

178th year

QUARTERLY REPORT

Q2 2020




SPAREBANKEN
ØST

Quarterly financial statements, Q2 2020

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Key figures - Group

Income Statement (Amounts in NOK millions)	Q2 2020	Q2 2019	1/1-30/6/2020	1/1-30/6/2019	Year 2019
Net interest income	137,3	153,4	301,9	300,1	641,7
Net commission income	7,7	11,4	18,3	21,1	45,1
Net result from financial assets	178,6	5,4	150,1	10,7	19,4
Other operating income	1,6	4,2	24,1	8,6	15,3
Total net income	325,1	174,4	494,3	340,5	721,5
Total operating costs	61,6	58,7	142,0	137,0	277,8
Profit/loss before losses	263,5	115,7	352,3	203,6	443,7
Losses on loans, unused credit and guarantees	1,8	3,7	9,4	8,0	18,9
Profit/loss before tax costs	261,7	112,0	342,9	195,6	424,8
Tax costs	25,4	26,0	37,7	45,2	95,5
Profit/loss after tax	236,3	85,9	305,2	150,5	329,3
Key figures	Q2 2020	Q2 2019	1/1-30/6/2020	1/1-30/6/2019	Year 2019
Profitability					
Return on equity*	24,34	9,19	15,67	8,10	8,74
Net interest income as a percentage of average total assets	1,26	1,44	1,40	1,43	1,51
Profit after tax as a percentage of average total assets	2,18	0,81	1,42	0,72	0,77
Costs as a percentage of average total assets	0,57	0,55	0,66	0,65	0,65
Costs as a % of income (before losses on loans/guarantees)*	18,96	33,65	28,73	40,22	38,50
Costs as a % of income (excl. return on financial investments)*	42,05	34,73	41,26	41,52	39,57
Balance sheet figures					
Net lending to customers	32.013,4	34.801,6	32.013,4	34.801,6	34.225,3
Lending growth (quarter/12 months)	-5,10	-2,31	-8,01	8,14	-2,62
Deposits	14.851,5	15.014,4	14.851,5	15.014,4	14.791,7
Deposit growth (quarter/12 months)	3,76	1,06	-1,09	5,23	-0,73
Average equity	3.835,0	3.576,1	3.802,9	3.545,8	3.564,6
Average total assets	43.650,1	42.572,8	43.228,7	42.376,0	42.504,5
Loss provisions on impaired and non-performing loans					
Losses as a % of net lending to customers (OB)*	0,02	0,04	0,06	0,05	0,05
Loss provisions as a percentage of gross lending to customers*	0,38	0,30	0,38	0,30	0,33
Net payments over 90 days past due as a percentage of net lending*	0,33	0,35	0,33	0,35	0,37
Other net non-performing commitments (Stage 3) as a percentage of net lending*	0,04	0,15	0,04	0,15	0,02
Financial strength					
CET1 capital ratio incl. 50% of retained earnings (%)	17,89	16,71	17,89	16,71	17,69
CET1 capital ratio (%)	17,11	16,35	17,11	16,35	17,69
Tier 1 capital ratio (%)	18,95	17,63	18,95	17,63	19,49
Capital adequacy ratio (%)	20,75	19,35	20,75	19,35	21,25
Risk-weighted volume (calculation basis)	19.076,4	20.003,5	19.076,4	20.003,5	19.450,3
Tier 1 leverage ratio incl. 50% of retained earnings (%)	8,57	8,29	8,57	8,29	8,81
Tier 1 leverage ratio (%)	8,23	8,13	8,23	8,13	8,81
Liquidity					
Deposit coverage ratio	46,39	43,14	46,39	43,14	43,22
LCR (%)	371,91	261,62	371,91	261,62	265,11
Branches and full-time equivalents					
No. of branches	29	27	29	27	28
Full-time equivalents	187	198	187	198	192
Equity certificates					
Ownership fraction (parent bank) (%)**	31,40	32,45	31,40	32,45	32,45
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate*	63,43	56,61	63,43	56,61	58,95
Earnings per equity certificate*	3,51	1,28	4,49	2,23	4,87
Dividend per equity certificate	0,00	0,00	0,00	0,00	3,60
Turnover rate	19,23	20,54	23,03	19,72	15,17
Price	47,10	54,40	47,10	54,40	54,60

* Defined as alternate performance target

** For ownership fraction at 1 January 2020, see Note 19

For definisjon av nøkkeltall og omtale av alternative resultatmål, se side 49

Board of Directors' Report

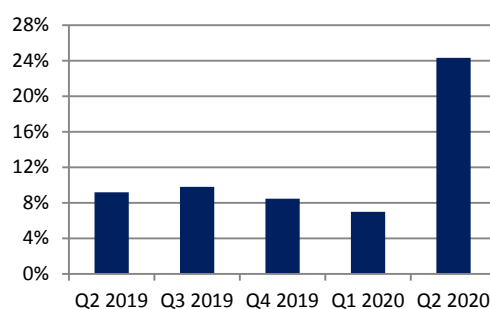
Sparebanken Øst achieved a very strong profit after tax of NOK 236.3 million in the second quarter of 2020, which represents a return on equity of 24.34 per cent, compared with 9.19 per cent during the second quarter of 2019. Earnings per equity certificate in the quarter were NOK 3.51. Net interest income fell by NOK 16.1 million compared with the same period last year. Changes in the value of shares in Frende Holding AS had a positive impact on the profit totalling NOK 154.0 million during the quarter. The liquidity portfolio gained NOK 19.1 million during the quarter, which is NOK 20.1 million higher when compared with the same quarter last year. Costs remain stable. Losses on lending to customers are very low amounted to NOK 1.8 million during the quarter, compared with NOK 3.7 million during Q2 2019. Lending to customers fell by 5.10 per cent during the last quarter, while deposits from customers increased by 3.76 per cent in the same period.

The profit after tax for the first half of 2020 amounted to NOK 305.2 million, which represents a return on equity of 15.67 per cent compared with 8.10 per cent for the same period last year. Earnings per equity certificate are NOK 4.49 to date this year. Net interest income is stable compared with the first half of last year. The profit from the equity investment in Frende Holding AS and gains from the sale of real estate totalled NOK 173.8 million during the first half of 2020. The liquidity portfolio lost NOK 10.8 million in value during the quarter, which is NOK 14.5 million less than when compared with the same quarter last year. Costs remain stable. Losses on lending to customers during the first half of the year are low and amount to NOK 9.4 million compared with NOK 8.0 million in the first half of last year. The bank's CET1 capital ratio is very solid (incl. 50 per cent of retained earnings), at 17.89 per cent. Lending growth over the last 12 months is minus 8.01 per cent, while deposits from customers have seen negative growth of 1.09 per cent.

Quarterly profit

The Sparebanken Øst Group posted a profit after tax for the second quarter of 2020 of NOK 236.3 million. The profit after tax for the second quarter of 2019 was NOK 85.9 million. Net interest income fell by NOK 16.1 million compared with the same period last year. Gains in the value of shares in Frende Holding AS had a positive impact on the profit totalling NOK 154.0 million during the quarter. The value of the liquidity portfolio increased by NOK 19.1 million. By comparison, the change in value during Q2 2019 was negative NOK 1.1 million.

The return on equity in the quarter was 24.34 per cent, compared with 9.19 per cent for the same quarter in 2019. The table below presents the return on equity over the past five quarters.

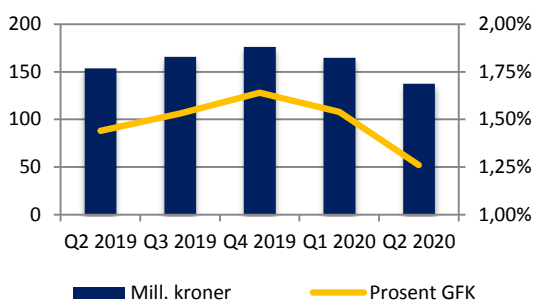


Net interest income

Net interest income fell by NOK 16.1 million and amounted to NOK 137.3 million in the second quarter of 2020, compared with NOK 153.4 million in the same quarter in 2019. Net interest income amounted to 1.26 per cent of average total assets in the second quarter of 2020. The comparative figure for the same quarter of 2019 was 1.44 per cent.

Based on Norges Bank's reductions to the key interest rate as a result of the Covid-19 pandemic, repricing has been carried out on a large proportion of the lending portfolios, with effect from the first half of April 19 and the second half of May 2020. Interest rate reductions on lending that took effect quickly, strong competition and reductions in borrowing costs only occurring some months after customers receiving their own rate reductions on lending resulted in lower net interest income during Q2 2020. Compared with Q1 2020, net interest income fell, where interest income during Q1 2020 constituted 1.54 per cent of average total assets.

The figure below shows net interest income in per cent and NOK in the last five quarters.



Net other operating income

Net operating income comprises commission income and costs, dividends, net changes in value and gains/losses on financial instruments and other operating income. Net other operating income amounted to NOK 187.9 million in Q2 2020, compared to NOK 21.0 million in the same quarter of 2019.

- Net commission income amounted to NOK 7.7 million, a decrease of NOK 3.7 million compared with the same quarter last year.
- No dividends were recognised as income in the second quarter of 2020. By comparison, dividends in Q2 2019 totalled NOK 2.5 million, which were primarily derived from dividends from Dialog Eiendomsmedling AS and VN Norge AS.
- Net value changes and gains/losses from financial instruments amounted to a gain of NOK 178.5 million during Q2 2020, an increase of NOK 175.6 million compared with

the same period last year. A gain in the value of the bank's shares in Frende Holding AS totalled NOK 154 million. This gain is based on an observed transaction reported on 24.06.2020 when Helgeland Sparebank sold its shares in Frende Holding AS. The value of the liquidity portfolio gained NOK 19.1 million during the quarter as a result of credit spreads normalising following significant increases as a result of the Covid-19 pandemic and the fall in oil prices. By comparison, the change in value during the same quarter in 2019 was negative NOK 1.0 million. Positive value changes related to shares and equity rights in Visa Inc. total NOK 4.2 million in the quarter, compared to an increase of NOK 2.9 million in the same quarter of 2019. The positive financial impact of currency, derivatives and fixed-rate lending at fair value was NOK 2.7 million in Q2 2020, compared to a positive impact of NOK 1.0 million in the same quarter last year. The costs of buying back the bank's own issued debt amounted to NOK 1.4 million during Q2 2020 compared with NOK 0 million during the same period last year.

- Other operating income amounted to NOK 1.6 million in Q2 2020, compared to NOK 4.2 million in the same quarter of 2019. This reduction is primarily due to reductions in rental income as a result of the sale of real estate.

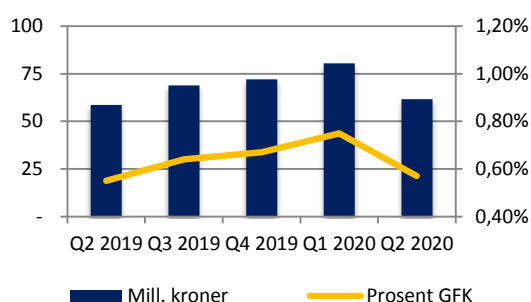
Operating costs

Total operating costs were NOK 61.6 million in the second quarter of 2020, equivalent to 0.57 per cent of average total assets. In the second quarter of 2019, total operating costs amounted to NOK 58.7 million, or 0.55 per cent. The changes concern the following:

- Payroll costs amounted to NOK 30.6 million, compared with NOK 30.2 million in the same quarter last year. Payroll costs during Q2 2020 include a provision for the profit sharing scheme open to the bank's employees.
- Administrative costs amounted to NOK 13.2 million in Q2 2020, compared to NOK 13.1 million in the same quarter of 2019.

- Depreciation amounted to NOK 6.6 million compared with NOK 6.4 million in the second quarter of 2019.
- Other operating costs amounted to NOK 11.2 million in Q2 2020, compared to NOK 9.0 million in the same quarter of 2019. This increase primarily relates to the cost of hiring in personnel and consultancy services.

The figure below shows the total operating costs in NOK millions and as a percentage of the average total assets for the last five quarters.



Impairment and non-performing commitments

Impairment losses on loans to customers, unused credits and guarantees amounted to NOK 1.8 million in Q2 2020, compared with NOK 3.7 million in Q2 2019.

At the end of the quarter, total loss provisions amounted to NOK 121.5 million, equating to 0.38 per cent of gross lending to customers. By comparison, total loss provisions amounted to NOK 103.3 million, equating to 0.30 per cent of gross lending to customers at the end of Q2 2019. Individual write-downs amounted to NOK 87.2 million at the end of the second quarter of 2020, compared with NOK 74.7 million at the end of the second quarter of 2019.

In connection with the end of the first quarter of 2020, special evaluations and valuations of the Group's portfolios, including non-performing commitments, were carried out. There has been further follow-up in relation to the portfolios during Q2 2020, which has resulted in updated evaluations. On the basis of the reviews and evaluations, no special adjustment has been made to the levels of loss provisions and no changes have been made to the assumptions that

underpin the model-calculated losses in the anticipated scenario to date in 2020.

The major economic uncertainty that arose at the end of Q1 2020 as a result of the Covid-19 pandemic and the fall in oil prices is deemed to have reduced as at the end of Q2 2020 when compared with the end of Q1 2020. Despite improvements in the macroeconomic conditions, there remains widespread uncertainty pertaining to developments in the Covid-19 situation. The probability weighting of macroeconomic scenarios remained unchanged at the end of Q2 2020. During Q1 2020, the probability of a pessimistic scenario increased from 15 to 30 per cent, while the expected scenario probability was reduced by a corresponding figure. This change during Q1 2020 resulted in an increase to loss provisions for step 1 and step 2 totalling NOK 4.1 million. Model-calculated loss provisions for step 1 and step 2 increased by NOK 0.1 million during Q2 2020 and now amount to NOK 33.6 million. Loss provisions on non-performing commitments (step 3) increased by NOK 2.1 million during Q2 2020, and amount to NOK 87.9 million, of which NOK 83.2 million are related to commitments in AS Financiering.

Net payment defaults exceeding 90 days amounted to 0.33 per cent of net lending at the end of Q2 2020 compared to 0.35 per cent at the end of the same period last year and 0.37 per cent at the end of 2019.

Tax costs

Tax costs during Q2 2020 totalled NOK 25.4 million and amount to 9.7 per cent of the profit before tax. This low tax cost is explained primarily by the gain in value of the Frende Holding AS shares, which are subject to the exemption method.

Consideration of annual financial statements for 2019 and allocation of profits

The Board of Trustees approved the annual financial statements and annual report for 2019 on 18 June 2020, including the allocation of the parent bank's profit for the year as was originally proposed by the Board of Directors on 5 March on the basis of a dividend set at NOK 3.6 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. The

Board of Trustees resolved to grant the Board of Directors time-limited authority to adopt the final implementation of the this distribution of dividends to equity certificate holders and grants to good causes. According to this authorisation, the Board of Directors are required to assess the prudence of such distributions on an ongoing basis. This authorisation shall be exercised in the event that the Board of Directors deems such a distribution to be prudent. Any distribution may thus be lower than proposed or alternatively may be equal to zero. This authorisation has a ceiling of NOK 3.6 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. This authorisation shall remain valid until 1 January 2021.

In submitting the financial statements for Q2 2020, the Board of Directors has evaluated the prudence of implementing the distribution of dividends to equity certificate holders and the donation of funds to good causes. The Board of Directors has used the annual financial statements and annual report for 2019 as the basis for its assessment, in addition the profits and developments in terms of capital to date in 2020, as well as the bank's solvency and capital requirements, and holds the view that these elements do not - in isolation - pose any obstacle to implementing distributions at present. Furthermore, the Board of Directors has assessed the regulatory frameworks applicable to the bank's operations, including the Ministry of Finance's press release dated 25 March 2020 referring to the requirement for banks to withhold profits, the ECB's press release dated 27 March 2020 in which banks are asked not to pay dividends prior to October 2020 and the ESRB's recommendation dated 27 May 2020 in which banks are requested not to pay dividends prior to 1 January 2021. The Sparebanken Øst Board of Directors remain of the view that there is significant macroeconomic uncertainty in Norway, even when taking into account the financial aid offered by the authorities. The infection situation in Norway appears to be under control at present. Globally, the pandemic is currently seeing significant negative trends, including in the USA, which is a highly important trading partner for Norway. On 15 July 2020, the Board of Directors resolved to delay its application of its authorisation.

Prior to the Board of Directors adopting its final resolution in accordance with this authorisation, the sums encompassed by the Board of Trustees' decision pertaining to the allocation of the profit for the year shall be reported as equity in the accounts and included in the key figures as the equity per certificate, but shall be deducted when calculating the Group's capital ratio, ownership fraction as at 01.01.2020 and when calculating equity interest rates.

Profit for the first half year

Sparebanken Øst achieved a profit after tax of NOK 305.2 million for the first half 2020. The equivalent profit after tax for the first half of 2019 was NOK 150.5 million. The return on equity in the first half of 2020 was 15.67 per cent, compared with 8.10 per cent for the same period last year. Underlying banking operations generated a stable profit contribution through stable net interest income and stable costs compared with the first half of last year. The increase in profits during the first half of 2020 primarily relate to the gains in the equity investment in Frende Holding AS and gains from the sale of real estate that totalled NOK 173.8 million. By comparison, there were no such items that affected the profit figures in the same period last year.

Net interest income amounted to NOK 301.9 million for the first half of 2020, an increase of NOK 1.7 million compared with the first half of 2019.

Net commission income amounted to NOK 18.3 million in the first half of 2020, which represents a reduction of NOK 2.8 million compared with the first half of 2019.

Dividends received in the first half of 2020 totalled NOK 5.3 million and related primarily to dividends received from Eksportfinans ASA. By comparison, dividends in the first half of 2019 totalled NOK 2.5 million, which were primarily derived from dividends from Dialog Eiendomsmegling AS and VN Norge AS.

Net value changes and gains/losses from financial instruments amounted to NOK 144.8 million in the first half of 2020, an increase of NOK 136.7

million compared with the first half of 2019. A gain in the value of the bank's shares in Frende Holding AS totalled NOK 154.0 million. Positive value changes related to shares and equity rights in Visa Inc. total NOK 7.6 million to date this year, compared to an increase of NOK 9.2 million in the same period last year. The value of the liquidity portfolio has fallen by NOK 10.8 million to date this year, compared with an increase of NOK 3.7 million in the same period last year. The negative impact on the results from currency, derivatives and fixed-rate loans at their true value amounts to NOK 3.4 million to date this year, while the equivalent figure for the same period last year was a gain of NOK 1.1 million. The costs of buying back the bank's own issued debt to date this year amounted to NOK 2.6 million compared with NOK 5.8 million during the same period last year.

Other operating income amounted to NOK 24.1 million in the first half of 2020, compared with NOK 8.6 million in the first half of 2019. This increase is due to a gain from the sale of real estate totalling NOK 19.8 million during the first half of 2020, in addition to reductions in rental income as a result of these sales.

Total operating costs were NOK 142.0 million in the first half of 2020, compared with NOK 137.0 million in the first half of 2019. Operating costs have primarily increased as a result of provision for profit sharing, IT costs, and the hiring in of personnel and consultancy services.

Losses on loans to customers amounted to NOK 9.4 million in the first half of 2020, compared with NOK 8.0 million in the first half of 2019.

Tax costs during the first half of 2020 totalled NOK 37.7 million and amount to 11.0 per cent of the profit before tax. This low tax cost is explained primarily by the gain in value of the Frende Holding AS shares, as well as gains from the sale of real estate, which are subject to the exemption method.

Balance sheet as at 30.06.2020

Total assets increased by NOK 1,034.9 million compared with total figure as at 30.06.2019 and amounted to NOK 43,700.1 million at the end of the second quarter of 2020.

Assets

- Cash and receivables at central banks amounted to NOK 536.3 million as at 30.06.2020, compared with NOK 437.5 million as at 30.06.2019.
- Net lending to financial institutions amounted to NOK 8.2 million as at 30.06.2020, compared with NOK 10.7 million as at 30.06.2019.
- Net lending to customers amounted to NOK 32,013.4 million as at 30.06.2020, compared with NOK 34,801.6 million as at 30.06.2019. This is a reduction of NOK 2,788.2 million over the last 12 months, equivalent to 8.01 per cent. The effects of the Covid-19 pandemic and very strong competition during the same period have resulted in further reductions to lending growth from March 2020 onwards. Strategic choices as a result of regulatory uncertainty about future capital requirements have also had an impact on lending growth over the past 12 months. Gross lending to retail customers accounted for 84.3 per cent of total lending to customers.
- Holdings of certificates and bonds amounted to NOK 9,562.9 million as at 30.06.2020, compared with NOK 6,238.4 million as at 30.06.2019. Liquidity reserves measured using LCR totalled 371.9 per cent as at 30.06.2020, compared with 261.6 per cent as at 30.06.2019. The bank's liquidity strategy involves a high proportion of securities that are included in the LCR calculation. The maturity structure for market funding significantly affects LCR.
- Shares and units amounted to NOK 810.8 million as at 30.06.2020, compared with NOK 619.3 million as at 30.06.2019.

The bank's stake in Frende Holding AS increased during Q2 2020 from 13.19 per cent to 13.75 per cent through the acquisition of shares from Helgeland Sparebank. The shareholding was valued at NOK 481.2 million as at 30.06.2020.

The bank owns 4.85 per cent of the shares in Eksportfinans ASA, and the shareholding was valued at NOK 195.0 million as at 30.05.2020.

Balder Betaling AS is owned by several independent banks, and its main purpose is to own these banks' shares in Vipps AS. The bank's shareholding in Vipps AS is 0.70 per cent. The bank's shares in Balder Betaling AS were valued at NOK 30.8 million at 30.06.2020. The valuation is based on the underlying share value in Vipps AS.

The bank owns 6.85 per cent of the shares in Kraft Bank ASA. The shareholding was valued at NOK 23.0 million as at 30.06.2020.

The bank owns 'C' shares in Visa Inc. The shareholding was valued at NOK 35.4 million as at 30.06.2020. The bank also has rights to shares in Visa Inc., owned via Visa Norge Holding 1 AS and VN Norge AS. The rights are valued at NOK 27.8 million as at 30.06.2020.

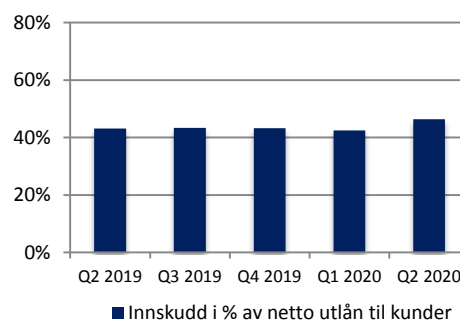
The bank owns 14.1 per cent of the shares in Norwegian Block Exchange AS (NBX). The shareholding was valued at NOK 15.0 million as at 30.06.2020.

Liabilities

- Deposits from customers amounted to NOK 14,851.5 million as at 30.06.2020, compared with NOK 15,014.4 million as at 30.06.2019. This is a reduction of NOK 162.9 million over the past 12 months, equivalent to 1.09 per cent. The deposit coverage ratio in the Group at the end of the second quarter of 2020 was 46.39 per cent, compared with 43.14 per cent at the end of the second quarter of 2019.
- Securities issued amounted to NOK 22,698.7 million as at 30.06.2020, compared with NOK 22,484.7 million as at 30.06.2019. The degree of stable and long-term financing measured by NSFR is 116.8 per cent as at 30.06.2020, against 114.0 per cent as at 30.06.2019. The average maturity for market funding is 3.06 years as at 30.06.2020, compared with 3.24 years as at 30.06.2019.
- Other long-term borrowing amounted to NOK 601.0 million as at 30.06.2020, compared with NOK 300.5 million as at 30.06.2019. The increase relates to F loans of NOK 300.0 million as at 30.06.2020.

Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 4,315.0 million as at 30.06.2020.

The figure below shows the loan to deposit ratio for the past five quarters.



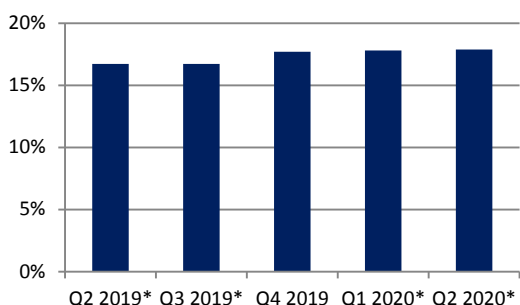
Capital adequacy

- The capital adequacy ratio measured as CET1 capital including 50 per cent of equity certificate holders' and primary capital share of profits amounted to 17.89 per cent at the end of the second quarter of 2020, down from 17.69 per cent at the end of 2019.
- On 8 June 2020, Sparebanken Øst announced that the Financial Supervisory Authority of Norway had established a step 2 requirement for the Group at 1.8 per cent, with a floor of NOK 360 million. The requirement came into effect on 30 June 2020. Given the current level of the countercyclical buffer of 1 per cent, this entails a total CET1 capital requirement of at least 12.8 per cent. On 15 July 2020, the Board of Directors of Sparebanken Øst adopted a resolution to extend the Group's capital goal relating to CET1 capital at a level of 14.75 per cent. The basis for this resolution was the bank's own assessment, regulatory requirements and orders, the need to take into account reasonable capital requirement margins and ensuring necessary strategic room for manoeuvre.
- Net primary capital at the end of the second quarter of 2020 amounted to NOK 3,958.2 million, of which NOK 3,614.8 million constituted the Group's CET1 capital. Given a basis for calculation of NOK 19,076.4 million, this corresponds to a capital adequacy ratio of 20.75 per cent, of which 18.95 per cent

constitutes the CET1 capital ratio. The bank uses the standardised approach to calculate the minimum primary capital adequacy requirement for credit risk.

- The bank is financially very strong, with an unweighted tier 2 leverage ratio, including 50 per cent of equity certificate holders' and primary capital share of profits for the year to date, of 8.57 per cent at the end of Q2 2020, against 8.29 per cent at the end of Q2 2019. The unweighted requirement for CET1 capital is 5.0 per cent.

The figure below shows the development in CET1 capital over the last five quarters.



* 50 per cent of the share of profits accruing to equity certificate holders and primary capital is included in the quarterly figures.

Risk

Credit risk

Sparebanken Øst has a credit strategy that deals with various types of credit risk related to loans, credits and guarantees granted to customers in the retail and business markets, as well as counterparty risk for securities.

The credit strategy is intended to help ensure that the bank's activities in the credit area are in line with the framework conditions and guidelines in the bank's overall business concept and strategic plans, including ensuring that the activities are prudent in relation to the bank's capacity and willingness to bear risk.

The bank has an established credit portfolio of a quality and composition that ensures the bank's profitability in the short and long term, and

ensures that the bank's management of credit risk is in accordance with the requirements stipulated in acts, regulations, directives from the authorities and other regulatory conditions.

The credit strategy is implemented in the bank's credit manuals and in other instructions. Within the retail and business markets, the capacity and willingness to pay are key aspects of the credit assessments. The Mortgage Regulation provides essential guidance to the bank's lending business to private individuals. The level of risk for lending to customers is measured by classifying customers according to risk. The risk classification has been established as an integral element of the credit process, and the requirement for the annual reclassification of loan commitments is fulfilled. Credit risk trends are monitored continuously through reports to the bank's executive management and quarterly reports for the bank's Board of Directors.

The bank's geographical coverage provides access to a large market area with flexibility with regard to customers and segments. The bank's loan portfolio is primarily spread across the central Eastern Norway area. The low proportion of lending to the business market contributes to a lower overall credit risk for the bank. Exposure to commercial property represents a relatively large proportion of the business portfolio, but a limited proportion of the bank's total loan portfolio. The bank does not have exposure to oil and oil related activities or fishing and aquaculture activities. In general terms, the bank can also be said to have very little direct or indirect exposure to the accommodation/hospitality industry, import/export businesses, major industry and trading operations. There is also very little direct or indirect exposure to trading activities with the exception of groceries. During Q1 2020, measures were implemented to increase follow-up with its business customers through close contact in order to monitor the early impacts of the Covid-19 situation.

The bank opted to prioritise the special follow-up of its 100 largest customers, as well as customers in particularly vulnerable industries. Experience during Q2 2020 has shown that the lending portfolio is deemed to be robust.

Those customers who expressed concerns during the early phase seem to have weathered the period in a satisfactory manner, and at the end of Q2 2020 the bank has not observed any new negative signals. Temporary payment holidays as a result of Covid-19 have not been registered since mid-April, and just a handful of applications relating to the authorities' loan guarantee schemes have been received.

Loans and credits to the retail market are generally only granted against home mortgages. The bank's exposure to lending and credit without associated security is low. Given the Group's high share of loans to the retail market, which is primarily distributed in geographic terms throughout the central area of Eastern Norway, the retail market portfolio is considered to have certainty and a capability to service debt in a housing and labour market that is expected to remain fully functional in the longer term.

The bank also takes credit risks in managing liquidity reserves and excess liquidity. The bank intends to retain interest-bearing securities with low credit risk for liquidity purposes (reserve for disposal when needed), or as a deposit basis for borrowing facilities at the central bank, or both. The bank's credit risk is monitored continuously and updated overviews of the bank's total counterparty risk are available.

Market risk

Sparebanken Øst has a financial strategy that is intended to help to ensure that the bank's activities in the area of finance are in line with the framework conditions and guidelines in the bank's overall business concept, strategic plans and budgets, and also to ensure that the activities are prudent in relation to the bank's capacity and willingness to bear risk.

The financial strategy is also intended to ensure that the bank's management of financial risk complies with the requirements stipulated in acts, regulations, directives from the authorities, and other regulatory conditions. Sparebanken Øst has a liquidity portfolio comprising interest-bearing securities that are primarily issued by Nordic financial institutions, Norwegian banks, municipalities, the central government and

government-guaranteed companies. Through this, the bank takes credit spread risk.

The interest rate risk is kept within fixed limits and is limited in that assets and liabilities mainly have variable interest rates or are swapped to variable interest rates. Currency risk is reduced by entering into forward contracts or basis swaps. The bank has very little interest rate and currency risk. Exposure to equity instruments beyond the bank's subsidiaries and strategic investments is limited.

Liquidity risk

Sparebanken Øst has a conservative stance on liquidity risk and seeks to ensure proper liquidity management so that the group has sufficient liquid assets to cover its obligations at maturity at all times. The group shall be able to carry out normal operations for a period of at least 12 months without access to external financing. The group's liquidity is governed by established frameworks for, amongst others, LCR, NSFR and stress tests.

Sparebanken Øst issues covered bonds through the bank's wholly owned mortgage credit company. Covered bonds with long maturities are generally issued, while senior bond loans are issued with maturities that fit the existing maturity profile at any time.

At the end of Q2 2020, the Group had a very robust liquidity situation. The Group has long-term financing in place with limited imminent maturity of issued securities during 2020. At the end of Q2 2020, liquidity reserves were at a historic high.

Operational risk

Operational risk is the risk posed to the bank of losses resulting from inadequate or failing internal processes or systems, human error or malpractice, or external events. Operational risk also encompasses compliance risk, i.e. the risk of non-compliance with applicable legislation, regulations and internal governance documents.

Management and control of operational risk is safeguarded through the strategy for comprehensive risk management. The strategy is adopted by the board and evaluated at least once

annually. The strategy clearly defines who is responsible for the establishment and implementation of the internal control. Measures are taken to try and keep operational risk at a low level. Operational risk is monitored through annual reviews of the bank's key processes, established internal controls with annual management confirmation of implemented internal controls, and quarterly reporting of events recorded and risk level assessments for the Board of Directors. The group has not registered significant losses due to the failure of internal processes, systems, human error or unforeseen events in the first half of 2020.

Rating

Sparebanken Øst has had an A2 long-term deposit and issuer rating from Moody's Investors Service since October 2017. The bank's counterparty risk assessment (CRA) and long-term counterparty risk rating (CRR) are A1. There are stable prospects for the bank's ratings and these were most recently confirmed in October 2019 by Moody's Investors Service. Covered bonds issued by Sparebanken Øst Boligkreditt AS have an AAA rating from Moody's.

Subsidiaries

Sparebanken Øst Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Øst and its purpose is to grant or acquire residential mortgages, commercial mortgages, loans, secured against other real estate assets or public loans, and to finance lending operations primarily by issuing covered bonds. The company has a low loan-to-value (LTV) ratio in the cover pool. At the end of the second quarter of 2020, the loan-to-value ratio of the security portfolio was 48.8 per cent, compared with 46.4 per cent at the end of the second quarter of 2019.

At 30.06.2020, the company's total assets amounted to NOK 16,785.1 million and mainly consist of first priority home mortgages, which are financed via covered bonds and drawing rights on the parent company. The company's paid-up equity is NOK 950.0 million, of which NOK 373.1 million is share capital and NOK 576.9 million makes up the share premium account. The profit after tax at the end of the second quarter of 2020 was NOK 37.2 million, compared

with NOK 39.3 million for the same period last year. The company has no employees, rather it sources services from Sparebanken Øst.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst. Its main product is providing loans for second-hand cars with collateral in the purchased car. The company posted a profit after tax of NOK 25.7 million in the second quarter of 2020, compared with NOK 19.1 million in the same period last year. Total assets amounted to NOK 2,184.4 million. The company had 18 employees, corresponding to 18 full-time equivalents, at the end of second quarter of 2020.

Sparebanken Øst Eiendom AS is a wholly owned subsidiary of Sparebanken Øst and is tasked with managing properties owned by the Sparebanken Øst Group. Operating income amounted to NOK 22.5 million in the first half of 2020, compared with NOK 5.1 million in the same period last year. NOK 19.8 million in profit from the sale of real estate has been recognised as income in 2020. A profit after tax of NOK 20.2 million was recorded for the first half of 2020, compared with NOK 0.6 million for the same period last year. The company has 3 employees, corresponding to 2 full-time equivalents.

Øst Prosjekt AS is a wholly owned subsidiary of Sparebanken Øst and its primary purpose is to take over projects and undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees. The result after tax was a loss of NOK 0.2 million in the first half of 2020, compared with a profit of NOK 0.7 million in the first half of 2019. In the second quarter of 2020, the company took over assets valued at NOK 8.2 million as part of hedging loan commitments in the bank.

Øst Inkasso AS is a wholly owned subsidiary of Sparebanken Øst. The purpose of the company is to run debt collection operations and other activities naturally associated with this, including reminder services and long-term monitoring of debt collection portfolios. Other operating income amounted to NOK 3.8 million in the first half of 2020, compared with NOK 4.0 million in the first half of 2019. The result after tax was a

loss of NOK 0.4 million for the first half of 2020, compared with a loss of NOK 0.1 million for the same period last year. The company has 4 employees, corresponding to 4 full-time equivalents. The company has also hired the managing director from Sparebanken Øst and an employee from AS Finansiering.

Frende Forsikring

Frende Holding AS owns Frende Skade AS and Frende Liv AS (Frende Forsikring). The bank has a 13.75 per cent stake in the holding company. As at 30.06.2020, Frende is owned by 15 savings banks. Sparebanken Vest is the largest shareholder and Sparebanken Øst is the third largest. The company offers P&C and life insurance products to business and retail customers and has more than 250,000 customers. Frende Forsikring's head office is in Bergen. No financial performance for the first half of 2020 is publicly available for Frende Skade and Frende Liv as at 15.07.2020.

During Q2 2020, an agreement was signed to establish a partnership between Varig Hadeland Forsikring, Varig Orkla Forsikring and Varig Forsikring Nordmøre og Romsdal. As of January 2021, the three Varig companies will contribute to a broader distribution of Frende Forsikring. The three Varig companies are acquiring 4 per cent of Helgeland Sparebank's holding in Frende, although the share transfer is not planned for completion until early 2021, and is conditional on the necessary regulatory approvals being gained.

Accounting Policies

The interim financial statements are prepared in accordance with IFRS (including IAS 34 Interim Financial Reporting). The interim financial statements have not been audited. Refer to note 1 for more details.

Dividend policy

Sparebanken Øst's financial targets for its operations are to achieve results that provide a good and stable return on the bank's equity, and create value for equity certificate holders as competitive returns in the form of dividends and equity certificate appreciation. The profit for the year will be divided between equity certificate

holders and social capital in accordance with their respective shares of the bank's equity.

Sparebanken Øst will endeavour to pay 50 to 75 per cent of the profit allocated to equity certificate holders as dividends. Sparebanken Øst also aims to distribute an amount equivalent to 50 to 100 per cent of the dividend paid to equity certificate holders as dividend to social capital in the form of grants for good causes. On determining dividends and donations, due consideration will be made of the bank's financial performance, market situation, dividend stability, and need for Tier 1 capital.

Macroeconomic trends

The Covid-19 pandemic has thus far during 2020 resulted in extreme measures globally, and lockdowns and production falls have had a negative impact on the economies of Norway and our trading partners. As infection prevention measures against Covid-19 have resulted in slower growth in new infections, these measures are now gradually being reduced in many countries. In Norway, the gradual re-opening of society has resulted in reductions to unemployment and increases to private consumption. The Norwegian authorities have established a range of comprehensive financial aid packages and the oil fund will absorb record costs to sustain this. Following cuts in production and improved forecasts for demands, oil prices have risen above 40 dollars.

Norges Bank has reduced its key policy rate to zero per cent, and its forecasts suggest it will remain at this level for the foreseeable future. The central bank bases its outlook on the fact that there will not be any new waves of infection, and it estimates increased growth and that the key policy rate can be raised again in 2023. Money market rates have fallen significantly since the turn of the year, but have risen somewhat more recently. At the end of the quarter, the three-month NIBOR was at 0.36 per cent, and the 10-year swap rate was 0.90 per cent.

Lockdown has resulted in a strong increase in gross unemployment, but the re-opening of society resulted in a fall to 5.8 per cent. Consumer price inflation has fallen, especially due to low electricity prices, and was 1.4 per cent

higher in June than compared to the previous year. The Norwegian krone exchange rate fell heavily during the first quarter in line with the fall in oil prices and increased uncertainty, but has rallied considerably in recent months. Activity in the housing market has also grown during May and June, and house prices as at 30 June increased by 3.5 per cent over the past 12 months. Household debt growth has fallen to 4.4 per cent in May.

There remains considerable uncertainty in relation to future trends.

Outlook

Sparebanken Øst does most of its business in Eastern Norway. The Covid-19 pandemic created great uncertainty and unrest both in Norway and internationally. There remains some uncertainty relating to the consequences of the pandemic, both in the short- and long-term. At present, it appears that the pandemic is under control in Norway, however the re-opening of Norwegian society has created fears of a possible second wave that may be bigger than previously estimated. Setbacks cannot be ruled out, and reduced understanding and compliance with previously introduced infection prevention measures will increase the likelihood of negative consequences. Growth in the Norwegian economy is expected to remain low in 2020, however there are signs of more rapid normalisation than previously expected. The economic situation will remain characterised by the volatile oil prices, high rates of unemployment that are falling, low interest rates and low productivity. It is expected that we will see an increase in bankruptcies and closures despite increased optimism and the implementation of aid packages by the authorities. At the end of the quarter, the uncertainty about whether house prices will be affected negatively by the Covid-19 pandemic has been reduced. House prices continue to grow with prices rising. The authorities' initiatives for business owners and the provision of liquidity for the banks have helped to reduce the negative impacts of the pandemic.

Although a significant proportion of the bank's borrowing costs track developments in money market rates, lower borrowing costs will appear

in the bank's accounts a few months after customers receive reductions to their mortgage rates. The fall in money market rates during the first half of the year will take full effect from Q3 2020. We continue to expect very strong competition and the pressure on the bank's net interest rate will be huge going forward. The competitive situation must also be viewed in light of the decision taken by the Ministry of Finance following advice from Norges Bank on 13 March 2020 to reduce the countercyclical buffer requirement from 2.5 per cent to 1 per cent with immediate effect.

Sparebanken Øst will continue to work purposefully to implement principles for green products and green funding. The Covid-19 pandemic has set this work back somewhat and we anticipate delays in this work progressing. This requires a framework for green product development and the classification of customers based on sustainability criteria. The principles will also form the basis for the issuance of green bonds and stipulate how other parts of the business can be restructured in a more sustainable direction. Furthermore, the bank will implement reporting of non-financial information related to ESG in keeping with reputable standards. Going forward, the bank will allocate resources for the development of the bank's strategy so that Sparebanken Øst becomes a reliable contributor to sustainable development.

Sparebanken Øst is a cost-efficient bank with a keen focus and belief that low costs constitute a competitive advantage. Costs are expected to remain stable going forward, however increased complexity may result in temporary cost increases.

Banking involves risking losses and non-performance, which means that losses on lending and guarantees to customers cannot be ruled out. The Bank has carried out evaluations of its portfolio in light of the Covid-19 pandemic, and no circumstances have been identified to date that will result in significant losses. Low levels of non-performing commitments continue to be expected, however, non-performance may increase somewhat as a result of the Covid-19 pandemic, and there may be losses that occur for

the same reason, however expected losses on lending remain low.

The market values of securities such as bonds and equities will fluctuate over time, and losses on shares may occur. The group's bond portfolio is held for liquidity purposes, with a low risk of losses.

The group has great financial strength, which provides latitude, opportunities for growth and high potential dividends. The group also has a particularly sound liquidity buffer that will provide security if the banks' access to funding is challenged in the future. The Group expects to be able to obtain new funding with margins at the level of those of the major regional banks, including in the current market conditions. Sparebanken Øst believes that it holds a good position in the equity certificate market and aims to ensure simple, open communication with its investors. The bank's target for its return on equity has been set at 10 per cent over time. The return on equity for 2020 is expected to be higher than the target of 10 percent.

Growth in lending to and deposits from customers will depend on general competition in the banking market, as well as the access to long-term financing. Lending growth over the next six months is expected to remain on a par with general lending growth to both retail and business customers in the long term. The bank's growth in lending in 2020 will be low as a consequence of the very strong competition experienced during the early phase of the Covid-19 pandemic. Caution in uncertain times and troubled settings will reinforce the negative trends seen during the first half of 2020. Growth in lending to retail customers will continue to primarily come from home mortgages and providing loans for second-hand cars that are secured by security in the purchased car. Growth in lending to business customers will be seen in the group's defined market areas, of which the main product is repayment loans against mortgages in real estate.

Sparebanken Øst expects to be set requirements for primary capital and qualifying liabilities that can be written down or converted to equity (MREL) towards the end of 2020. This requirement is expected to create a need to issue

senior subordinated debt (Tier 3). The anticipated need to issue subordinated debt could replace parts of existing senior unsecured bond loans when these reach maturity and before the requirement is expected to come into force. In a letter dated 26 May 2020, the Financial Supervisory Authority of Norway granted an extension to the deadline for the phasing in of MREL for the banks who had received such a demand from the originally proposed deadline of 31 December 2022 to 1 January 2024. No permission has been granted to include senior debt issued later in 2020 in the fulfillment of MREL. The margins in the credit market for MREL capital increased significantly as a result of the Covid-19 pandemic, but fell significantly during Q2 2020. Towards the end of the quarter, there were several Norwegian banks in the market who recovered senior debt in successful transactions. There remains some uncertainty relating to the details of the requirements of the phase-in process for banks who have not yet received this information.

The CRR/CRD IV capital adequacy directive was implemented in Norway from and including 31.12.2019, when the Basel I floor for IRB was raised and 'SME discounts' for lending to small and medium-sized enterprises were introduced.

The Ministry of Finance announced in a press release on 11 December 2019 that it would stipulate changes to banks' capital requirements that would come into effect from the end of 2020. New requirements will not begin to apply to standard banks until the end of 2022. The changes will mean that the system risk-buffer requirement is increased from 3 to 4.5 per cent, and that a floor for the risk weighting of real property loans is being introduced.

On 11.12.2019, the Ministry of Finance sent a letter to the Financial Supervisory Authority of Norway on the relationship between general buffer requirements and the Pillar 2 process. The Ministry of Finance writes that the division of labour between the various requirements in Pillar 1 and Pillar 2, including the capital requirement margin, the EBA's guidelines and the conditions emphasised by determining the system risk buffer requirement, should be reviewed before the restructuring of the system risk-buffer

requirement comes into force. The Ministry of Finance states that the review should also include an assessment of the system to determine Pillar 2 requirements, and how the restructuring of the system risk-buffer requirement affects the assessments of which risks are fully or partially covered in Pillar 1. The Ministry requested that the Financial Supervisory Authority of Norway assess these conditions by 2 March 2020.

The Financial Supervisory Authority of Norway responded to the Ministry of Finance's request in a letter dated 2 March 2020 and wrote that the Financial Supervisory Authority of Norway did not see that the notified change to the systemic risk buffer would encompass any changes to the division of labour between the differing requirements pertaining to Pillar 1 and Pillar 2 (including the capital requirement margin) or in the division of labour between the Ministry of Finance and the Financial Supervisory Authority of Norway when determining the requirements. The Financial Supervisory Authority of Norway clarified that developments in company-specific matters had to be fully assessed by the Financial Supervisory Authority of Norway as part of the Pillar 2 process.

In a joint statement in response to the consultation held by the Ministry of Finance in the autumn of 2019, Norwegian banks using the standard method have pointed out that the introduction of increased systemic risk buffer requirements could significantly affect the competitive situation between banks in Norway in significant favour of banks using the IRB method. Sparebanken Øst is of the opinion that the Financial Supervisory Authority of Norway's view of the Ministry of Finance's request to consider changes in the division of labour between the various requirements of Pillar 1 and Pillar 2 may create lasting and significant differences in the competitive situation between banks using the standard method and the IRB method. In a letter to the Ministry of Finance on 22 June 2020, Finance Norway requested that the Ministry of Finance clarify the division of labour between the various requirements pertaining to steps 1 and 2. In the bank's view, there is thus significant uncertainty relating to the framework conditions and future capital adequacy requirements for banks which calculate capital adequacy using the standard method.

Hokksund, 30 June 2020

Drammen, 15 July 2020

Øivind Andersson
Chair

Cecilie Hagby
Deputy Chair

Elly Therese Thoresen
Board member

Jorund Rønning Indrelid
Board member

Arne K. Stokke
Board member

Sissel Album Fjeld
Employee representative

Ole-Martin Solberg
Employee representative

Pål Strand
CEO

Income Statement – Group

(Amounts in NOK million)	Note	Q2 2020	Q2 2019	1/1-30/6/2020	1/1-30/6/2019	Year 2019
Interest income from assets valued at amortised cost		247,7	280,9	554,4	549,7	1.161,4
Interest income from assets valued at fair value		39,6	28,5	83,4	54,1	129,5
Interest costs		150,1	156,1	335,9	303,7	649,1
Net interest income	15	137,3	153,4	301,9	300,1	641,7
Commission income and income from banking services		17,8	22,6	39,1	43,6	89,9
Commission costs and costs for banking services		10,1	11,2	20,8	22,5	44,8
Dividend		0,0	2,5	5,3	2,5	28,9
Net value changes and gains/losses on financial instruments	16	178,5	2,9	144,8	8,1	-9,5
Other operating income		1,6	4,2	24,1	8,6	15,3
Net other operating income		187,9	21,0	192,5	40,4	79,8
Payroll, etc.		30,6	30,2	77,3	77,2	162,6
Administration costs		13,2	13,1	28,1	26,5	53,6
Depreciation/write-downs/changes in value for non-financial assets		6,6	6,4	13,0	12,6	25,7
Other operating costs		11,2	9,0	23,6	20,7	35,9
Total operating costs	17	61,6	58,7	142,0	137,0	277,8
Profit/loss before losses		263,5	115,7	352,3	203,6	443,7
Losses on loans, unused credit and guarantees	4	1,8	3,7	9,4	8,0	18,9
Profit/loss before tax costs		261,7	112,0	342,9	195,6	424,8
Tax costs		25,4	26,0	37,7	45,2	95,5
Profit/loss after tax		236,3	85,9	305,2	150,5	329,3
Hybrid capital owners' share of the result		4,2	4,1	8,9	8,0	17,9
Equity certificate holders' and primary capital share of profits		232,1	81,9	296,3	142,5	311,5
Profit/loss after tax		236,3	85,9	305,2	150,5	329,3
Earnings per equity certificate		3,51	1,28	4,49	2,23	4,87
Diluted earnings per equity certificate		3,51	1,28	4,49	2,23	4,87

Total income - Group

(Amounts in NOK million)	Note	Q2 2020	Q2 2019	1/1-30/6/2020	1/1-30/6/2019	Year 2019
Profit/loss after tax		236,3	85,9	305,2	150,5	329,3
Items that will not be reclassified to the income statement						
Actuarial gains and losses on defined-benefit plans		0,0	0,0	0,0	0,0	4,1
Tax related to items that cannot be reclassified		0,0	0,0	0,0	0,0	-1,0
Comprehensive income		236,3	85,9	305,2	150,5	332,4

Balance Sheet – Group

(Amounts in NOK million)	Note	30.06.2020	30.06.2019	31.12.2019
Assets				
Cash and receivables from central banks	10,11	536,3	437,5	302,5
Lending to and receivables from financial institutions	10,11	8,2	10,7	15,9
Loans to and receivables from customers	4,7,8,10,11	32.013,4	34.801,6	34.225,3
Certificates and bonds	10,11	9.562,9	6.238,4	6.755,1
Shares and units	10,11	810,8	619,3	629,6
Financial derivatives	10,11,13,14	530,8	273,3	174,7
Investment properties		12,1	59,5	59,0
Tangible fixed assets		143,6	135,9	137,7
Lease rights		47,9	52,9	49,5
Other assets		17,5	18,3	23,9
Prepaid non-accrued costs and income earned, but not received		16,5	17,8	12,6
Total assets		43.700,1	42.665,2	42.385,8
Liabilities and equity				
Liabilities to financial institutions	10,11	601,0	300,5	300,6
Deposits from and liabilities to customers	6,10,11	14.851,5	15.014,4	14.791,7
Financial derivatives	10,11,13,14	29,9	8,0	35,3
Securities issued	10,11,12	22.698,7	22.484,7	22.261,7
Other liabilities		528,8	319,5	298,9
Accruals and deferred income		34,4	35,5	33,6
Provisions for accrued costs and liabilities		67,7	78,5	67,4
Deferred tax liability		2,2	3,2	5,0
Lease liabilities		48,6	53,2	49,9
Subordinated loan capital	10,11,12	400,0	400,2	400,4
Total liabilities		39.262,8	38.697,7	38.244,3
Paid-up equity		595,1	595,1	595,1
Hybrid capital		352,0	350,5	352,4
Retained earnings		3.490,3	3.022,0	3.194,0
Total equity		4.437,4	3.967,5	4.141,5
Total liabilities and equity		43.700,1	42.665,2	42.385,8

Changes in Equity - Group

(Amounts in NOK million)	Paid-up equity		Hybrid capital			Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Additional Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for		
								unrealised gains	Other equity	Retained profit
30.06.2020										
Equity as at 31.12.2019	4.141,5	207,3	387,8	352,4	405,7	2.045,5	38,1	277,5	427,2	0,0
Ordinary result	305,2	0,0	0,0	8,9	0,0	0,0	0,0	0,0	0,0	296,3
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	305,2	0,0	0,0	8,9	0,0	0,0	0,0	0,0	0,0	296,3
Interest paid on hybrid capital	-9,4	0,0	0,0	-9,4	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 30.06.2020	4.437,4	207,3	387,8	352,0	405,7	2.045,5	38,1	277,5	427,2	296,3

* The Board of Trustees approved the annual financial statements and annual report for 2019 on 18 June 2020, including the allocation of the parent bank's profit for the year as was originally proposed dividend set at NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. The Board of Trustees resolved to grant the Board of Directors time-limited authority for the final implementation of this distribution of dividends to equity certificate holders and grants to good causes. According to this authorisation, the Board of Directors are required to assess the prudence of this authorisation shall be exercised in the event that the Board of Directors deems such a distribution to be prudent. Any distribution may thus be lower than proposed or alternatively may be equal to the proposed distribution per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. This authorisation shall remain valid until 1 January 2021. Prior to the Board of Directors adopting its final decision, the sums encompassed by the Board of Trustees' decision pertaining to the allocation of the profit for the year shall be reported as equity in the accounts and included in the key figures as the equity per equity certificate, but shall be deducted when calculating the Group's capital ratio, ownership fraction as at 01.01.2020 and when calculating equity interest rates.

(Amounts in NOK million)	Paid-up equity		Hybrid capital			Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Additional Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for		
								unrealised gains	Other equity	Retained profit
30.06.2019										
Equity at 31.12.2018	3.944,2	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	405,3	0,0
Ordinary result	150,5	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	142,5
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	150,5	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	142,5
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2018 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-8,0	0,0	0,0	-8,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.06.2019	3.967,5	207,3	387,8	350,5	308,7	1.843,7	38,1	283,6	405,3	142,5

(Amounts in NOK million)	Paid-up equity		Hybrid capital			Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Additional Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for		
								unrealised gains	Other equity	Retained profit
2019										
Equity at 31.12.2018	3.944,2	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	405,3	0,0
Ordinary result	329,3	0,0	0,0	17,9	96,0	199,9	0,0	-6,2	21,7	0,0
Actuarial gains and losses on defined-benefit plans	3,0	0,0	0,0	0,0	0,9	1,9	0,0	0,0	0,3	0,0
Comprehensive income	332,4	0,0	0,0	17,9	96,9	201,8	0,0	-6,2	22,0	0,0
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2018 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-15,9	0,0	0,0	-15,9	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0	0,0
Changes in endowment fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2019	4.141,5	207,3	387,8	352,4	405,7	2.045,5	38,1	277,5	427,2	0,0

Cash Flow Statement - Group

(Amounts in NOK million)	30.06.2020	30.06.2019	31.12.2019
Operating activities			
Profit before tax	342,9	195,6	424,8
Adjusted for:			
Change in net interest income earned and accrued interest costs	27,4	29,3	-9,2
Net receipts/payments of loans to customers	2.187,2	350,2	924,4
Change in certificates and bonds	-2.801,4	-1.064,4	-1.581,7
Changes in value of equities and units	-161,6	-9,2	-4,5
Change in other assets in connection with operations	33,9	-11,9	-17,6
Change in loans from credit institutions	0,0	0,0	0,1
Net receipts/disbursement of deposits from customers	15,8	73,9	-107,0
Change in other operating liabilities	288,9	11,7	-71,1
Non-cash items included in profit before tax costs	19,6	12,7	34,0
Net gain/loss from investing activities	-20,0	-0,1	-0,1
Net gain/loss from financing activities	2,6	5,8	6,8
Taxes paid for the period	-99,5	-84,9	-86,2
Net cash flow from operating activities	-164,2	-491,3	-487,3
Investing activities			
Payments on purchases of tangible fixed assets	-22,6	-9,3	-19,0
Proceeds from sale of fixed assets	71,8	0,3	0,3
Net proceeds/costs on the sale/purchase of financial investments	-19,6	-3,3	-18,3
Net cash flow from investing activities	29,6	-12,3	-37,0
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions	300,0	0,0	0,0
Payments on repayment of securities	-1.927,9	-2.059,5	-3.609,9
Proceeds on issuance of securities	1.998,0	2.502,1	3.951,7
Payment of dividend	0,0	-95,4	-95,4
Net payments on repayment of hybrid capital	0,0	0,0	-150,5
Net receipts on issue of hybrid capital	0,0	0,0	150,0
Interest paid on hybrid capital	-9,4	-8,0	-15,9
Net cash flow from financing activities	360,7	339,2	230,0
Net change in cash and cash equivalents	226,0	-164,4	-294,3
Cash and cash equivalents at 01.01	318,4	612,6	612,6
Holding of cash and cash equivalents at the end of the period	544,4	448,2	318,3

Liquidity reserves include cash and deposits with central banks and loans to and deposits with financial institutions which are investment placements.

Additional information for operating activities concerning interest and dividend income	30.06.2020	30.06.2019	31.12.2019
Interest payments received	652,4	592,9	1.271,7
Interest payments made	322,2	262,1	636,9
Dividends received	5,3	2,5	28,9

Note 1 - Basis for preparation of the financial statements

Accounting Policies

The interim financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting (IFRS).

A description of the accounting policies applied to the preparation of the financial statements is presented in the Annual Report for 2019. The accounting policies and calculation methods remain largely unchanged from the annual financial statements for 2019.

All amounts are stated in NOK millions and relate to the Group unless otherwise specified.
The interim financial statements have not been audited.

Assessments and use of estimates

The preparation of the consolidated accounts entails that the executive management performs estimates and discretionary assessments and makes assumptions which influence the effect of the application of accounting policies and, consequently, the recognised amounts for assets, liabilities, revenue and costs. For further details, see the Annual Report for 2019, Note 3 - Assessments and use of estimates.

Note 2 - Operating segments

Segment reporting is based on the bank's internal reporting format, where the parent bank and mortgage company are divided into retail market, business market and finance. There are also other subsidiaries, as well as a non-reportable segment with items that are not allocated to other segments.

Profit/loss

30.06.2020	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	162,5	64,6	-16,5	65,1	-0,1	24,5	1,9	301,9
Other operating income	27,2	3,9	-16,7	-9,5	22,5	167,1	-1,9	192,5
Operating costs	23,9	9,2	0,0	15,5	2,1	94,2	-2,8	142,0
Profit/loss before losses	165,8	59,3	-33,2	40,0	20,3	97,4	2,8	352,3
Losses on loans, unused credit and guarantees	0,2	3,4	0,0	5,8	0,0	0,0	0,0	9,4
Profit/loss before tax costs	165,6	55,8	-33,2	34,3	20,3	97,4	2,8	342,9
Tax costs	0,0	0,0	0,0	8,6	0,1	28,3	0,7	37,7
Profit/loss after tax	165,6	55,8	-33,2	25,7	20,2	69,1	2,1	305,2

30.06.2019	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	160,2	65,0	-13,6	59,4	-1,0	31,6	-1,5	300,1
Other operating income	30,5	4,0	2,6	-11,6	5,1	16,9	-7,0	40,4
Operating costs	27,6	8,9	0,0	15,5	3,4	84,7	-3,1	137,0
Profit/loss before losses	163,1	60,1	-11,0	32,3	0,8	-36,2	-5,4	203,6
Losses on loans, unused credit and guarantees	-0,4	1,5	0,0	6,9	0,0	0,0	0,0	8,0
Profit/loss before tax costs	163,5	58,6	-11,0	25,4	0,8	-36,2	-5,4	195,6
Tax costs	0,0	0,0	0,0	6,4	0,2	39,2	-0,6	45,2
Profit/loss after tax	163,5	58,6	-11,0	19,1	0,6	-75,4	-4,8	150,5

31.12.2019	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	349,2	137,7	-27,3	119,4	-1,9	65,1	-0,4	641,7
Other operating income	61,4	9,4	-12,7	-22,9	10,1	43,7	-9,1	79,8
Operating costs	59,5	19,6	0,0	31,7	6,3	166,8	-6,2	277,8
Profit/loss before losses	351,0	127,5	-40,0	64,7	1,9	-58,1	-3,3	443,7
Losses on loans, unused credit and guarantees	-0,6	6,0	0,0	13,5	0,0	0,0	0,0	18,9
Profit/loss before tax costs	351,6	121,5	-40,0	51,2	1,9	-58,1	-3,3	424,8
Tax costs	0,0	0,0	0,0	13,0	0,4	82,0	0,1	95,5
Profit/loss after tax	351,6	121,5	-40,0	38,3	1,4	-140,1	-3,4	329,3

Balance sheet

30.06.2020	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	24.561,3	4.849,6	11,2	2.136,1	0,0	479,7	-24,5	32.013,4
Other assets	5,5	0,0	10.520,6	48,3	141,1	3.791,0	-2.819,8	11.686,7
Total assets	24.566,9	4.849,6	10.531,8	2.184,4	141,1	4.270,7	-2.844,4	43.700,1
Deposits from and liabilities to customers	9.686,1	3.421,5	1.651,0	0,0	0,0	185,6	-92,8	14.851,5
Other liabilities/offsetting	14.880,8	1.428,1	8.880,7	1.789,8	34,5	-165,3	-2.437,3	24.411,3
Equity	0,0	0,0	0,0	394,6	106,6	4.250,4	-314,2	4.437,4
Total liabilities and equity	24.566,9	4.849,6	10.531,8	2.184,4	141,1	4.270,7	-2.844,4	43.700,1

30.06.2019	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	27.655,7	4.666,7	2,4	2.068,5	0,0	472,1	-63,8	34.801,6
Other assets	3,9	0,0	7.142,5	51,7	173,9	3.248,6	-2.757,0	7.863,6
Total assets	27.659,7	4.666,7	7.144,9	2.120,2	173,9	3.720,8	-2.820,9	42.665,2
Deposits from and liabilities to customers	9.877,8	3.317,8	1.728,0	0,0	0,0	157,5	-66,7	15.014,4
Other liabilities/offsetting	17.781,9	1.348,8	5.416,9	1.815,7	88,3	-253,0	-2.515,3	23.683,3
Equity	0,0	0,0	0,0	304,5	85,6	3.816,3	-238,9	3.967,5
Total liabilities and equity	27.659,7	4.666,7	7.144,9	2.120,2	173,9	3.720,8	-2.820,9	42.665,2

31.12.2019	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	26.714,5	4.964,9	1,1	2.102,9	0,0	505,7	-63,8	34.225,3
Other assets	4,8	0,0	7.548,8	47,5	174,1	3.179,6	-2.794,3	8.160,5
Total assets	26.719,3	4.964,9	7.549,9	2.150,4	174,1	3.685,3	-2.858,1	42.385,8
Deposits from and liabilities to customers	9.429,3	3.530,8	1.741,2	0,0	0,0	158,8	-68,4	14.791,7
Other liabilities/offsetting	17.290,0	1.434,2	5.808,7	1.781,4	87,7	-476,2	-2.473,2	23.452,6
Equity	0,0	0,0	0,0	369,0	86,4	4.002,6	-316,5	4.141,5
Total liabilities and equity	26.719,3	4.964,9	7.549,9	2.150,4	174,1	3.685,3	-2.858,1	42.385,8

Note 3 - Capital adequacy

The Group uses the standardised approach when calculating minimum requirements for primary capital for credit risk. The calculation related to operational risk is performed according to the basis method. The capital charge for credit valuation adjustment (CVA) is calculated using the standardised approach. Exposure amounts for derivatives are calculated using the market value method.

The Group's primary capital must satisfy the minimum capital adequacy ratio requirements at all times, with the addition of a buffer equivalent to the company's accepted risk tolerance. See also the Group's Pillar III document, which is available from Sparebanken Øst's website.

	30.06.2020	30.06.2019	31.12.2019
CET1 capital			
Book equity	3.789,1	3.474,6	3.789,1
Deduction items in CET1 capital			
Additional value adjustments (prudent valuation requirement) (AVA)	-11,3	-7,5	-8,0
Dividends*	-134,3	0,0	-134,3
Goodwill included in the valuation of significant investments	-315,7	-143,3	-149,3
Intangible assets	-32,2	-22,0	-26,3
CET1 capital instruments in other financial institutions (not significant)	0,0	0,0	0,0
CET1 capital instruments in other financial institutions (significant)	0,0	0,0	0,0
Other deductions from CET1 capital	-30,8	-31,0	-30,8
Total CET1 capital	3.264,8	3.270,8	3.440,3
Other tier 1 capital			
Hybrid tier 1 capital	350,0	256,8	350,0
Deductions from other tier 1 capital			
Other tier 1 capital instruments in other financial institutions (not significant)	0,0	0,0	0,0
Other tier 1 capital instruments in other financial institutions (significant)	0,0	0,0	0,0
Total other tier 1 capital	350,0	256,8	350,0
Total tier 1 capital	3.614,8	3.527,6	3.790,3
Tier 2 capital			
Subordinated loans	400,0	400,0	400,0
Deductions from tier 2 capital			
Tier 2 capital instruments in other financial institutions (not significant)	0,0	0,0	0,0
Tier 2 capital instruments in other financial institutions (significant)	-56,6	-56,8	-57,3
Total tier 2 capital	343,4	343,2	342,7
Net primary capital	3.958,2	3.870,8	4.132,9

Note 3 - Capital adequacy (contd.)

	30.06.2020	30.06.2019	31.12.2019
Governments and central banks	0,0	0,0	0,0
Local and regional authorities	258,4	150,0	127,5
Publicly owned companies	0,0	0,0	0,0
Multilateral development banks	0,0	0,0	0,0
Institutions	93,5	79,4	42,8
Companies	491,6	685,1	528,8
Mass market accounts	1.679,0	1.673,5	1.703,3
Accounts secured against property	12.978,4	14.416,5	14.059,2
Accounts due	180,2	184,8	194,4
High-risk commitments	426,5	0,0	0,0
Covered bonds	633,2	434,3	481,8
Shares in securities fund	0,0	0,0	0,0
Equity positions	688,3	662,5	664,2
Other exposures	220,6	295,6	243,0
Securitisation	0,0	0,0	0,0
Calculation basis for credit and counterparty risk	17.649,7	18.581,6	18.044,9
Calculation basis for currency risk	0,0	0,0	0,0
Calculation basis for operational risk	1.363,1	1.356,4	1.363,1
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	63,6	65,5	42,4
Deductions from calculation basis	0,0	0,0	0,0
Total calculation basis	19.076,4	20.003,5	19.450,3
CET1 capital ratio*	17,11 %	16,35 %	17,69 %
Tier 1 capital ratio*	18,95 %	17,63 %	19,49 %
Capital adequacy*	20,75 %	19,35 %	21,25 %
Buffers			
Capital conservation buffer	476,9	500,1	486,3
Countercyclical buffer	190,8	400,1	486,3
Systemic risk buffer	572,3	600,1	583,5
Buffer for systemically important banks	0,0	0,0	0,0
Total buffer requirements	1.240,0	1.500,3	1.556,0
Available buffer capital	2.406,3	2.270,5	2.565,0
Leverage ratio	8,23 %	8,13 %	8,81 %

* The Board of Trustees approved the annual financial statements and annual report for 2019 on 18 June 2020, including the allocation of the parent bank's profit for the year as was originally proposed by the Board of Directors on 5 March on the basis of a dividend set at NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. The Board of Trustees resolved to grant the Board of Directors time-limited authority to adopt the final implementation of the this distribution of dividends to equity certificate holders and grants to good causes. In accordance with the authorisation, the Board of Directors shall carry out such distributions. This authorisation shall be exercised in the event that the Board of Directors deems such a distribution to be prudent. Any distribution may thus be lower than proposed or alternatively may be equal to zero. This authorisation has a ceiling of NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. This authorisation shall remain valid until 1 January 2021. Prior to the Board of Directors adopting its final resolution in accordance with this authorisation, the sums encompassed by the Board of Trustees' decision pertaining to the allocation of the profit for the year shall be deducted when calculating the Group's capital ratio.

Note 4 - Losses on loans, unused credit and guarantees

Loss costs

	Q2 2020	Q2 2019	1/1-30/6/2020	1/1-30/6/2019	31.12.2019
Change in model-based provisions, group 1	-0,4	-0,7	2,8	-0,4	0,9
Change in model-based provisions, group 2	0,5	0,6	2,0	0,6	1,0
Change in model-based provisions, group 3	-0,2	-0,2	0,1	-0,7	-1,6
Increase in existing individual write-downs	2,8	3,1	4,6	6,4	8,7
New individual write-downs	1,7	2,1	6,0	6,9	16,3
Established losses covered by previous individual write-downs	0,9	1,1	2,7	6,2	9,3
Reversals of previous individual write-downs	-2,1	-3,0	-6,7	-11,7	-14,7
Actual losses where no provision for individual write-downs has previous	0,6	1,8	0,5	2,9	4,0
Recovery of previously identified losses	-1,9	-1,4	-2,6	-2,7	-5,6
Amortisation costs for the period	-0,1	0,2	0,0	0,4	0,7
Losses on loans, unused credit and guarantees	1,8	3,7	9,4	8,0	18,9
- of which losses on lending to retail customers of the parent bank and m	-0,8	-0,4	0,2	0,6	4,4
- of which losses on lending to business customers	0,6	0,0	3,2	0,4	0,9
- of which losses on lending AS Financiering	2,1	4,0	5,8	6,9	13,5
- of which losses on unused credit and guarantees	-0,1	0,2	0,3	0,1	0,1

Changes in loss provisions

Group - 30.06.20	Expected loss	Expected loss	Expected loss	Total
	Stage 1	Group 2	Step 3	
Opening balance as at 01.01.20	19,8	9,0	84,0	112,8
Transferred to Stage 1	2,4	-1,6	-0,8	0,0
Transferred to group 2	-0,7	2,1	-1,4	0,0
Transferred to group 3	-0,1	-0,4	0,5	0,0
Net change	-2,3	1,2	7,3	6,1
New losses	5,4	0,4	0,2	6,0
Deducted losses	-4,5	-0,9	-2,0	-7,5
Change in risk model/parameters	2,6	1,3	0,1	4,0
Closing balance at 30.06.20	22,6	11,0	87,9	121,5
- of which loss provisions on lending to retail customers of the parent bank and mortgage	6,8	2,1	4,1	12,9
- of which loss provisions on lending to business customers	8,9	2,7	0,4	12,0
- of which loss provisions on lending AS Financiering	6,2	6,1	83,2	95,4
- of which loss provisions on unused credit and guarantees	0,7	0,2	0,3	1,1
Model-calculated loss provisions	22,6	11,0	0,7	34,2
Individual loss provisions	0,0	0,0	87,2	87,2

Note 4 - Losses on loans, unused credit and guarantees (cont.)

Group - 30.06.19	Expected loss	Expected loss	Expected loss	Total
	Stage 1	Group 2	Step 3	
Opening balance at 01.01.19	18,9	8,0	75,3	102,1
Transferred to group 1	2,5	-1,6	-0,8	0,0
Transferred to group 2	-0,7	2,6	-1,9	0,0
Transferred to group 3	-0,1	-0,5	0,6	0,0
Net change	-2,8	0,4	6,6	4,2
New losses	5,3	0,4	0,2	5,9
Deducted losses	-4,6	-0,7	-3,7	-9,0
Change in risk model/parameters	0,0	0,0	0,0	0,0
Closing balance at 30.06.19	18,5	8,6	76,2	103,3
- of which loss provisions on lending to retail customers of the parent bank and mortgage	7,4	1,3	0,7	9,5
- of which loss provisions on lending to business customers	5,2	1,7	1,2	8,1
- of which loss provisions on lending AS Financiering	5,3	5,5	74,1	84,9
- of which loss provisions on unused credit and guarantees	0,6	0,1	0,2	0,9
Model-calculated loss provisions	18,5	8,6	1,5	28,6
Individual loss provisions	0,0	0,0	74,7	74,7

Group - 31.12.19	Expected loss	Expected loss	Expected loss	Total
	Stage 1	Group 2	Step 3	
Opening balance at 01.01.19	18,9	8,0	75,3	102,1
Transferred to group 1	3,7	-2,0	-1,7	0,0
Transferred to group 2	-0,9	2,1	-1,2	0,0
Transferred to group 3	-0,1	-0,6	0,7	0,0
Net change	-4,4	2,3	15,5	13,5
New losses	8,9	1,1	1,9	11,9
Deducted losses	-7,1	-2,1	-6,6	-15,8
Change in risk model/parameters	0,8	0,2	0,0	1,1
Closing balance as at 31.12.2019	19,8	9,0	84,0	112,8
- of which loss provisions on lending to retail customers of the parent bank and mortgage	6,9	1,8	4,2	12,9
- of which loss provisions on lending to business customers	7,1	1,2	0,4	8,8
- of which loss provisions on lending AS Financiering	5,2	5,9	79,2	90,3
- of which loss provisions on unused credit and guarantees	0,5	0,1	0,3	0,8
Model-calculated loss provisions	19,8	9,0	0,6	29,4
Individual loss provisions	0,0	0,0	83,4	83,4

Note 4 - Losses on loans, unused credit and guarantees (cont.)

Change in gross lending, broken down by group

The table below does not include fixed-rate loans at fair value.

Group - 30.06.20	Stage 1	Group 2	Step 3	Total
Opening balance as at 01.01.20	32.919,1	780,7	215,3	33.915,1
Transferred to Stage 1	139,9	-134,0	-5,8	0,0
Transferred to group 2	-355,5	364,1	-8,6	0,0
Transferred to group 3	-13,9	-31,7	45,6	0,0
Net change	285,3	-70,5	-17,5	197,3
New loans	10.976,1	44,8	1,2	11.022,1
Deducted lending	-13.228,8	-127,3	-26,9	-13.383,1
Closing balance at 30.06.20	30.722,1	826,1	203,2	31.751,4
- of which lending to retail customers of the parent bank and mortgage credit company	24.319,3	182,6	31,0	24.532,9
- of which lending to business customers	4.702,1	276,1	8,8	4.987,0
- of which lending AS Financiering	1.700,8	367,5	163,3	2.231,5
Group - 30.06.19	Stage 1	Group 2	Step 3	Total
Opening balance at 01.01.19	33.933,1	688,2	260,5	34.881,8
Transferred to group 1	158,5	-151,0	-7,6	0,0
Transferred to group 2	-327,0	349,0	-22,0	0,0
Transferred to group 3	-26,7	-34,4	61,1	0,0
Net change	146,3	-51,2	-14,2	80,8
New loans	13.387,0	59,2	8,2	13.454,4
Deducted lending	-13.764,7	-104,9	-40,9	-13.910,4
Closing balance at 30.06.19	33.506,5	755,1	245,0	34.506,6
- of which lending to retail customers of the parent bank and mortgage credit company	27.453,1	184,0	86,9	27.723,9
- of which lending to business customers	4.438,0	175,8	15,5	4.629,3
- of which lending AS Financiering	1.615,5	395,4	142,6	2.153,4
Group - 31.12.19	Stage 1	Group 2	Step 3	Total
Opening balance at 01.01.19	33.933,1	688,2	260,5	34.881,8
Transferred to group 1	198,5	-174,6	-23,9	0,0
Transferred to group 2	-416,6	446,6	-30,0	0,0
Transferred to group 3	-33,1	-34,7	67,8	0,0
Net change	296,6	-108,7	-34,4	153,5
New loans	17.379,0	164,7	33,9	17.577,6
Deducted lending	-18.438,5	-200,8	-58,5	-18.697,9
Closing balance as at 31.12.2019	32.919,1	780,7	215,3	33.915,1
- of which lending to retail customers of the parent bank and mortgage credit company	26.587,2	194,5	50,7	26.832,4
- of which lending to business customers	4.693,2	184,4	12,0	4.889,5
- of which lending AS Financiering	1.638,7	401,9	152,6	2.193,1

Note 4 - Losses on loans, unused credit and guarantees (cont.)

Model-calculated expected loss

The major economic uncertainty that arose at the end of Q1 2020 as a result of the Covid-19 pandemic and the fall in oil prices is deemed to have reduced as at the end of Q2 2020 when compared with the end of Q1 2020. Despite improvements in the macroeconomic conditions, there remains widespread uncertainty pertaining to developments in the Covid-19 situation. However, the macroeconomic outlook remains weaker than the one that formed the basis for the preparation of the annual financial statements for 2019.

In connection with the end of the first quarter of 2020, special evaluations and valuations of the Group's portfolios, including non-performing commitments were carried out. There has been further follow-up in relation to the portfolios during Q2 2020, which has resulted in updated evaluations. This is in order to identify any significant increased risks relating to credit and loss in individual commitments, industries or segments on the bank's balance sheet as a result of Covid-19 and the fall in oil prices. As part of these reviews, an assessment has been made as to whether there are increased risks relating to reviews have looked beyond the situation that has arisen credit and loss over the duration of each respective commitment. The - and that is assumed to be temporary - in terms of the 'lockdown' of society as a initiatives and aid packages. Measures to result of Covid-19. The reviews have also examined the authorities' remedy immediate liquidity challenges among the bank's customers, as in the rest of the financial industry, have been implemented using temporary payment holidays on loan instalments.

The majority of Sparebanken Øst's portfolios are located in the central area of Eastern Norway, and the risk of losses in the portfolios is deemed not to have changed significantly. In terms of security coverage, the Group is well-covered through lending to retail customers and business owners, the majority of whom are secured through mortgages on real estate with reassuring loan-to-value ratios. Furthermore, the bank does not have exposure to oil and oil related activities or fishing and aquaculture activities. In general terms, the bank can also be said to have very little exposure to accommodation/hospitality industry, import/export, industry and trading operations. On the basis of the reviews and evaluations, no special adjustment has been made to the levels of loss provisions and no changes have been made to the assumptions that underpin the model-calculated losses in the anticipated scenario during the first half of 2020.

There has been an increased number of requests from the Group's customers for payment holidays as a result of the Covid-19 situation. The vast majority of these requests occurred prior to the end of the first quarter of 2020, and have since declined sharply. Where the cause and need have arisen as a result of the Covid-19 situation, the Group has granted temporary payment holidays of up to 6 months. Individual assessments of the applications have been carried out to establish whether such a need is temporary, or whether the measure is in reality an offer of payment relief that necessitates a transfer to step 2 or step 3. The extent of temporary payment holidays granted as at 30.06.20 constitutes approximately 4.4 % of lending in the retail market portfolio (3.6% as at 31.03.20), 9.0 % of lending in the business market portfolio (10.2 % as at 31.03.20), and 4.8 % of lending by AS Financiering (3.3 % as at 31.03.20). As at 30.06.20, there has been no significant increase in payment relief incorporating transfers to step 2 or step 3 when compared with 31.03.20 or 31.12.19.

Given the ongoing uncertainty pertaining to the economic outlook, there is an increase in the estimate uncertainty compared with that used as the basis for the preparation of the annual financial statements for 2019. The probability weighting of macroeconomic scenarios as at 30.06.20 remains unchanged compared with 31.03.20. During Q1 2020, the probability of a pessimistic scenario increased from 15 to 30 per cent, while the expected scenario probability was reduced by a corresponding figure. This change results in NOK 4.2 million of loss provisions during Q1 2020, of which NOK 4.1 million related to increase loss provisions for step 2 and step 2. The factors (effect) of the scenarios for all segments within the Group remain unchanged when compared with 31.12.19.

The table below shows the expected loss in the various scenarios and the probability weighting. Individually assessed loss provisions remain unchanged in the various scenarios.

30.06.20 - Group	Probability				Total
	Weighting	Stage 1	Group 2	Step 3	
Optimistic scenario	0 %	12,8	6,4	87,6	106,9
Expected scenario	70 %	16,0	8,1	87,7	111,8
Pessimistic scenario	30 %	37,9	17,9	88,4	144,1
Loss provisions (probability weighted)	100 %	22,6	11,0	87,9	121,5

Sensitivity to model parameters

The sensitivity analysis of the model parameters in relation to the increase in the probability weighting of a pessimistic scenario has been changed in given in the annual report for 2019. A further increase in the probability weighting of the pessimistic scenario by 50%, from 30% to 45%, and where comparison with the details the expected scenario is reduced accordingly, would result in a further increased in model-calculated expected losses of NOK 4.8 million for the Group as at 30.06.20. This breaks down into NOK 2.3 million for business customers, NOK 1.2 million for customers of the parent bank and mortgage credit company, and NOK 1.4 million in AS Financiering. Sensitivity to other model parameters of the probability of default (PD) and expected losses (LGD) have not changed significantly as at 30.06.20 when compared with the details set out in the annual report for 2019.

Note 5 - Non-performing commitments, customers

	30.06.2020	30.06.2019	31.12.2019
Payment defaults in excess of 90 days			
Business	9,3	9,3	12,4
+ Retail	19,9	43,7	44,5
+ AS Financiering	163,3	142,6	152,6
= Gross payment defaults	192,6	195,6	209,5
- Loss provisions	87,6	75,1	83,7
= Net payment defaults	105,0	120,5	125,8
Other non-performing commitments			
Business	0,5	9,0	0,3
+ Retail	11,1	43,1	6,2
+ AS Financiering	0,0	0,0	0,0
= Gross other non-performing commitments	11,6	52,2	6,5
- Loss provisions	0,4	1,2	0,3
= Net other non-performing commitments	11,2	51,0	6,1
Non-performing commitments			
Business	9,8	18,3	12,7
+ Retail	31,0	86,9	50,7
+ AS Financiering	163,3	142,6	152,6
= Gross non-performing commitments	204,1	247,8	215,9
- Loss provisions	87,9	76,2	84,0
= Net non-performing commitments	116,2	171,5	131,9

Note 6 - Deposits from customers by sector and industry

	30.06.2020	30.06.2019	31.12.2019
Salaried employees	8.610,5	8.830,5	8.388,9
Public administration	544,2	503,2	543,7
Agriculture, forestry and fishing, etc.	106,6	95,6	101,9
Industry and mining, power and water supply	884,8	1.137,8	1.149,9
Building and construction	549,5	583,5	627,8
Wholesale and retail trade, hotels and restaurants	477,4	408,5	442,1
Transport and communications	470,1	204,1	219,4
Business financial services	1.341,6	1.300,7	1.453,5
Other service industries	865,5	813,6	821,0
Real estate sales and operation	886,4	1.005,1	918,6
Abroad	115,0	131,9	124,7
Total customer deposits	14.851,5	15.014,4	14.791,7

Note 7 - Loans to customers by sector and industry

	30.06.2020	30.06.2019	31.12.2019
Salaried employees	27.051,1	30.182,9	29.349,3
Agriculture, forestry and fishing, etc.	103,8	100,8	97,0
Industry and mining, power and water supply	86,5	89,5	80,7
Building and construction	408,8	488,1	417,5
Wholesale and retail trade, hotels and restaurants	133,4	153,5	133,2
Transport and communications	44,7	31,3	34,2
Business financial services	180,5	176,4	131,0
Other service industries	877,0	826,2	788,5
Real estate sales and operation	3.209,1	2.819,8	3.264,0
Abroad	38,7	35,7	42,0
Gross lending to customers	32.133,7	34.904,1	34.337,2
Loss provisions on loans	-120,3	-102,5	-111,9
Net lending to customers	32.013,4	34.801,6	34.225,3

Note 8 - Geographical distribution of lending, customers

	30.06.2020	30.06.2019	31.12.2019
Drammen	7.783,5	8.108,4	8.137,1
Øvre Eiker	2.108,8	2.187,8	2.126,6
Asker/Bærum	4.603,3	4.978,6	4.843,6
Rest of Viken	6.544,9	7.199,4	7.123,7
Oslo	6.034,3	6.749,5	6.656,6
Vestfold/Telemark	2.876,9	3.035,3	3.019,7
Rest of Norway	2.143,3	2.609,5	2.387,9
Abroad	38,7	35,7	42,0
Gross lending to customers	32.133,7	34.904,1	34.337,2
Loss provisions on loans	-120,3	-102,5	-111,9
Net lending to customers	32.013,4	34.801,6	34.225,3

Note 9 - Credit risk

The risk classification systems are used for decision-making support, monitoring and reporting. The risk parameters from the classification systems form an integral part of the credit process and follow-up of the business and retail market customer portfolios. The risk classification is based on a weighted calculation of various parameters linked to capacity to service debt, payment history and information from an external credit information provider.

The parent bank and Sparebanken Øst Boligkreditt AS's portfolios are based on a risk classification consisting of 11 categories from A to K. Risk class A represents class I represents the highest risk of non-performing customers. The risk classes J and K comprise commitments with objective evidence of non-performance and these commitments are being specifically monitored.

30.06.2020	Gross loans	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commitments Step 1	Loss provisions		Loss provisions		Loss provisions Step 3*
							Step 1	Step 2	Step 2	Step 3	
A	13.384,2	7,9	1.147,8	14.539,9	42,8	14.519,6	0,8	20,3	0,0	0,0	0,0
B	5.250,1	26,0	225,5	5.501,5	16,2	5.495,5	1,3	6,0	0,0	0,0	0,0
C	4.997,1	17,9	157,5	5.172,4	15,2	5.154,7	2,8	17,8	0,0	0,0	0,0
D	4.243,4	24,1	159,9	4.427,5	13,0	4.408,3	5,2	19,2	0,0	0,0	0,0
E	1.358,9	4,9	16,8	1.380,6	4,1	1.138,0	2,8	242,6	1,6	0,0	0,0
F	1.254,4	1,9	10,9	1.267,3	3,7	1.144,0	3,0	123,3	0,8	0,0	0,0
G	1.115,4	0,0	2,2	1.117,6	3,3	904,5	3,7	213,1	1,9	0,0	0,0
H	290,6	0,0	0,4	291,1	0,9	111,7	1,9	179,3	5,8	0,0	0,0
I	23,2	0,0	0,1	23,3	0,1	13,3	0,5	10,0	0,9	0,0	0,0
J	40,9	0,5	0,0	41,4	0,1	0,0	0,0	0,0	0,0	41,4	0,0
K	174,9	0,5	0,0	175,3	0,5	0,0	0,0	0,0	0,0	175,3	88,3
Unallocated	0,7	0,0	0,0	0,7	0,0	0,5	0,1	0,0	0,0	0,1	0,0
Total	32.133,7	83,8	1.721,1	33.938,7	100,0	32.890,1	22,2	831,7	11,0	216,8	88,3

* Group 3 provisions include individually assessed loss write-downs of NOK 87.2 million.

** Gross lending includes loans at both amortised cost and fair value

30.06.2019	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commitments Group 1	Loss provisions		Loss provisions		Loss provisions Group 3*
							Group 1	Group 2	Group 2	Group 3	
A	13.891,8	9,0	1.153,2	15.054,0	40,9	15.043,3	0,8	10,7	0,0	0,0	0,0
B	6.205,8	16,1	250,6	6.472,5	17,6	6.453,8	1,3	18,8	0,0	0,0	0,0
C	5.770,0	12,5	158,2	5.940,6	16,1	5.904,6	2,6	36,0	0,0	0,0	0,0
D	5.260,4	45,4	245,3	5.551,2	15,1	5.527,3	5,0	23,9	0,0	0,0	0,0
E	982,4	7,5	16,1	1.006,0	2,7	854,8	1,4	151,2	0,6	0,0	0,0
F	1.062,5	0,1	6,5	1.069,1	2,9	969,4	2,0	99,7	0,4	0,0	0,0
G	1.151,6	0,9	1,4	1.153,9	3,1	918,6	3,2	235,4	1,7	0,0	0,0
H	290,5	0,2	0,1	290,8	0,8	106,7	1,7	184,0	5,4	0,0	0,0
I	19,1	0,0	0,1	19,2	0,1	14,1	0,5	5,1	0,4	0,0	0,0
J	95,8	0,5	0,0	96,4	0,3	0,0	0,0	0,0	0,0	96,4	3,1
K	150,3	2,2	0,0	152,5	0,4	0,0	0,0	0,0	0,0	152,5	73,1
Unallocated	23,8	0,4	0,8	25,0	0,1	24,9	0,0	0,1	0,0	0,0	0,0
Total	34.904,1	94,9	1.832,3	36.831,3	100,0	35.817,6	18,5	764,8	8,6	248,9	76,2

* Group 3 provisions include individually assessed loss write-downs of NOK 74.7 million.

** Gross lending includes loans at both amortised cost and fair value

Note 9 - Credit risk (cont.)

31.12.2019	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments		Commitments Group 1	Loss provisions Group 1		Loss provisions Group 2		Loss provisions Group 3*	
					%		Group 1	Group 2	Group 2	Group 3	Group 3*	
A	14.084,5	8,3	1.159,2	15.251,7	42,2	15.238,8	0,8	13,2	0,0	0,0	0,0	0,0
B	5.674,1	14,0	219,2	5.907,3	16,3	5.899,7	1,2	7,6	0,0	0,0	0,0	0,0
C	5.661,1	12,7	156,7	5.830,6	16,1	5.795,0	2,7	35,5	0,0	0,0	0,0	0,0
D	4.890,3	39,9	184,1	5.114,4	14,1	5.086,7	5,1	27,7	0,0	0,0	0,0	0,0
E	1.163,8	11,0	14,2	1.189,1	3,3	1.009,8	2,0	179,2	0,9	0,0	0,0	0,0
F	1.211,0	1,1	2,1	1.214,2	3,4	1.117,1	2,5	97,1	0,4	0,0	0,0	0,0
G	1.099,7	0,0	1,7	1.101,4	3,0	879,8	3,0	221,6	1,4	0,0	0,0	0,0
H	301,1	0,2	0,1	301,3	0,8	104,5	1,7	196,9	5,6	0,0	0,0	0,0
I	26,3	0,0	0,1	26,4	0,1	18,6	0,8	7,8	0,5	0,0	0,0	0,0
J	58,1	0,0	0,2	58,6	0,2	0,0	0,0	0,0	0,0	58,3	3,1	3,1
K	157,1	0,5	0,0	157,5	0,4	0,0	0,0	0,0	0,0	157,5	80,9	80,9
Unallocated	10,2	0,0	0,0	10,2	0,0	10,1	0,0	0,1	0,0	0,0	0,0	0,0
Total	34.337,2	87,6	1.737,5	36.162,6	100,0	35.160,0	19,8	786,7	9,0	215,9	84,0	84,0

* Group 3 provisions include individually assessed loss write-downs of NOK 83.4 million.

** Gross lending includes loans at both amortised cost and fair value

Note 10 - Classification of financial instruments

30.06.2020	Fair value through profit or loss			Total
	Mandatory	Designated	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	536,3	536,3
Net loans to and receivables from financial institutions	0,0	0,0	8,2	8,2
Net loans to and receivables from customers	0,0	382,3	31.631,1	32.013,4
Certificates and bonds	9.562,9	0,0	0,0	9.562,9
Shares and units	810,8	0,0	0,0	810,8
Financial derivatives**	530,8	0,0	0,0	530,8
Total financial assets	10.904,5	382,3	32.175,5	43.462,4
Liabilities to financial institutions	0,0	0,0	601,0	601,0
Deposits from and liabilities to customers	0,0	0,0	14.851,5	14.851,5
Financial derivatives**	29,9	0,0	22.698,7	22.728,6
Securities issued	0,0	0,0	0,0	0,0
Subordinated loan capital	0,0	0,0	400,0	400,0
Total financial liabilities	29,9	0,0	38.551,2	38.581,1

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

30.06.2019	Fair value through profit or loss			Total
	Mandatory	Designated	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	437,5	437,5
Net loans to and receivables from financial institutions	0,0	0,0	10,7	10,7
Net loans to and receivables from customers	0,0	397,5	34.404,1	34.801,6
Certificates and bonds	6.238,4	0	0,0	6.238,4
Shares and units	0,0	619,3	0,0	619,3
Financial derivatives**	273,3	0,0	0,0	273,3
Total financial assets	6.511,7	1.016,8	34.852,3	42.380,8
Liabilities to financial institutions	0,0	0,0	300,5	300,5
Deposits from and liabilities to customers	0,0	0,0	15.014,4	15.014,4
Financial derivatives**	8,0	0,0	0,0	8,0
Securities issued	0,0	0,0	22.484,7	22.484,7
Subordinated loan capital	0,0	0,0	400,2	400,2
Total financial liabilities	8,0	0,0	38.199,8	38.207,8

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

Note 10 - Classification of financial instruments (cont.)

31.12.2019	Fair value through profit or loss			Total
	Mandatory	Designated	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	302,5	302,5
Net loans to and receivables from financial institutions	0,0	0,0	15,9	15,9
Net loans to and receivables from customers	0,0	422,1	33.803,2	34.225,3
Certificates and bonds	6.755,1	0,0	0,0	6.755,1
Shares and units	629,6	0,0	0,0	629,6
Financial derivatives**	174,7	0,0	0,0	174,7
Total financial assets	7.559,4	422,1	34.121,6	42.103,1
Liabilities to financial institutions	0,0	0,0	300,6	300,6
Deposits from and liabilities to customers	0,0	0,0	14.791,7	14.791,7
Financial derivatives**	35,3	0,0	0,0	35,3
Securities issued	0,0	0,0	22.261,7	22.261,7
Subordinated loan capital	0,0	0,0	400,4	400,4
Total financial liabilities	35,3	0,0	37.754,4	37.789,7

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

Note 11 - Financial instruments at fair value

The bank classifies fair value measurements by using a hierarchy with the following levels:

Level 1: Observable market prices in active markets.

Level 2: Observable market prices in less active markets, or the use of inputs which are either directly or indirectly observable.

Level 3: Valuation techniques not based on observable market data.

See Note 21 in the Annual Report for 2019 for further details of individual accounting items.

30.06.2020	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	382,3	382,3
Certificates and bonds	0,0	9.562,9	0,0	9.562,9
Shares and units	35,4	0,0	775,5	810,8
Financial derivatives	0,0	530,8	0,0	530,8
Total assets at fair value	35,4	10.093,7	1.157,8	11.286,9
Financial derivatives	0,0	21,7	0,0	21,7
Total liabilities at fair value	0,0	21,7	0,0	21,7

Movements in level 3 for items valued at fair value	Fixed interest	Shares through	Total
	loans	profit or loss	
Balance sheet as at 01.01.20	422,1	598,3	1.020,4
Net realised gains	0,0	0,0	0,0
Additions	20,6	19,6	40,2
Disposals	70,6	0,0	70,6
Changes in value	10,2	157,6	167,7
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	382,3	775,5	1.157,7

30.06.2019	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	397,5	397,5
Certificates and bonds	0,0	6.238,4	0,0	6.238,4
Shares and units	27,6	23,0	568,7	619,3
Financial derivatives	0,0	273,3	0,0	273,3
Total assets at fair value	27,6	6.534,7	966,2	7.528,5
Financial derivatives	0,0	8,0	0,0	8,0
Total liabilities at fair value	0,0	8,0	0,0	8,0

Movements in level 3 for items valued at fair value	Fixed interest	Shares through	Total
	loans	profit or loss	
Balance sheet as at 01.01.19	367,0	562,2	929,2
Net realised gains	0,0	0,0	0,0
Additions	39,5	3,3	42,8
Disposals	8,2	0,0	8,2
Changes in value	-0,8	3,2	2,4
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	397,5	568,7	966,2

Note 11 - Financial instruments at fair value (cont.)

31.12.2019	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	422,1	422,1
Certificates and bonds	0,0	6.755,1	0,0	6.755,1
Shares and units	31,3	0,0	598,3	629,6
Financial derivatives	0,0	174,7	0,0	174,7
Total assets at fair value	31,3	6.929,8	1.020,4	7.981,5
Financial derivatives	0,0	35,3	0,0	35,3
Total liabilities at fair value	0,0	35,3	0,0	35,3

Movements in level 3 for items valued at fair value	Fixed interest loans	Shares through profit or loss	Total
Balance sheet as at 01.01.19	367,0	562,2	929,2
Net realised gains	0,0	0,0	0,0
Additions	90,5	18,3	108,8
Disposals	33,4	0,0	33,4
Changes in value	-2,0	-5,2	-7,2
Transferred from levels 1 and 2	0,0	23,0	23,0
Balance sheet at end of period	422,1	598,3	1.020,4

Note 12 - Securities issued and subordinated loan capital

Securities issued	30.06.2020	30.06.2019	31.12.2019
Bonds, nominal value	22.140,0	22.165,0	22.065,0
Value adjustments (incl. excess/deficit value)	426,3	178,5	87,2
Accrued interest	132,5	141,2	109,5
Total securities issued	22.698,7	22.484,7	22.261,7

Change for securities issued	30.06.2020	Issued	Due/redeemed	Change in own holdings	Other changes incl. currency	31.12.2019
Bonds, nominal value	8.785,0	0,0	130,0	0,0	0,0	8.915,0
Covered bonds, nominal value in NOK	13.355,0	2.500,0	2.300,0	-5,0	0,0	13.150,0
Covered bonds, nominal value in SEK (converted to NOK)	0,0	0,0	0,0	0,0	0,0	0,0
Value adjustments (incl. excess/deficit value)	426,3	0,0	0,0	0,0	339,1	87,2
Accrued interest	132,5	0,0	0,0	0,0	23,0	109,5
Total securities issued	22.698,7	2.500,0	2.430,0	-5,0	362,1	22.261,7

Change in subordinated loan capital	30.06.2020	Issued	Due/redeemed	Change own holding	Other changes incl. currency	31.12.2019
Ordinary subordinated loan capital, nominal value	400,0	0,0	0,0	0,0	0,0	400,0
Value adjustments (including premium/discount)	-0,4	0,0	0,0	0,0	0,1	-0,5
Accrued interest	0,4	0,0	0,0	0,0	-0,4	0,8
Total subordinated loan capital	400,0	0,0	0,0	0,0	-0,4	400,4

Note 13 - Financial derivatives

30.06.2020	Contract sum	Book value of hedging object	Fair value of hedging instruments		Value adjustment of hedging object
			Assets	Liabilities	Liabilities
Fair value through profit or loss					
Forward exchange contracts	36,2		0,0	2,8	
Interest rate swaps (IRS)	930,0		0,0	27,1	
Total instruments recognised at fair value through profit or loss			0,0	29,9	
Used for hedge accounting					
Currency swap agreements	0,0		0,0	0,0	0,0
Interest rate swaps (IRS)	7.265,0		530,8	0,0	0,0
Securities issued		7.814,4			419,8
Total instruments used for hedge accounting		7.814,4	530,8	0,0	419,8
Total		7.814,5	530,8	29,9	419,8

The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument value adjustments and accrued interest.

30.06.2019	Contract sum	Book value of hedging object	Fair value of hedging instruments		Value adjustment of hedging object
			Assets	Liabilities	Liabilities
Fair value through profit or loss					
Forward exchange contracts	21,0		0,0	0,2	
Interest rate swaps (IRS)	720,0		1,0	2,4	
Total instruments recognised at fair value through profit or loss			1,0	2,6	
Used for hedge accounting					
Currency swap agreements	0,0		0,0	0,0	0,0
Interest rate swaps (IRS)	7.015,0		272,3	5,4	0,0
Securities issued		7.191,6			166,1
Total instruments used for hedge accounting		7.191,6	272,3	5,4	166,1
Total		7.191,6	273,3	8,0	166,1

The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument value adjustments and accrued interest.

31.12.2019	Contract sum	Book value of hedging object	Fair value of hedging instruments		Value adjustment of hedging object
			Assets	Liabilities	Liabilities
Fair value through profit or loss					
Forward exchange contracts	27,0		0,7	0,0	
Interest rate swaps (IRS)	745,0		5,0	0,1	
Total instruments recognised at fair value through profit or loss			5,6	0,1	
Used for hedge accounting					
Currency swap agreements	0,0		0,0	0,0	0,0
Interest rate swaps (IRS)	7.565,0		169,0	35,1	0,0
Securities issued		7.723,0			76,5
Total instruments used for hedge accounting		7.723,0	169,0	35,1	76,5
Total		7.723,1	174,7	35,3	76,5

The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument value adjustments and accrued interest.

Note 14 - Financial derivatives - offsetting

The Group's netting rights comply with the general rules in Norwegian law. Standardised and primarily bilateral ISDA agreements have been entered into with financial institutions that give the parties the right to offset in the event of non-performance. Additional agreements, where the offsetting disclosure requirements, no offset amounts are recognised on the balance sheet.

Exposure as at 30.06.2020	Gross amount	Offset	Recognised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Financial derivatives, assets	445,5	0,0	445,5	-16,3	-359,2	70,0
Financial derivatives, liabilities	21,8	0,0	21,8	-16,3	-6,0	-0,5
Exposure as at 30.06.2019						
Financial derivatives, assets	211,9	0,0	211,9	-6,0	-139,1	66,8
Financial derivatives, liabilities	6,6	0,0	6,6	-6,0	0,0	0,6
Exposure as at 31.12.2019						
Financial derivatives, assets	150,4	0,0	150,4	-17,0	-88,6	44,7
Financial derivatives, liabilities	27,6	0,0	27,6	-17,0	-7,9	2,7

Note 15 - Net interest income

	Q2 2020	Q2 2019	1/1-30/06/2020	1/1-30/06/2019	Year 2019
Interest income from loans to and receivables from financial institutions	0,2	0,9	1,7	1,7	4,6
Interest income from loans to customers	250,4	282,7	558,5	553,3	1.168,0
Interest income from certificates and bonds	36,7	25,8	77,6	48,9	118,2
Total interest income	287,4	309,4	637,8	603,9	1.290,8
Interest costs on liabilities to financial institutions	2,7	2,0	4,8	3,8	6,5
Interest on deposits from customers	29,9	35,6	69,0	70,3	144,9
Interest on securities issued	111,1	112,2	248,5	217,3	472,8
Interest on subordinated loan capital	2,4	2,8	5,7	5,5	13,4
Norwegian Banks Guarantee Fund levy	4,0	3,5	7,9	6,8	11,5
Total interest costs	150,1	156,1	335,9	303,7	649,1
Net interest income	137,3	153,4	301,9	300,1	641,7

Note 16 - Net changes in value and gains/losses on financial instruments

	Q2 2020	Q2 2019	1/1-30/06/2020	1/1-30/06/2019	Year 2019
Net changes in value and gains/losses on certificates and bonds	21,1	-0,3	1,6	3,3	-12,7
Net value change and gains/losses on shares	158,2	2,9	161,6	9,2	4,4
Net changes in value and gains/losses on fixed-interest loans	0,8	0,0	10,2	-0,7	-1,9
Net changes in value and gains/losses on other financial instruments	-1,5	0,3	-28,5	-3,6	0,7
Net value change and gains/losses on financial instruments	178,5	2,9	144,9	8,1	-9,5

Note 17 - Operating costs

	Q2 2020	Q2 2019	1/1-30/06/2020	1/1-30/06/2019	Year 2019
Payroll costs incl. AGA and Financial Activity Tax	25,7	25,8	66,0	67,3	142,4
Pension costs	4,3	3,1	8,2	6,2	13,3
Other personnel-related costs	0,6	1,3	3,1	3,7	6,9
IT costs	9,8	8,8	20,6	18,4	37,4
Other administrative costs	3,4	4,3	7,5	8,1	16,2
Depreciation/write-downs/changes in value for non-financial assets	6,6	6,4	13,0	12,6	25,7
Operating costs, properties and premises	2,0	1,8	4,9	4,7	10,3
Other operating costs	9,2	7,2	18,7	16,0	25,5
Total operating costs	61,6	58,7	142,0	137,0	277,8

Note 18 - Guarantee liability and other off-balance sheet items

Guarantee liability	30.06.2020	30.06.2019	31.12.2019
Payment guarantees	14,8	13,8	14,0
Contract guarantees	38,9	50,8	42,6
Loan guarantees	20,0	19,4	20,5
Other guarantee liabilities	10,0	10,9	10,5
Total guarantees to customers	83,8	94,9	87,6

Pledges of security	30.06.2020	30.06.2019	31.12.2019
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	1.510,0	410,0	410,0
Total pledges of security	1.510,0	410,0	410,0

Morbank has issued a revolving credit facility vis-à-vis Sparebanken Øst Boligkreditt AS which guarantees timely payment of outstanding covered bonds (OMF) which expire during the next 12 months, including the coupon rate, principal and derivative contracts entered into to hedge outstanding covered bonds. In addition to the revolving credit facility, Sparebanken Øst Boligkreditt AS has a NOK 3.0 billion credit line from the parent bank. The parent bank's holdings of covered bonds had a face value of NOK 595.0 at 30.06.20, NOK 600.0 million at 30.06.19 and NOK 600.0 at 31.12.2019 and are not included in the table below.

Preferential rights	30.06.2020	30.06.2019	31.12.2019
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nominal value)*	13.950,0	13.750,0	13.750,0
Total preferential rights	13.950,0	13.750,0	13.750,0

Note 19 - Equity certificates

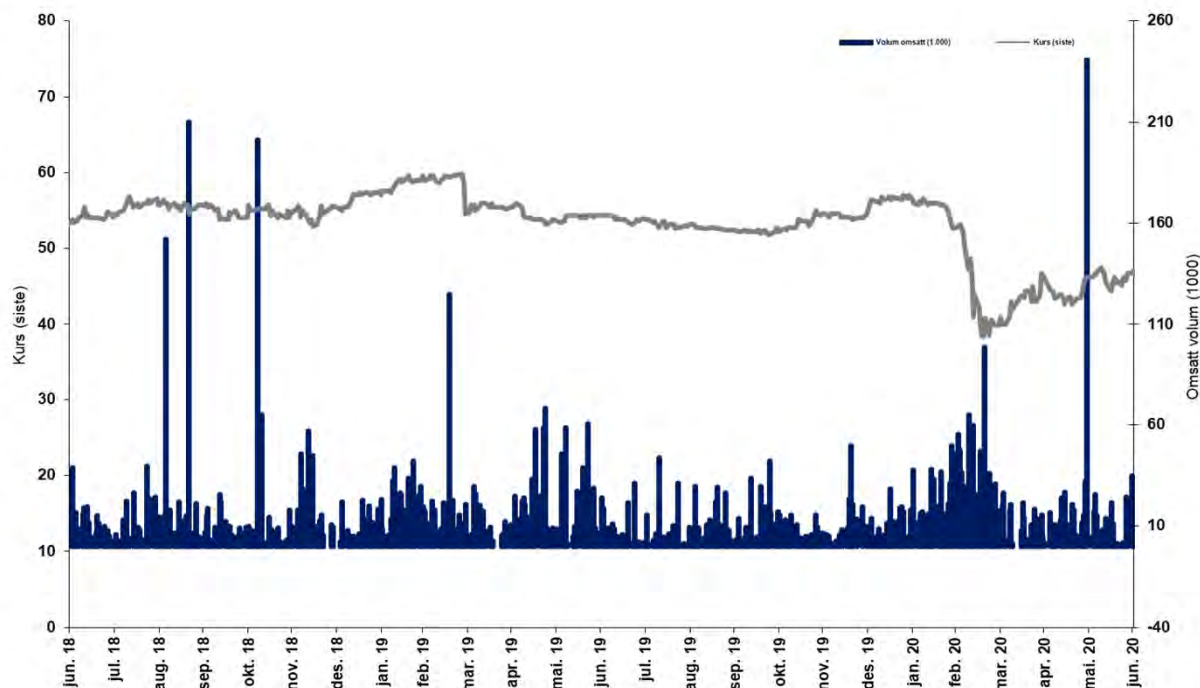
Ownership fraction, parent bank

	01.01.2020	01.01.2019
Equity certificate capital	207,3	207,3
Premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	331,1	308,8
Share of Fund for Unrealised Gains	87,1	92,1
Total numerator (A)	1.013,3	996,0
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3.227,6	3.069,5
Total denominator (B)	3.227,6	3.069,5
Ownership fraction (A/B) in per cent*	31,40	32,45

* The Board of Trustees approved the annual financial statements and annual report for 2019 on 18 June 2020, including the allocation of the parent bank's profit for the year as was originally proposed by the Board of Directors on 5 March on the basis of a dividend set at NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. The Board of Trustees resolved to grant the Board of Directors time-limited authority to adopt the final implementation of the this distribution of dividends to equity certificate holders and grants to good causes. According to this authorisation, the Board of Directors are required to assess the prudence of such distributions on an ongoing basis. This authorisation shall be exercised in the event that the Board of Directors deems such a distribution to be prudent. Any distribution may thus be lower than proposed or alternatively may be equal to zero. This authorisation has a ceiling of NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. This authorisation shall remain valid until 1 January 2021. Prior to the Board of Directors adopting its final resolution in accordance with this authorisation, the sums encompassed by the Board of Trustees' decision pertaining to the allocation of the profit for the year shall be deducted when calculating the Group's ownership fraction as at 01.01.2020.

Note 19 - Equity certificates (cont.)

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders at 30.06.2020

Name	Number	%	Name	Number	%
1 MP Pensjon	1.667.815	8,04 %	11 AS Andersen Eiendomselskap	238.900	1,15 %
2 Cape Invest AS	1.140.000	5,50 %	12 Skandinaviska Enskilda Banken	193.649	0,93 %
3 Directmarketing Invest AS	999.500	4,82 %	13 Profond AS	172.046	0,83 %
4 Eika securities fund, dividend	980.730	4,73 %	14 Morgan Stanley & Co. Internal	152.050	0,73 %
5 Hansen, Asbjørn Rudolf	445.502	2,15 %	15 Johansen, Kjell Petter	152.000	0,73 %
6 Foretakskonsulenter AS	310.128	1,50 %	16 Løkke, Helge Arnfinn	148.433	0,72 %
7 Jag Holding AS	303.897	1,47 %	17 Seriana AS	130.931	0,63 %
8 Wenaasgruppen AS	273.000	1,32 %	18 J.P. Morgan Bank Luxembourg S./	130.443	0,63 %
9 BKK Norwegian Public Service I	250.000	1,21 %	19 Juel, Iver Albert	121.162	0,58 %
9 Storetind AS	250.000	1,21 %	20 The estate of Helliik Teigen	120.400	0,58 %

Income Statement - Parent Bank

(Amounts in NOK million)	Q2 2020	Q2 2019	1/1-30/06/2020	1/1-30/06/2019	Year 2019
Interest income	153,6	182,6	357,7	357,6	764,2
Interest costs	81,1	93,9	188,5	184,7	388,1
Net interest income	72,5	88,7	169,1	172,9	376,2
Commission income and income from banking services	23,5	27,9	49,7	54,2	111,3
Commission costs and costs for banking services	4,8	5,2	10,2	10,2	20,6
Dividend	0,0	2,5	5,3	2,5	136,8
Net changes in value and gains/losses on financial instruments	184,1	2,2	146,2	13,6	-5,2
Other operating income	1,6	2,2	3,5	4,2	7,7
Net other operating income	204,3	29,7	194,5	64,4	230,0
Payroll, etc.	27,0	25,7	67,6	66,5	140,4
Administration costs	10,5	10,5	22,6	21,1	42,8
Depreciation/write-downs/changes in value for non-financial assets	6,6	6,2	13,1	12,2	25,0
Other operating costs	9,3	7,7	19,0	16,4	28,6
Total operating costs	53,3	50,1	122,2	116,2	236,9
Profit/loss before losses	223,5	68,4	241,4	121,0	369,2
Losses on loans, unused credit and guarantees	-0,2	0,0	2,9	0,7	4,9
Profit/loss before tax costs	223,7	68,3	238,5	120,4	364,4
Tax costs	16,5	16,0	17,9	28,0	56,8
Profit/loss after tax	207,2	52,4	220,6	92,4	307,6
Hybrid capital owners' share of the result	4,2	4,1	8,9	8,0	17,9
Equity certificate holders' and primary capital share of profits	203,0	48,3	211,6	84,4	289,7
Profit/loss after tax	207,2	52,4	220,6	92,4	307,6
Earnings per equity certificate	3,07	0,76	3,20	1,32	4,54
Diluted earnings per equity certificate	3,07	0,76	3,20	1,32	4,54

Other comprehensive income - parent bank

(Amounts in NOK million)	Q2 2020	Q2 2019	1/1-30/06/2020	1/1-30/06/2019	Year 2019
Profit/loss after tax	207,2	52,4	220,6	92,4	307,6
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	3,7
Tax related to items that cannot be reclassified	0,0	0,0	0,0	0,0	-0,9
Items that may later be reclassified to the income statement					
Lending at fair value	-0,6	0,0	-0,1	0,0	-0,2
Tax related to items that can be reclassified	0,1	0,0	0,0	0,0	0,0
Comprehensive income	206,7	52,4	220,5	92,4	310,3

Balance Sheet - Parent Bank

(Amounts in NOK million)	30.06.2020	30.06.2019	31.12.2019
Assets			
Cash and receivables from central banks	536,3	437,5	302,5
Loans to and receivables from financial institutions	2.852,8	2.471,4	2.273,2
Loans to and receivables from customers	14.048,5	17.371,6	16.982,8
Certificates and bonds	9.944,8	6.681,5	7.197,6
Shares and units	810,8	619,3	629,6
Financial derivatives	297,0	107,9	57,2
Ownership interests in Group companies	1.321,0	1.241,0	1.321,0
Deferred tax asset	6,8	7,2	6,8
Tangible fixed assets	88,8	87,4	89,6
Lease rights	82,4	89,8	84,8
Other assets	7,7	5,5	10,2
Prepaid non-accrued costs and income earned, but not received	16,4	16,7	9,1
Total assets	30.013,3	29.136,5	28.964,4
Liabilities and equity			
Liabilities to financial institutions	1.043,6	586,5	620,2
Deposits from and liabilities to customers	14.960,3	15.098,7	14.879,5
Financial derivatives	29,9	8,0	35,3
Securities issued	9.096,5	9.138,7	8.959,6
Other liabilities	381,5	207,7	178,7
Accruals and deferred income	26,8	25,9	25,5
Provisions for accrued costs and liabilities	65,8	76,3	65,5
Lease liabilities	83,5	90,1	85,5
Subordinated loan capital	400,0	400,2	400,4
Total liabilities	26.087,8	25.632,1	25.250,1
Paid-up equity	595,1	595,1	595,1
Hybrid capital	352,0	350,5	352,4
Retained earnings	2.978,4	2.558,9	2.766,8
Total equity	3.925,5	3.504,4	3.714,3
Total liabilities and equity	30.013,3	29.136,5	28.964,4

Changes in equity - parent bank

(Amounts in NOK million)	Paid-up equity		Hybrid capital			Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for reclassification adjustment		Retained profit
								unrealised gains	unrealised losses	
30.06.2020										
Equity as at 31.12.2019	3.714,3	207,3	387,8	352,4	405,7	2.045,5	38,1	277,5	0,0	0,0
Ordinary result	220,6	0,0	0,0	8,9	0,0	0,0	0,0	0,0	0,0	211,6
Change in lending at fair value through comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plan:	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	220,5	0,0	0,0	8,9	0,0	0,0	0,0	0,0	0,0	211,6
Interest paid on hybrid capital	-9,4	0,0	0,0	-9,4	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 30.06.2020	3.925,5	207,3	387,8	352,0	405,7	2.045,5	38,1	277,5	0,0	211,6

* The Board of Trustees approved the annual financial statements and annual report for 2019 on 18 June 2020, including the allocation of the parent bank's profit for the year as was originally proposed by the Board of Directors on 5 March on the basis of a dividend set at NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. The Board of Trustees resolved to grant the Board of Directors time-limited authority to adopt the final implementation of the distribution of dividends to equity certificate holders and grants to good causes. According to this authorisation, the Board of Directors are required to assess the prudence of such distributions on an ongoing basis. This authorisation shall be exercised in the event that the Board of Directors deems such a distribution to be prudent. Any distribution may thus be lower than proposed or alternatively may be exercised in the event that the Board of Directors deems such a distribution to be prudent. This authorisation has a ceiling of NOK 3.60 per equity certificate (totalling NOK 74.6 million) and NOK 59.7 million directed to good causes. This authorisation shall remain valid until 1 January 2021. Prior to the Board of Directors adopting its final resolution in accordance with this authorisation, the sums encompassed by the Board of Trustees' decision pertaining to the allocation of the profit for the year shall be reported as equity in the accounts and included in the key figures as the equity per certificate, but shall be deducted when calculating the Group's capital ratio, ownership fraction as at 01.01.2020 and when calculating equity interest rates.

(Amounts in NOK million)	Paid-up equity		Hybrid capital			Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for reclassification adjustment		Retained profit
								unrealised gains	unrealised losses	
30.06.2019										
Equity at 31.12.2018	3.539,1	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	0,2	0,0
Ordinary result	92,4	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	84,4
Change in lending at fair value through comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plan:	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	92,4	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	84,4
Dividend to equity certificate holders 2017 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-8,0	0,0	0,0	-8,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.06.2019	3.504,4	207,3	387,8	350,5	308,8	1.843,7	38,1	283,6	0,2	84,4

(Amounts in NOK million)	Paid-up equity		Hybrid capital			Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for reclassification adjustment		Retained profit
								unrealised gains	unrealised losses	
31.12.2019										
Equity at 31.12.2018	3.539,1	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	0,2	0,0
Ordinary result	307,6	0,0	0,0	17,9	96,0	199,9	0,0	-6,2	0,0	0,0
Change in lending at fair value through comprehensive income	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	0,0
Actuarial gains and losses on defined-benefit plan:	2,8	0,0	0,0	0,0	0,9	1,9	0,0	0,0	0,0	0,0
Comprehensive income	310,3	0,0	0,0	17,9	96,9	201,8	0,0	-6,2	-0,1	0,0
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2018 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-15,9	0,0	0,0	-15,9	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2019	3.714,3	207,3	387,8	352,4	405,7	2.045,5	38,1	277,5	0,0	0,0

Cash Flow Statement - Parent Bank

		30.06.2020	30.06.2019	31.12.2019
Operating activities				
Profit before tax		238,5	120,4	364,4
Adjusted for:				
Change in net interest income earned and accrued interest costs		44,8	35,0	-7,5
Net payment/disbursement of loans to financial institutions		-587,5	-315,0	-111,9
Net receipts/payments of loans to customers		2.920,2	2.350,2	2.738,1
Change in certificates and bonds		-2.743,9	-1.665,9	-2.182,1
Changes in value of equities and units		-161,6	-9,2	-4,5
Change in other assets in connection with operations		26,5	-10,6	-13,4
Net receipts/disbursement of borrowing from financial institutions		121,8	43,6	79,2
Net receipts/disbursement of deposits from customers		36,5	83,3	-93,8
Change in other operating liabilities		241,6	1,0	-70,6
Non-cash items included in profit before tax costs		15,4	7,9	25,1
Net gain/loss from investing activities		-0,2	-0,1	-0,1
Net gain/loss from financing activities		0,6	0,0	0,9
Taxes paid for the period		-61,1	-47,5	-47,8
Net cash flow from operating activities	A	91,5	593,1	676,1
Investing activities				
Payments on purchases of tangible fixed assets		-6,4	-8,9	-17,6
Proceeds from sale of fixed assets		0,5	0,1	0,1
Net proceeds/costs on the sale/purchase of financial investments		-19,6	-3,3	-18,3
Net payment/disbursement concerning investments in subsidiaries		0,0	0,0	-80,0
Net cash flow from investing activities	B	-25,5	-12,1	-115,8
Financing activities				
Net incoming/outgoing payments for loans to/from financial institutions		300,0	0,0	0,0
Payments on repayment of securities		-130,6	-642,0	-2.192,4
Proceeds on issuance of securities		0,0	0,0	1.449,7
Payment of dividend		0,0	-95,4	-95,4
Net payments on repayment of hybrid capital		0,0	0,0	-150,5
Net receipts on issue of hybrid capital		0,0	0,0	150,0
Interest paid on hybrid capital		-9,4	-8,0	-15,9
Net cash flow from financing activities	C	160,0	-745,4	-854,5
Net change in cash and cash equivalents	A+B+C	226,0	-164,4	-294,3
Cash and cash equivalents at 01.01		318,4	612,6	612,6
Holding of cash and cash equivalents at the end of the period		544,4	448,2	318,3

Liquidity reserves include cash and deposits with central banks and loans to and deposits with financial institutions which are investment placements.

Additional information for operating activities concerning interest and dividend income		30.06.2020	30.06.2019	31.12.2019
Interest payments received		370,2	348,1	749,8
Interest payments made		156,0	139,7	379,9
Dividends received		5,3	2,5	136,8

Statement pursuant to section 5-5 of the securities trading act

We hereby confirm that the annual financial statements for the period from 01.01.2020 - 30.06.2020 to the best of our knowledge have been prepared in accordance with applicable accounting standards and that the information gives a true and fair view of the group and parent company's assets, liabilities, financial position and profit or loss as a whole and that the information in the Board of Directors' Report gives a true and fair view of the development, profit or loss and financial position of the group and parent company, together with a description of the principal risks and uncertainties faced by the group.

Drammen, 15 July 2020

THE BOARD OF DIRECTORS OF SPAREBANKEN ØST

Øivind Andersson
Chair

Cecilie Hagby
Deputy Chair

Elly Therese Thoresen
Board member

Jorund Rønning Indrelid
Board member

Arne K. Stokke
Board member

Sissel Album Fjeld
Employee representative

Ole-Martin Solberg
Employee representative

Pål Strand
CEO

Key Figures, Group

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Profitability					
1. Return on equity*	24,34	7,00	8,46	9,81	9,19
2. Net interest income as a % of average total assets	1,26	1,54	1,64	1,53	1,44
Q3 Profit/loss after tax as a % of average total assets	2,18	0,65	0,77	0,89	0,81
4. Costs as a % of average total assets	0,57	0,75	0,67	0,64	0,55
5. Costs as a % of income (before losses on loans/guarantees)*	18,96	47,50	38,11	35,85	33,65
6. Costs as a % of income (excl. return on financial investments)*	42,05	40,66	37,71	37,97	34,73
Balance sheet figures					
7. Net lending to customers	32.013,4	33.735,1	34.225,3	34.733,3	34.801,6
8. Lending growth (quarter)	-5,10	-1,43	-1,46	-0,20	-2,31
9. Deposits	14.851,5	14.313,7	14.791,7	15.072,0	15.014,4
10. Deposit growth (quarter)	3,76	-3,23	-1,86	0,38	1,06
11. Average equity	3.835,0	3.686,9	3.681,2	3.662,3	3.576,1
12. Average total assets	43.650,1	42.993,0	42.697,2	42.836,9	42.572,8
Loss provisions on impaired and non-performing loans					
13. Losses as a % of net lending to customers (OB)*	0,02	0,09	0,09	0,04	0,04
14. Loss provisions as a % of gross lending to customers*	0,38	0,35	0,33	0,30	0,30
15. Net payment defaults exceeding 90 days as a % of net lending	0,33	0,40	0,37	0,36	0,35
16. Other net non-performing commitments (group 3) as a % of net lending	0,04	0,04	0,02	0,13	0,15
Financial strength					
17. CET1 capital ratio incl. 50% of retained earnings (%)	17,89	17,81	17,69	16,73	16,71
18. CET1 capital ratio (%)	17,11	17,64	17,69	16,15	16,35
19. Tier 1 capital ratio (%)	18,95	19,43	19,49	17,89	17,63
20. Capital adequacy ratio (%)	20,75	21,21	21,25	19,59	19,35
21. Risk-weighted volume (calculation basis)	19.076,4	19.579,4	19.450,3	20.134,9	20.003,5
22. Tier 1 leverage ratio incl. 50% of retained earnings (%)	8,57	8,71	8,81	8,52	8,29
23. Tier 1 leverage ratio (%)	8,23	8,64	8,81	8,26	8,13
Liquidity					
24. Deposit coverage ratio	46,39	42,43	43,22	43,39	43,14
25. LCR (%)	371,91	278,50	265,11	257,83	261,62
Branches and full-time equivalents					
26. No. of branches	29	29	28	27	27
27. Full-time equivalents	187	192	192	198	198
Equity certificates					
28. Ownership fraction (parent bank) (%)	31,40	31,40	32,45	32,45	32,45
29. No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
30. Book equity per equity certificate*	63,43	59,92	58,95	58,03	56,61
31. Earnings per equity certificate*	3,51	0,97	1,23	1,42	1,28
32. Dividend per equity certificate	0,00	0,00	3,60	0,00	0,00
33. Turnover rate	19,23	26,54	11,83	9,97	20,54
34. Price	47,10	41,00	54,60	52,40	54,40

* Defined as alternate performance target

Definition of key figures and alternative profit targets

Profitability	
1. Return on equity*	The profit/loss that is attributable to equity certificates and primary capital as a % of average equity adjusted for hybrid capital. The key figure provides relevant information about the group's profitability by measuring its ability to generate profitability on equity. The return on equity is one of Sparebanken Øst's most important target figures.
2. Net interest income as a % of average total assets	Net interest income as a % of average total assets
3. Profit/loss after tax as a % of average total assets	Profit/loss after tax as a % of average total assets
4. Costs as a % of average total assets	Payroll, etc., administrative costs, amortisation and other operating costs as % of average total assets
5. Costs as a % of income (before losses on loans/guarantees)*	Payroll, etc., administrative costs, amortisation and other operating costs as % of net interest income, dividend, net commission income, net value changes and gains/losses on financial instruments and other operating income. The key figure is used to provide information about the ratio between income and costs.
6. Costs as a % of income (excl. return on financial investments)*	Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, net commission income and other operating income. The key figure is used to provide information about the ratio between income and costs.
Balance sheet figures	
7. Net lending to customers	Gross lending minus loss provisions
8. Lending growth (quarter/12 months)	Change in net lending as a % of OB net lending. Quarterly figures show growth in the quarter, while other figures show 12-month growth.
9. Deposits	Customer deposits
10. Deposit growth (quarter/12 months)	Change in deposits as a % of OB deposits. Quarterly figures show growth in the quarter, while other figures show 12-month growth.
11. Average equity	(OB equity (adjusted for hybrid capital) less proposed dividends + CB equity (adjusted for hybrid capital) less proposed dividends) / 2.
12. Average total assets	Average total assets based on quarterly balance sheet figures
Loss provisions on impaired and non-performing loans	
13. Losses as a % of net lending to customers (OB)*	Losses as % of OB net loans to customers for the period. The key figure indicates the recognised loss in relation to net lending at the beginning of the fiscal period and provides relevant information on the extent of the losses incurred by the Group in relation to its lending volume.
14. Loss provisions as a % of gross lending to customers*	Total loss provisions, groups 1, 2 and 3, as a % of gross lending. This key figure provides relevant information about credit risk and is deemed useful additional information, besides stated in the loss notes.
15. Net payment defaults exceeding 90 days as a % of net lending	Net payment defaults exceeding 90 days as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information besides that stated in the loss notes.
16. Other net non-performing commitments (group 3) as a % of net lending	Net other non-performing commitments as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information, besides stated in the loss notes.
Financial strength	
17. CET1 capital ratio incl. 50% of retained earnings (%)	CET1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of risk-weighted volume (basis for calculation)
18. CET1 capital ratio (%)	CET1 capital as a % of the risk-weighted volume (basis for calculation)
19. Tier 1 capital ratio (%)	Tier 1 capital as a % of the risk-weighted volume (basis for calculation)
20. Capital adequacy ratio (%)	Total primary capital as a % of the risk-weighted volume (basis for calculation)
21. Risk-weighted volume (calculation basis)	Total credit and counterparty risk, currency risk, operational risk and calculation basis for impaired counterparty credit rating (CVA).
22. Tier 1 leverage ratio incl. 50% retained earnings (%)	Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of the unweighted basis for calculation.
23. Tier 1 leverage ratio (%)	Tier 1 capital as a % of unweighted calculation basis
Liquidity	
24. Deposit coverage ratio	Deposits as a % of net lending to customers.
25. LCR (%)	Liquid assets as a % of net payments in a stress scenario lasting 30 days
Branches and full-time equivalents	
26. No. of branches	
27. Full-time equivalents	
Equity certificates	
28. Ownership fraction (parent bank) (%)	Equity certificate holders' share of total equity adjusted for hybrid capital (less proposed dividends) as a % (basis at 1 January, time-weighted at issue).
29. No. of equity certificates	Total no. of outstanding equity certificates
30. Book equity per equity certificate*	Equity share capital divided by no. of equity certificates. The calculation includes the year's allocation for dividends. The key figure provides information about the value of the book equity per equity certificate. This makes it possible for the reader to assess the reasonableness of the market price in relation to the equity certificate.
31. Earnings per equity certificate*	The equity share capital's share of the profit/loss after tax divided by time-weighted average number of equity certificates during the period.
32. Dividend per equity certificate	Dividend in NOK per equity certificate
33. Turnover rate	Annualised turnover rate (traded as a % of issued)
34. Price	The most recently traded price on the Oslo Stock Exchange as at the balance sheet date.

* Defined as alternate performance target

Financial Performance - Group

(Amounts in NOK million)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Interest income	287,4	350,4	353,5	333,4	309,4
Interest costs	150,1	185,9	177,5	167,9	156,1
Net interest income	137,3	164,6	176,0	165,6	153,4
Commission income and income from banking services	17,8	21,3	22,5	23,7	22,6
Commission costs and costs for banking services	10,1	10,7	10,9	11,3	11,2
Dividend	0,0	5,2	0,0	26,4	2,5
Net changes in value and gains/losses on financial instruments	178,5	-33,7	-2,0	-15,7	2,9
Other operating income	1,6	22,5	3,2	3,4	4,2
Net other operating income	187,9	4,6	12,9	26,5	21,0
Payroll, etc.	30,6	46,6	43,3	42,1	30,2
Administration costs	13,2	14,9	14,1	13,0	13,1
Depreciation/write-downs/changes in value for non-financial assets	6,6	6,5	6,6	6,5	6,4
Other operating costs	11,2	12,4	8,0	7,2	9,0
Total operating costs	61,6	80,4	72,0	68,8	58,7
Profit/loss before losses	263,5	88,8	116,9	123,2	115,7
Losses on loans, unused credit and guarantees	1,8	7,6	7,6	3,4	3,7
Profit/loss before tax costs	261,7	81,2	109,4	119,8	112,0
Tax costs	25,4	12,2	26,2	24,2	26,0
Profit/loss after tax	236,3	69,0	83,2	95,7	85,9
Hybrid capital owners' share of the result	4,2	4,8	4,7	5,1	4,1
Equity certificate holders' and primary capital share of profits	232,1	64,2	78,5	90,5	81,9
Profit/loss after tax	236,3	69,0	83,2	95,7	85,9
Earnings per equity certificate	3,51	0,97	1,23	1,42	1,28
Diluted earnings per equity certificate	3,51	0,97	1,23	1,42	1,28

Other comprehensive income performance - Group

(Amounts in NOK million)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Profit/loss after tax	236,3	69,0	83,2	95,7	85,9
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	0,0	0,0	4,1	0,0	0,0
Tax related to items that cannot be reclassified	0,0	0,0	-1,0	0,0	0,0
Comprehensive income	236,3	69,0	86,3	95,7	85,9

Balance sheet performance - Group

(Amounts in NOK million)	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Assets					
Cash and receivables from central banks	536,3	620,1	302,5	440,7	437,5
Loans to and receivables from financial institutions	8,2	10,2	15,9	8,5	10,7
Loans to and receivables from customers	32.013,4	33.735,1	34.225,3	34.733,3	34.801,6
Certificates and bonds	9.562,9	7.936,2	6.755,1	6.589,7	6.238,4
Shares and units	810,8	633,1	629,6	627,1	619,3
Financial derivatives	530,8	435,4	174,7	325,8	273,3
Investment properties	12,1	3,9	59,0	59,3	59,5
Tangible fixed assets	143,6	136,9	137,7	136,8	135,9
Lease rights	47,9	50,3	49,5	50,7	52,9
Other assets	17,5	14,8	23,9	14,9	18,3
Prepaid non-accrued costs and income earned, but not received	16,5	24,1	12,6	21,7	17,8
Total assets	43.700,1	43.600,1	42.385,8	43.008,5	42.665,2
Liabilities and equity					
Liabilities to financial institutions	601,0	602,5	300,6	302,2	300,5
Deposits from and liabilities to customers	14.851,5	14.313,7	14.791,7	15.072,0	15.014,4
Financial derivatives	29,9	21,7	35,3	19,5	8,0
Securities issued	22.698,7	23.394,7	22.261,7	22.579,6	22.484,7
Other liabilities	528,8	499,9	298,9	401,1	319,5
Accruals and deferred income	34,4	39,7	33,6	41,3	35,5
Provisions for accrued costs and liabilities	67,7	67,8	67,4	78,3	78,5
Deferred tax liability	2,2	3,3	5,0	3,5	3,2
Lease liabilities	48,6	50,8	49,9	51,0	53,2
Subordinated loan capital	400,0	400,4	400,4	400,3	400,2
Total liabilities	39.262,8	39.394,5	38.244,3	38.948,6	38.697,7
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	352,0	352,3	352,4	352,3	350,5
Retained earnings	3.490,3	3.258,2	3.194,0	3.112,5	3.022,0
Total equity	4.437,4	4.205,7	4.141,5	4.059,9	3.967,5
Total liabilities and equity	43.700,1	43.600,1	42.385,8	43.008,5	42.665,2

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