK million)



Net interest income and commission fees from covered bond companies (NOK million)



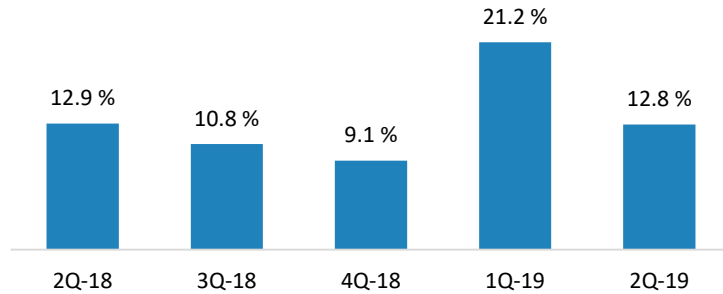
Total operating costs (NOK million)



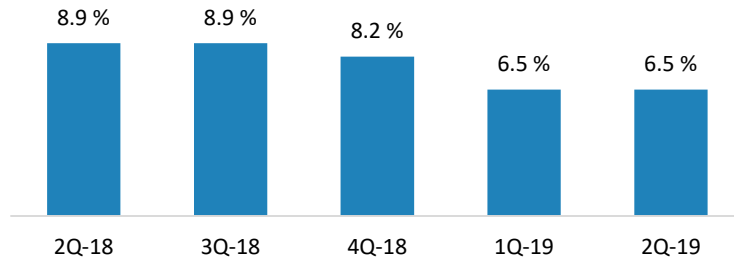
Key financials – quarterly

(2)

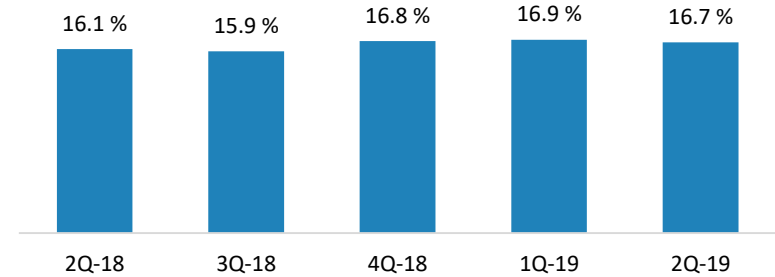
Return on equity



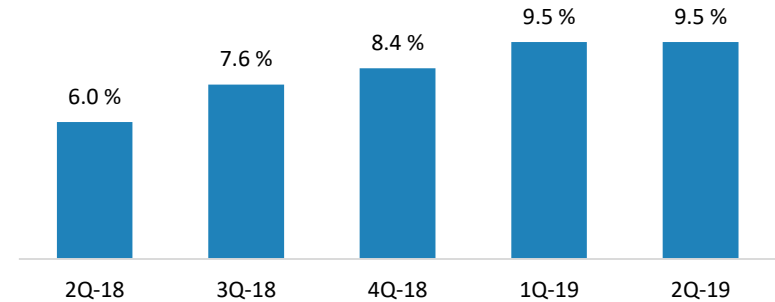
Lending growth (including loans transferred to covered bond companies) last 12 months



CET 1 ratio

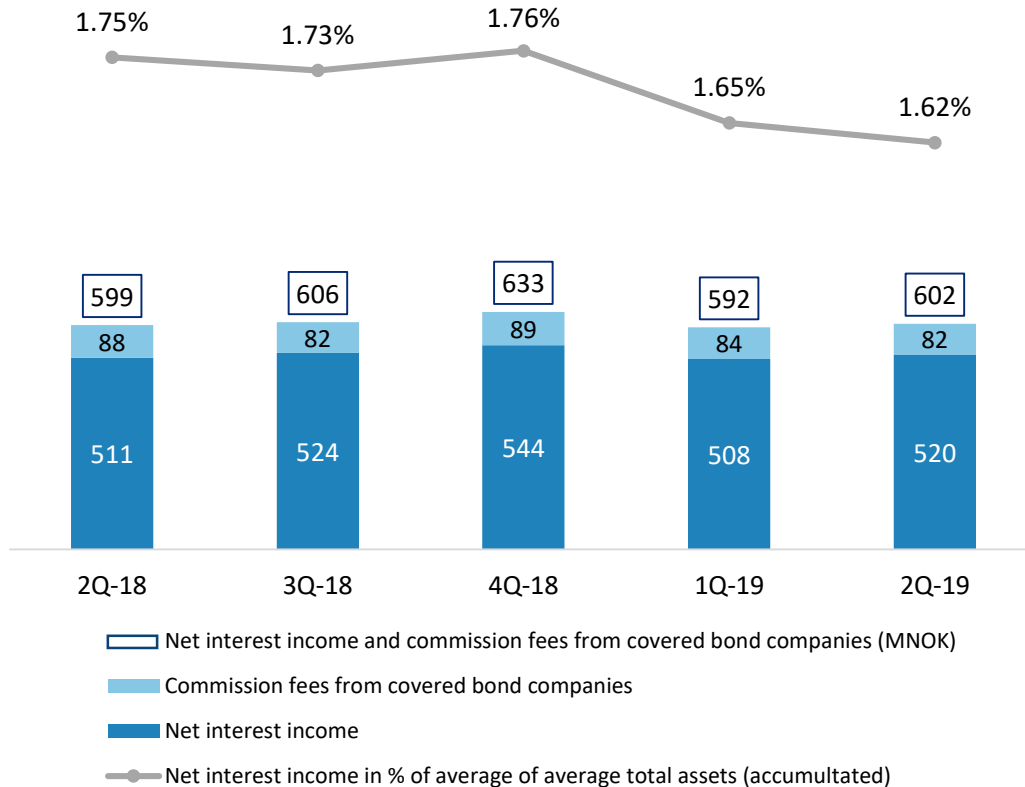


Deposit growth last 12 months



Net interest income – influenced by reclassification effects

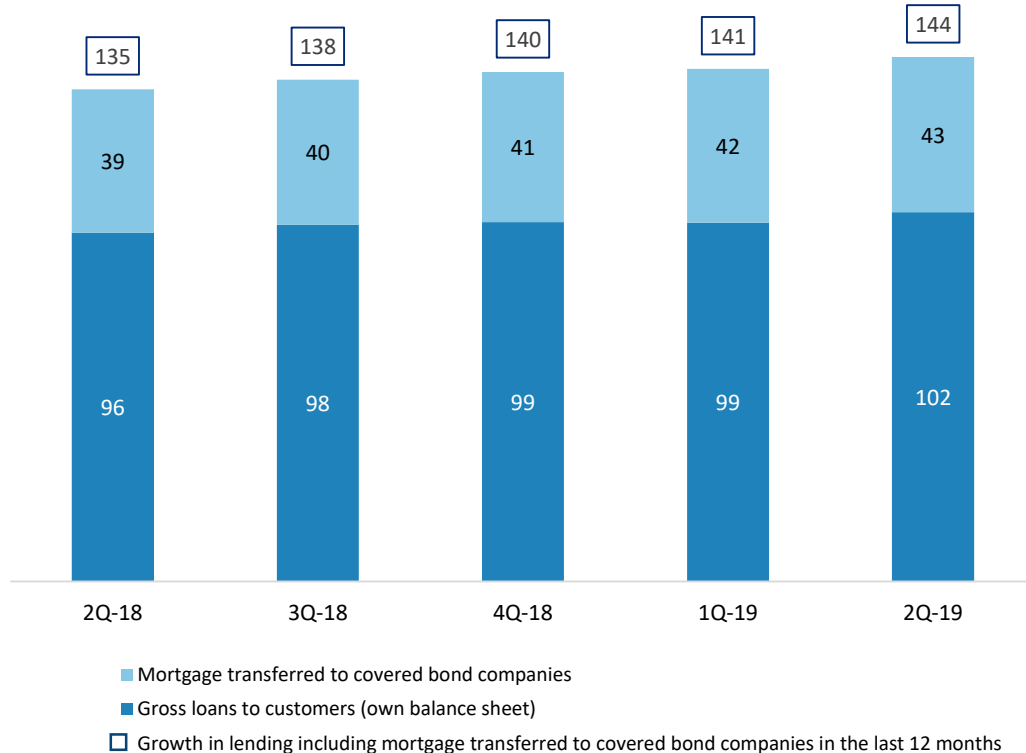
Net interest income incl. commissions from covered bond companies



- In the subsidiary SB1 Finans Østlandet there has been a reclassification of certain items from net interest income to other commission income.
 - The effect is a NOK 28 million reduction of net interest income in 1Q-19 and a NOK 21 million reduction in 2Q-19.
 - The effect corresponds to a 8 bps isolated reduction of the net interest margin for 1H 2019.
- The Bank announced interest rate increase on 26 June 2019.
 - “Mainly 0.25 % on retail lending”.
 - “Up to 0.25 %” on corporate lending.
 - Rates on savings accounts are increased “mainly 0.15 %”.

Dampened lending growth – above market growth last 12 months

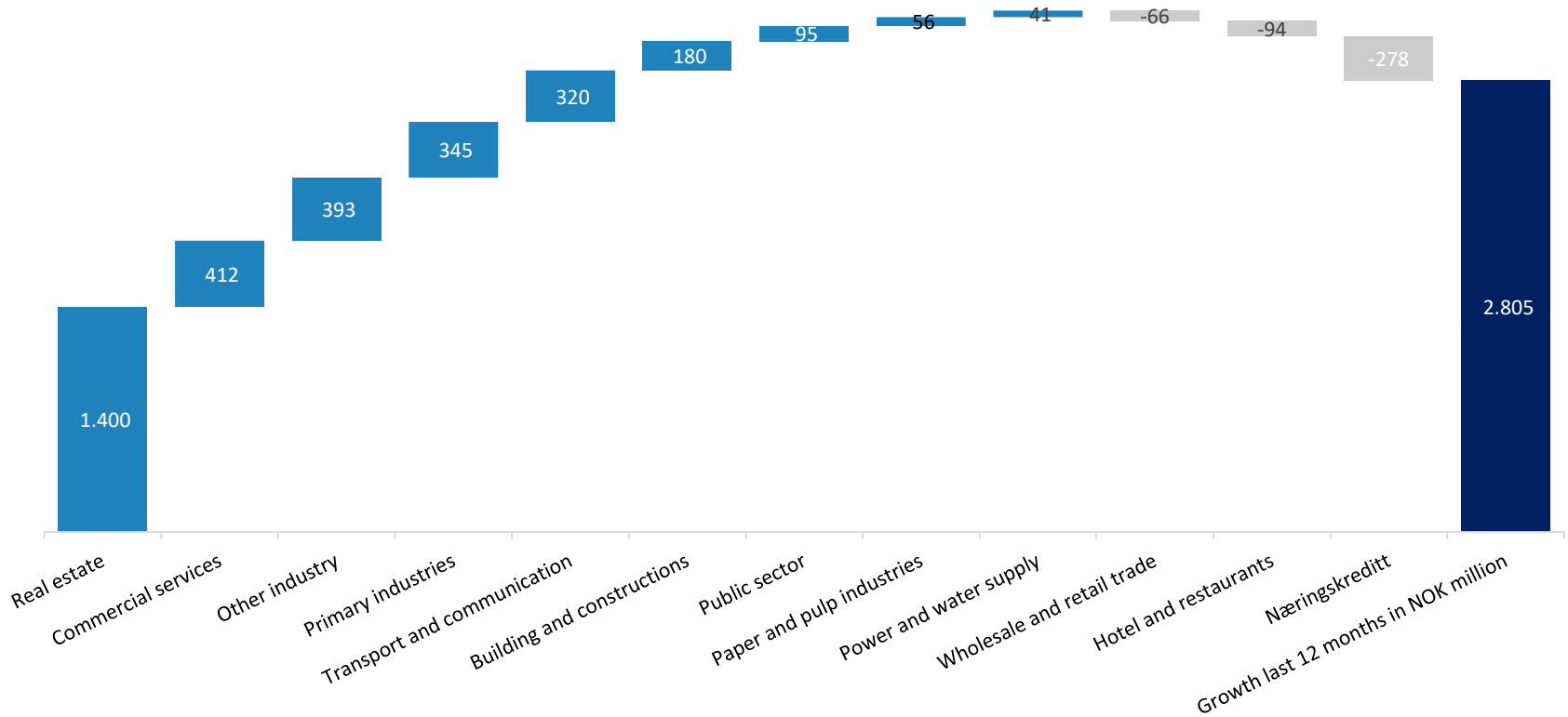
Lending volume (Group, NOK billion)



- Total lending in the Group, including loans transferred to covered bond companies, increased by NOK 3.3 billion in the second quarter.
- This is equivalent to a 2.3 % lending growth in the quarter.
- The lending growth the last 12 months was 6.5 % (8.9 %)
 - Retail lending growth was 6.0 %
 - Corporate lending growth was 8.0 %
- Credit growth in Norway last 12 months
 - Households 5.5 %
 - Non-financial corporations 5.8 %

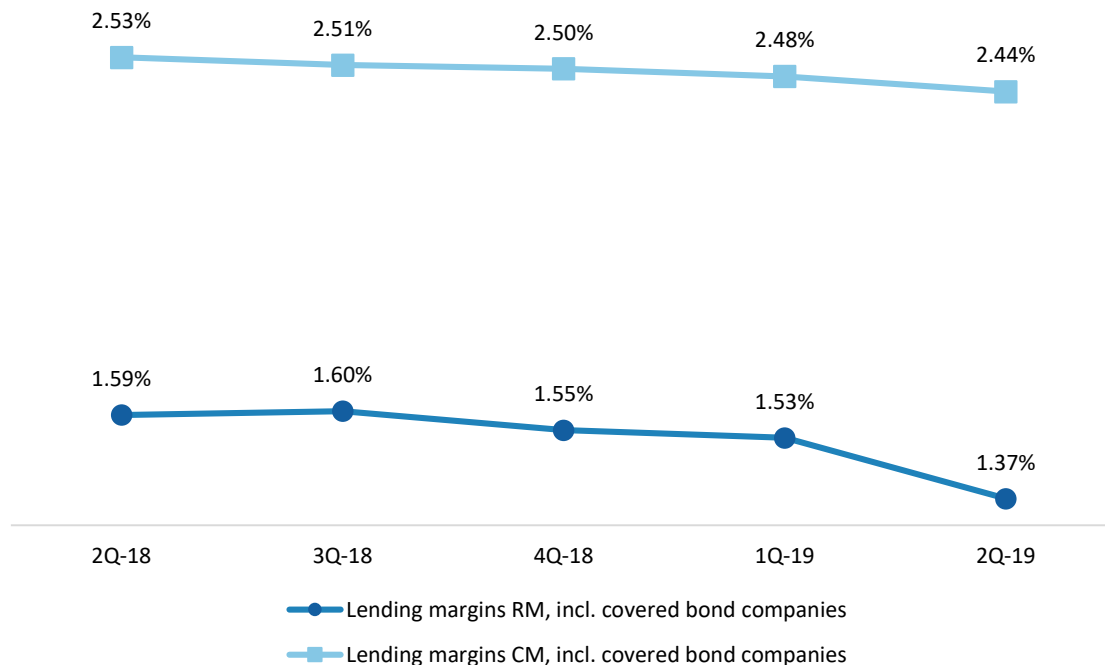
Reduced lending towards retail and wholesale trade, hotels and restaurants

Corporate lending growth YoY – sector (NOK million)



Lending margins

Retail and corporate divisions (parent bank)

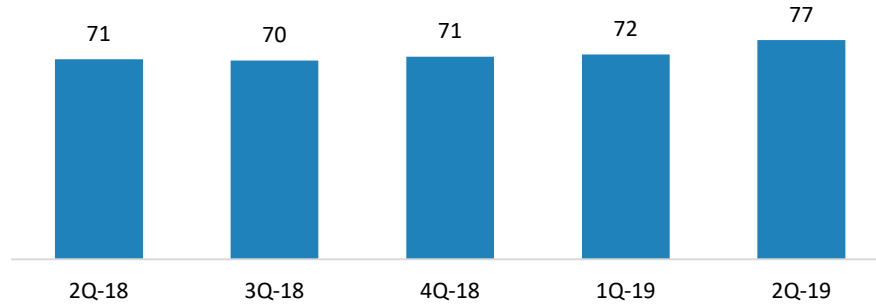


- The lending margins saw a reduction in the second quarter, both within the CM and the RM of the parent bank.
- The reduction is largely explained by the 18 bps increase of the 3M Nibor in the second quarter.
- The customers were notified of interest rate increases on 4 April 2019.
 - 6 weeks notice on retail mortgages.
 - 45 % of the corporate lending is Nibor-linked, with the remainder repriced at the Bank's discretion.
 - Interest rate hikes on retail mortgages with "mainly 0.15 %" were effectuated mid May – hence only partial effect in the quarter.
- Another interest rate hike was announced 26 June 2019, and had therefore no effect on the margin development in the second quarter.

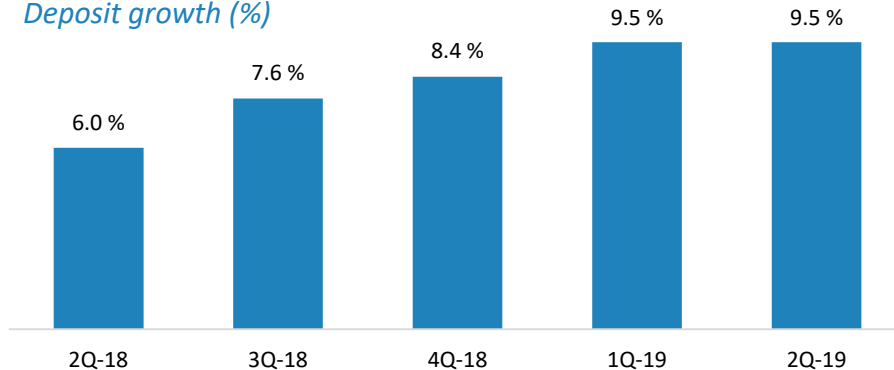
Satisfactory deposit coverage and strong deposit growth

Deposit volume and deposit growth (Group)

Deposit volume (NOK billion)



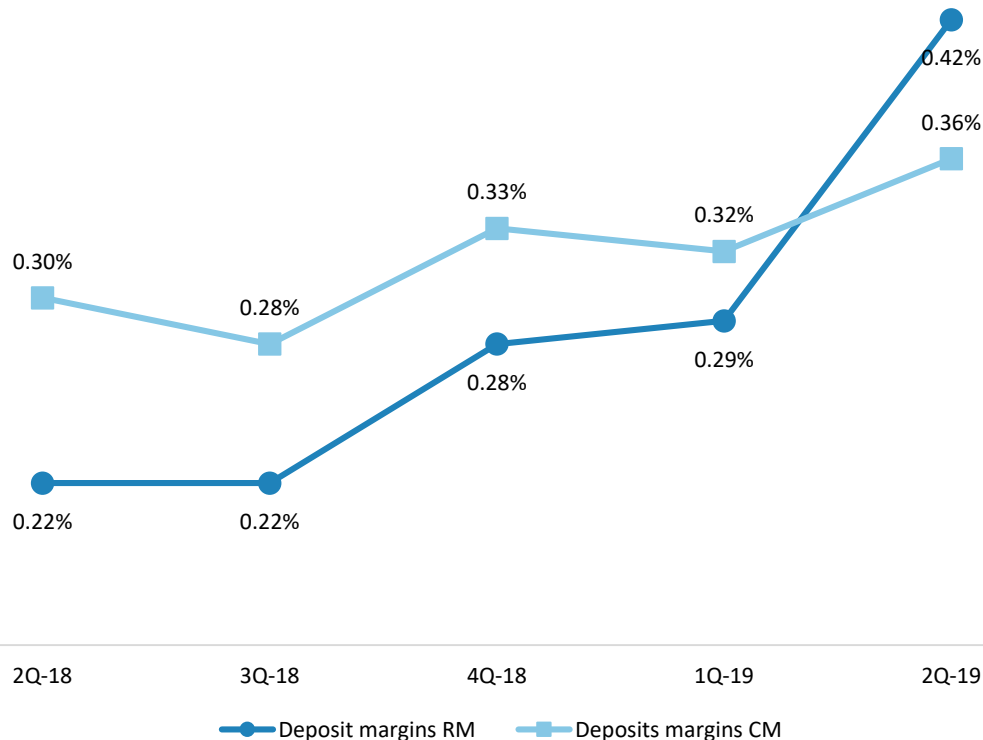
Deposit growth (%)



- Deposit growth of 6.9 % in the second quarter.
 - Seasonality (tax settlements, holiday pay)
- Deposit growth last 12 months: 9.5% (5.3 %).
 - Deposit growth - retail 5.3 %.
 - Deposit growth - corporates 15.5 %.
- Deposit coverage ratio 76.1 % (73.6 %).
- Deposit coverage ratio - including mortgages transferred to the covered bond companies 53.6 % (52.1 %).

Deposit margins

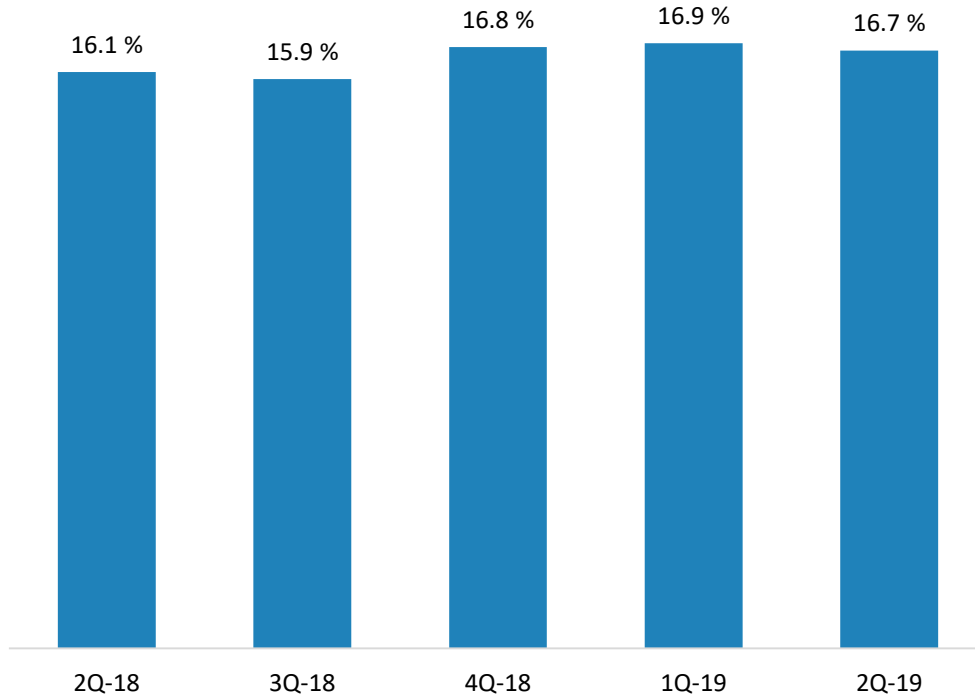
Retail and corporate divisions (parent bank)



- Strong increase in deposit margins in the parent bank both for RM and CM.
- The increase is largely explained by the 18 bps increase of the 3M Nibor in the second quarter.
- The customers were notified of interest rate increases on 4 April 2019
 - 35 % of the corporate deposits are Nibor-linked while the rest can be repriced at the Bank's discretion.
 - Interest rate increases on retail deposits followed increases on housing mortgage rates (which have a 6 weeks notice) and were effectuated mid May – hence only partial effect of the rate increases in the second quarter.
- Another interest rate increase was announced 26 June 2019, and had no effect on the margin development in the second quarter.

Stable capitalization

Common Equity Tier 1 ratio (Group)



- The Group's CET 1-target is 16 %.
- The CET 1 ratio was 16.7 % by the end of 2Q-19. The leverage ratio was 7.3 %.
- An increase in the LGD-buffers in the IRB capital requirement calculations was implemented in 1Q-19 according to a ruling by the Norwegian FSA.
- The ruling was appealed to the Ministry of Finance and is still under review.

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