178th year

QUARTERLY REPORT

Q4 2020

SPAREBANKEN ØST

Interim financial statements, Q4 2020

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Key figures - Group

Income Statement (Amounts in NOK millions)	Q4 2020	Q4 2019	Year 2020	Year 2019
Net interest income	164,0	176,0	632,1	641,7
Net commission income	8,1	11,6	35,1	45,1
Net result from financial assets	2,8	-2,0	148,1	19,4
Other operating income	3,3	3,2	29,3	15,3
Total net income	**178,2**	**188,9**	**844,7**	**721,5**
Total operating costs	**81,9**	**72,0**	**296,0**	**277,8**
Profit/loss before losses	**96,3**	**116,9**	**548,7**	**443,7**
Losses on loans, unused credit and guarantees	3,7	7,6	15,1	18,9
Profit/loss before tax costs	**92,6**	**109,4**	**533,6**	**424,8**
Tax costs	20,6	26,2	80,4	95,5
Profit/loss after tax	**72,0**	**83,2**	**453,1**	**329,3**

Key figures	Q4 2020	Q4 2019	Year 2020	Year 2019
Profitability				
Return on equity*	6,82	8,46	11,47	8,74
Net interest income as a percentage of average total assets	1,50	1,64	1,46	1,51
Profit after tax as a percentage of average total assets	0,66	0,77	1,05	0,77
Costs as a percentage of average total assets	0,75	0,67	0,68	0,65
Costs as a % of income (before losses on loans/guarantees)*	45,96	38,11	35,04	38,50
Costs as a % of income (excl. return on financial investments)*	46,69	37,71	42,50	39,57
Balance sheet figures				
Net lending to customers	35.443,8	34.225,3	35.443,8	34.225,3
Lending growth (quarter/12 months)	13,00	-1,46	3,56	-2,62
Deposits	14.845,1	14.791,7	14.845,1	14.791,7
Deposit growth (quarter/12 months)	2,08	-1,86	0,36	-0,73
Average equity	3.997,3	3.681,2	3.812,9	3.564,6
Average total assets	43.404,4	42.697,2	43.299,0	42.504,5
Loss provisions on impaired and non-performing commitments				
Losses as a % of net lending to customers (OB)*	0,05	0,09	0,04	0,05
Loss provisions as a percentage of gross lending to customers*	0,35	0,33	0,35	0,33
Net payments over 90 days past due as a percentage of net lending*	0,29	0,37	0,29	0,37
Other net non-performing commitments (Stage 3) as a percentage of net lending*	0,02	0,02	0,02	0,02
Financial strength				
CET1 capital ratio (%)	17,96	17,69	17,96	17,69
Tier 1 capital ratio (%)	19,67	19,49	19,67	19,49
Capital adequacy ratio (%)	21,34	21,25	21,34	21,25
Risk-weighted volume (calculation basis)	20.471,4	19.450,3	20.471,4	19.450,3
Leverage ratio (%)	9,03	8,81	9,03	8,81
Liquidity				
Deposit coverage ratio	41,88	43,22	41,88	43,22
LCR (%)	266,93	265,11	266,93	265,11
Branches and FTEs				
No. of branches	29	28	29	28
FTEs	184	192	184	192
Equity certificates				
Ownership fraction (parent bank) (%)**	31,40	32,45	31,40	32,45
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate*	61,18	58,95	61,18	58,95
Earnings per equity certificate*	1,04	1,23	6,62	4,87
Dividend per equity certificate***	4,50	3,60	4,50	3,60
Turnover rate	24,98	11,83	20,64	15,17
Price	51,40	54,60	51,40	54,60

* Defined as alternate performance target
** For ownership fraction at 01.01.2021, see Note 19
*** The Board of Directors is recommending a dividend for 2020 of NOK 4.50, where NOK 3.50 will be paid after the Board of Trustees' decision on 25.03.2021 and where the Board of Trustees will give the Board of Directors special authorisation to make a decision on paying a dividend of up to NOK 1.00 at the earliest on 01.10.2021 and by no later than the annual meeting of the Board of Trustees in 2022.
For definisjon av nøkkeltall og omtale av alternative resultatmål, se side 50

Board of Directors' Report

The Covid-19 pandemic led to 2020 becoming one of the most volatile economic years of modern times, both nationally and internationally. At this time, we are still not in a position to fully understand the overall human and economic consequences of the pandemic. From a global perspective, the Norwegian economy coped well in 2020. Norway's extremely robust economy enabled the government to implement packages of economic measures that have helped to ensure that Norwegian society has, so far, come through the crisis well, although some industries have experienced severe negative impacts due to the government's infection control measures. At the beginning of 2021, considerable uncertainty remains about future developments. Despite the fact that a vaccination process has started and is well underway, new virus mutations have contributed to the introduction of very strict and more comprehensive infection control measures, albeit only regionally at the moment. This is why it is too early to summarise the pandemic's impact on business and the rest of society.

The year 2020 was a special one for Sparebanken Øst. The infection control measures that were introduced and the shutdown of society in March created an unclear and turbulent situation for the financial services industry. Sparebanken Øst established a crisis team that met frequently in order to ensure good liquidity for the bank, produce an overview of risk development through close contact with the bank's customers, ensure that the bank's customers had good access to credit and money-transfer services, and to safeguard the bank's employees in the best possible manner. From March to the end of September, Sparebanken Øst's operations were characterised by caution and restraint. Less general uncertainty, a better understanding of the effects of the government's packages of measures and greater confidence in the bank's financial development all contributed to the bank being able to make more aggressive strategic choices in the fourth quarter regarding the growth in low-risk mortgages and normalising the level of the bank's liquidity reserves.

The bank's profit after tax for 2020 was very good and amounted to NOK 453.1 million, which represents a return on equity of 11.47 per cent. The Board of Directors is proposing a dividend of up to NOK 4.50 per equity certificate to the Board of Trustees (NOK 93.3 million in total) and up to NOK 25.9 million for good causes. In line with the recommendations of the Ministry of Finance regarding limiting dividends, the Board of Directors is recommending that a cash dividend of NOK 3.50 per equity certificate (NOK 72.6 million in total) and provisions for good causes of NOK 5.7 million be paid out in the ordinary manner following a decision of the Board of Trustees on 25.03.2021. In addition, the Board of Directors is proposing that it be given special authorisation to decide to pay out a dividend of up to NOK 1.0 per equity certificate (NOK 20.7 million in total) and provisions for good causes of up to NOK 20.2 million at the earliest on 01.10.2021 and by no later than the annual meeting of the Board of Trustees in 2022. The Board of Directors' proposed allocation for good causes deviates from the current dividend policy.

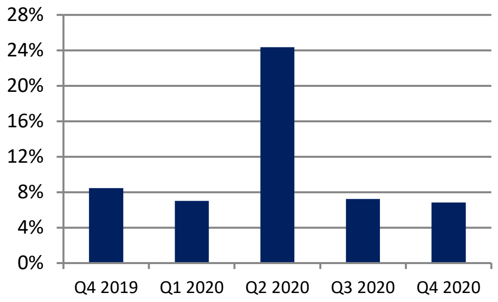
Quarterly profit

Sparebanken Øst achieved a profit after tax of NOK 72.0 million for the fourth quarter of 2020.

The corresponding profit after tax for the fourth quarter of 2019 was NOK 83.2 million. The lower profit compared with the same quarter last year was mainly attributable to the lower net interest income and higher costs linked to pay benefits, IT, wealth tax and external assistance.

The return on equity for the quarter was 6.82 per cent, compared with 8.46 per cent for the same quarter in 2019.

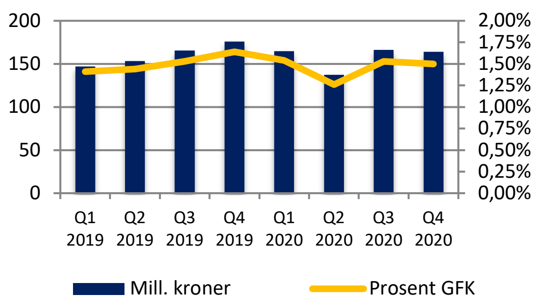
The table below presents the return on equity over the past five quarters.



Net interest income

Net interest income amounted to NOK 164.0 million in the fourth quarter of 2020, compared with NOK 176.0 million in the same quarter in 2019. Net interest income amounted to 1.50 per cent of average total assets in the fourth quarter of 2020. The comparative figure for the same quarter of 2019 was 1.64 per cent. With the exception of the second quarter, net interest income was very stable throughout 2020.

The figure below shows net interest income in per cent and NOK in the past eight 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 14.2 million in the fourth quarter of 2020, compared with NOK 12.9 million in the same quarter of 2019.

- Net commission income amounted to NOK 8.2 million, a decrease of NOK 3.4 million compared with the same quarter last year. The reduction was mainly due to the lower number of money-transfer transactions compared with the same quarter last year.

- Dividends recognised as income in the fourth quarter of 2020 amounted to NOK 6.4 million and came from VN Norge AS in connection with the realisation of shares in Visa Inc. In comparison, no income was recognised as a result of dividend payments in the fourth quarter of 2019.

- Net changes in value and gains/losses on financial instruments were negative in the amount of NOK 3.7 million for the fourth quarter of 2020, compared with a loss of NOK 2.0 million in the same period of last year. The positive change in the value of the bank's shares in Kraft Bank ASA amounted to NOK 5.8 million in the quarter. The negative change in value linked to shares and share rights in Visa Inc. amounted to NOK 9.1 million compared with a positive change in value of NOK 2.5 million in the same quarter in 2019. The negative change in value must be viewed in the context of dividends from VN Norge AS being recognised as income. The value of shares in Norne Securities AS was adjusted downwards by NOK 0.6 million in the quarter. The value of the liquidity portfolio fell by NOK 4.1 million during the quarter. By comparison, the change in value during the same quarter in 2019 was negative NOK 7.1 million. The net financial impact of currency, derivatives and fixed-rate lending at fair value was NOK 4.8 million in the fourth quarter of 2020, compared with a negative impact of NOK 2.8 million in the same quarter last year. The cost of buying back the bank's own issued debt amounted to NOK 0.4 million during the fourth quarter of 2020, compared with NOK 0.3 million in the same period last year.

- Other operating income amounted to NOK 3.3 million in the fourth quarter of 2020, compared with NOK 3.2 million in the same quarter of 2019.

Operating costs

Total operating costs were NOK 81.9 million in the fourth quarter of 2020, equivalent to 0.75 per cent of average total assets. In the fourth quarter of 2019, total operating costs amounted to NOK 72.0 million, or 0.67 per cent. The changes concern the following:

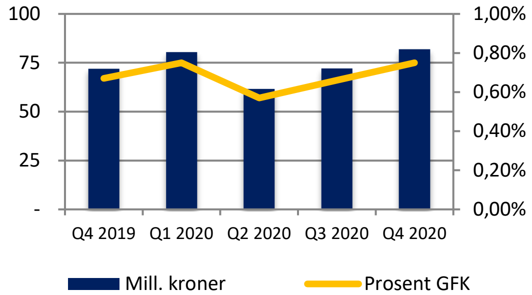
- Payroll costs amounted to NOK 46.3 million, compared with NOK 43.3 million in the same quarter last year. The increase was mainly due to the recognition of a transitional supplement as a cost.

- Administrative costs amounted to NOK 15.4 million in the fourth quarter of 2020, compared with NOK 14.1 million in the same quarter of 2019. The increase was mainly due to IT and marketing costs.

- Depreciation amounted to NOK 7.4 million compared with NOK 6.6 million in the fourth quarter of 2019. The increase was mainly due to IT investments.

- Other operating costs amounted to NOK 12.9 million in the fourth quarter of 2020, compared with NOK 8.0 million in the same quarter of 2019. The increase was mainly due to costs in connection with the winding up of Øst Inkasso AS, use of external assistance and increased wealth tax.

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 3.7 million in fourth quarter of 2020, compared with NOK 7.6 million in fourth quarter of 2019.

At the end of the quarter, total loss provisions amounted to NOK 125.3 million, equating to 0.35 per cent of gross lending to customers. By comparison, total loss provisions amounted to NOK 112.8 million, equating to 0.33 per cent of gross lending to customers at the end of the fourth quarter of 2019. Individually assessed loss provisions amounted to NOK 89.3 million at the end of the fourth quarter of 2020, compared with NOK 83.4 million at the end of the fourth quarter of 2019.

In connection with the end of the first quarter of 2020, special evaluations and reviews of the bank's loan portfolios, including non-performing commitments, were carried out. During subsequent quarters, further assessments of the portfolios have been carried out which has resulted in updated evaluations. On the basis of the reviews and evaluations, no special adjustments were made to the levels of loss provisions and no changes were made to the assumptions that underpinned the model-calculated losses in the anticipated scenario in 2020.

The major economic uncertainty that arose at the end of first quarter of 2020 as a result of the Covid-19 pandemic and the fall in oil prices were deemed to have significantly reduced at the end of 2020 compared with the end of the first quarter of 2020. Despite improvements in the macroeconomic conditions, there remains widespread uncertainty pertaining to the long-term impact of the pandemic. During the first quarter of 2020, the probability of a pessimistic scenario increased from 15 to 30 per cent, while the expected scenario's probability was reduced by a corresponding figure. This change during the first quarter of 2020 resulted in an increase to loss provisions for Stage 1 and Stage 2 totalling NOK 4.1 million. The probability weighting of macroeconomic scenarios remained unchanged at the end of the fourth quarter of 2020. Model-calculated loss provisions for Stage 1 and Stage 2 fell by NOK 2 million during fourth quarter of

2020 and now amount to NOK 35.7 million at the end of the quarter. Loss provisions on non-performing commitments (Stage 3) increased by NOK 1.0 million during fourth quarter of 2020, and amount to NOK 89.6 million, of which NOK 85.1 million are related to commitments in AS Financiering.

Net payment defaults more than 90 days past due amounted to 0.29 per cent of net lending at the end of the fourth quarter of 2020, compared with 0.37 per cent at the end of 2019.

Dividend considerations

In its assessment of prudence, the Board of Directors has afforded particular weight to the factors the Norwegian authorities have addressed in the Financial Supervisory Authority of Norway's letter dated 21.12.2020, the Ministry of Finance's response dated 20.01.2021, and the Financial Supervisory Authority of Norway's statement dated 20.01.2021, which was based on the EBA's recommendations regarding banks' dividends published on 15.12.2020. The EBA recommends that European banks refrain from dividends and other distributions until 30.09.2021 unless particular prudence is exercised. The above is also based on the ESRB's resolution of 15.12.2020 that generally extends its recommendation to national authorities regarding asking banks and others to refrain from distributing dividends, etc. The recommendation applies up to 30.09.2021.

In its assessment, the Board of Directors has chosen to follow the Ministry of Finance's recommendations. However, it is important to point out that the Ministry of Finance has based its assessments on "The banks' regulatory capital adequacy ratio is high and has risen over the past year. However, this increase can largely be attributed to regulatory changes that do not imply an actual improvement in the banks' financial soundness." Sparebanken Øst uses the standard model when calculating the bank's capital adequacy and setting its capital targets and has, for all practical purposes, not been affected by the regulatory changes that result in some banks achieving substantially better capital adequacy as the Financial Supervisory Authority of Norway assumes when discussing the banks' financial strength. The Board of Directors of Sparebanken Øst uses the bank's capital situation and not the Financial Supervisory Authority of Norway's erroneous and generalised assumption concerning the banks' and the bank's financial strength.

On 11.02.2021, the Board of Directors unanimously decided to recommend that the Board of Trustees approve a dividend of up to NOK 4.50 per equity certificate (NOK 93.3 million in total) and up to NOK 25.9 million for good causes for 2020.
The Board of Directors regards this as justifiable and consistent with prudent and good conduct under due consideration for losses that may be incurred following the end of the accounting year, or that may be expected to be incurred, as well as based on the need to build up equity in the bank. The Ministry of Finance has asked Norwegian banks that find a basis for making distributions, following a particularly cautious assessment and based on the ESRB's recommendations, to keep the total distributions within a maximum of 30 per cent of the total annual profit for the years 2019 and 2020 (including the dividend already paid out for the 2019 accounting year) until 30.09.2021. On this basis, the bank's Board of Directors has based its decisions on the following calculations (figures in NOK millions):

Profit, parent bank 2019, allocated to equity certificates and primary capital	**289.7**	
Cash dividend paid out based on 2019 accounting year		74.6
Distributed to good causes based on 2019 accounting year		59.7
Profit, parent bank 2020, allocated to equity certificates and primary capital	**419.0**	
Total profit for parent bank 2019 and 2020	**708.7**	
Dividend limit (ref. the Ministry of Finance) 30 per cent	212.6	
Previously allocated to dividends for equity certificate holders and good causes	134.3	
Available budget for payment of dividends before 30.09.2021	**78.3**	

Therefore, the Board of Directors proposes that the recommended dividend be paid out in line with the Ministry of Finance's recommendations and that a dividend of NOK 3.50 per equity certificate (NOK 72.6 million in total) and provisions for good causes totalling NOK 5.7

million be paid out in the normal manner following the Board of Trustees' approval. The Board of Directors also recommends that the Board of Trustees give the Board of Directors special authorisation to make a decision on paying a dividend of up to NOK 1.00 per equity certificate (NOK 20.7 million in total) and provisions for good causes of up to NOK 20.2 million, at the earliest on 01.10.2021 and by no later than the annual meeting of the Board of Trustees in 2022, if the capital situation and the authorities' guidelines so permit and any regulatory changes have been approved. The year's recommend distribution deviates from the communicated dividend policy as far as distributions to good causes are concerned.

In its assessment of prudence, the Board of Directors placed particular emphasis on the following: The authorities have reiterated their call for Norwegian banks to refrain from and wait before distributing dividends and other distributions until the uncertainty has reduced further and at least until 30.09.2021 unless particular caution is exercised. The Financial Supervisory Authority of Norway refers to the EBA's reasoning that significant economic uncertainty still remains as a result of the Covid-19 pandemic, and that a conservative approach to distributions is essential for maintaining prudent capital levels and to enable European banks to continue offering credit. In an announcement on 15.12.2020, the European Central Bank (ECB) urged all banks under the direct supervision of the ECB to avoid, or limit, payments of dividends and share buybacks until 30.09.2021. The ECB's request was directly targeted at the 115 banks (as at December 2020) that are significant. In this context, one of the criteria for being a significant bank is size, more specifically EUR 30 billion. The ECB recommends that national supervisory authorities, wherever appropriate, take the same approach to banks in the eurozone that are not subject to direct supervision by the ECB. The Financial Supervisory Authority of Norway maintains that considerable uncertainty still remains about how the Norwegian economy and financial markets will develop in the future. It points out that the banks' loan losses have increased as a result of the crisis, that the increases are moderate so far and that they are largely linked to oil-related loans. Furthermore, it points out that since large sections of business have suffered significant falls in earnings, there is a risk of latent losses being underestimated in the banks' loss provisions.

In the opinion of the Board of Directors, Sparebanken Øst is a smaller savings bank with low systemic risk and thus of less significance in terms of the stability of the financial system and this, in combination with the Board of Directors' assessment of prudence, permits the proposed distributions as presented for the 2020 accounting year.

Sparebanken Øst has had, and has, very low levels of impairment and non-performing commitments and neither of these increased in 2020. At year end 2020, the bank's net payment defaults over 90 days past due accounted for 0.29 per cent of net lending, at year end 2019 the corresponding figure was 0.37 per cent. As at 31.12.2020, losses amounted to 0.04 per cent of net lending to customers, while at year end 2019 they amounted to 0.05 per cent. The bank has no direct exposure to oil-related activities. The Board of Directors has noted that some industries and companies are experiencing falls in earnings and that the government's packages of measures are having varying impacts. The Board of Directors has also noted that, at the same time, many industries and companies are doing better than ever and that impacts the pandemic is having on the region's business sectors differ greatly.

Sparebanken Øst has very limited exposure to particularly vulnerable industries, no direct exposure to oil-related activities, defaults over 90 days past due are low and even lower at the end of 2020 than at the end of 2019. Losses are low and to date have not increased from the level in 2019. The Board of Directors believes that the risk of losses in the loan portfolio is limited going forward.

Sparebanken Øst has boosted its financial strength in the past few years and the group's CET1 capital ratio and leverage ratio have developed as follows:

	31.12.2020*	31.12.2019	31.12.2018
CET1 capital ratio	**17.96%**	**17.69%**	**16.39%**
Tier 1 capital ratio	19.67%	19.49%	18.15%
Calculation basis	20,471.4	19,450.3	19,959.5
Leverage ratio	9.03%	8.81%	8.48%

*The figures for 31.12.2020 were calculated on the basis of the Board of Directors' proposed allocations.

The bank's target for CET1 capital is 14.75 per cent, while the authorities' total requirement for Sparebanken Øst's CET1 capital is 12.8 per cent (not including expectations relating to the P2G buffer). The authorities' requirement for the leverage ratio is 5 per cent.

In its capital planning, the Board of Directors has taken into account known future buffer requirements and has also emphasised that the bank's model for calculating financial strength as a standard bank is based on conservative principles for calculation bases that appear significantly sounder and more robust than those for IRB banks' models. The Board of Directors has noted that the government's provisions for capital calculations in IRB banks have resulted in significant easing for these banks. As a standard bank, Sparebanken Øst has not experienced such significant easing and the bank's assessment of its dividend capacity has therefore not been based on such either. Sparebanken Øst has also taken into account the rules for capital weighting for 'speculative property operations' and the effects of such capital weightings have been incorporated into the bank's financial statements and key figures. In its assessment, the Board of Directors has also taken into account the bank's recovery plan. Sparebanken Øst is a very sound bank in terms of both its CET1 capital ratio and its leverage ratio. The bank's risk assessments (ICAAP) indicate that its credit, market and liquidity risks should be considered low. The bank's capital plan (ICAAP) clearly shows the bank's financial strength, even in light of the very strict stress tests that are used for the bank's total capital assessments and proposed dividend for the 2020 accounting year. In the opinion of the Board of Directors, the bank is very sound, and it has a robust capital plan in place with a significant ability to absorb losses that should also meet future buffer requirements. The Board of Directors believes the stress tests associated with the bank's capital plan (ICAAP) show that the Board of Directors' proposed allocations in the 2020 financial statements are prudent.

Projections under stress have been made in the bank's model based on the current financial situation taking into account the recommended profit allocation as at 31.12.2020. The stress test shows that the group will satisfy current and known future equity requirements, even based on a strict scenario with a severe and prolonged setback. The scenario results in severe effects on the real economy and the financial markets after an extensive and prolonged pandemic with the locking down of the Norwegian economy, a high number of bankruptcies, high unemployment and negative GDP growth. **In the opinion of the Board of Directors, the CET1 capital is adequately sound and robust, and the allocations for the 2020 accounting year that have been recommended and explained are prudent.**

Sparebanken Øst maintained excellent liquidity throughout 2020, and the Board of Directors points out that the bank's LCR (in per cent) rose throughout the year and was stable at year end 2020. As at 31.12.2019, LCR was 265.11 per cent. During the first phase of the pandemic LCR was 371.91 per cent (as at 30.06.2020) and 337.87 per cent (as at 30.09.2020). At the end of the year, LCR was 266.93 per cent. In the opinion of the Board of Directors, the bank's liquidity was particularly good and well above the authorities' LCR requirement of 100 per cent and far in excess of the self-determined framework of a minimum of 102 per cent and target figure of 115 per cent.

Sparebanken Øst has a very high quality customer portfolio. The bank has a low proportion of loans for corporate activities in its portfolio. The bank's corporate portfolio accounts for just 14.2 per cent of the bank's total loan portfolio as at 31.12.2020. Furthermore, the Board of Directors emphasises that the bank has extremely low levels of exposure, both directly and indirectly, to industries that are defined as being particularly vulnerable. Additionally, Sparebanken Øst still has no direct exposure to the oil or shipping industries.

In light of the pandemic, temporary interest-only periods were made available following government calls to this effect, which together with a range of additional packaged measures by the authorities were designed to reduce short-term negative consequences of the pandemic. The Board of Directors points out that the proportion of retail customers with interest-only periods was down sharply from 4.4 per cent as at 30.06.2020 (as a percentage of the loan portfolio) and 1.4 per cent as at 30.09.2020 to 0.3 per cent as at 31.12.2020. In the corporate portfolio, the proportion with temporary interest-only periods also fell sharply from 9.0 per cent as at 30.06.2020 and 0.7 per cent as at 30.09.2020 to 0.1 per cent as at 31.12.2020 and as at 31.12.2020 related to a single corporate commitment of NOK 4.7 million. The Board of Directors has also noted that the development in ordinary forbearance is stable; as at 30.06.2020 the proportion of retail customers with forbearance was 0.2 per cent and for the self-employed it was 0.1 per cent. At the end of 2020, the proportion of ordinary forbearance for retail customers was 0.2 per cent and for self-employed 0.2 per cent.
The Board of Directors assumes that the stable and low level of non-performing and impaired loans the bank has had, and still has, underlines the good quality of the loan portfolios held by the bank. Additionally, the bank's administrative team have remained in close contact with the bank's customers throughout the pandemic and have not uncovered circumstances that would indicate that credit risk in the portfolio will result in a significantly increased potential for loss as a result of Covid-19 as at 31.12.2020. The Board of Directors also notes that, as at 31.12.2020, just two loans have been issued through the bank under the government's guarantee scheme, totalling NOK 3.5 million.

Sparebanken Øst recorded a very good financial profit as at 31.12.2020. The bank's financial result was at an 'all time high' level with a result before tax of NOK 533.6 million and a return on equity after tax of 11.47 per cent. Net interest income in 2020 was relatively stable from the year before despite the fact that the second quarter was a weak net interest income quarter due to major and sharp impacts on market interest rates. Cost control is good, and costs remains low. The bank's losses over time have been very low and as at 31.12.2020 the losses had been reduced to NOK 15.1 million (0.04 per cent) from NOK 18.9 million (0.05 per cent) in 2019. The Board of Directors emphasises that since 2020, the bank has built up a significant financial result that illustrates its good banking operations during the pandemic. The result in 2020 provides leeway for both growth and the payout of dividends, as well as a large capacity for absorbing any losses that might arise in the period ahead.

The uncertainty surrounding macroeconomic developments has reduced significantly compared with earlier. The uncertainty is still somewhat higher than normal at the start of 2021. However, we are exposed to substantially less uncertainty today than in the immediate period after the virus outbreak. The Board of Directors refers in this regard to the Ministry of Finance's white paper of 09.09.2020, Statistics Norway's 'Economic trends 4/20' and to the national budget for 2021. The international economy has been strongly impacted by the pandemic. Over time, the vaccination programme will have full effect and a gradual winding down of the infection control measures is expected throughout 2021. Norway's trading partners will probably recover during the course of 2021 and the next few years. More oil money was spent in 2020 and the structurally oil-corrected budget deficit for 2020 was estimated to be around 3.9 per cent of the oil fund's market value at the start of the year. When oil money is spent, there must be an emphasis on evening out fluctuations in the economy to ensure good capacity utilisation and low unemployment and the expansive policy in 2020 was therefore in line with the fiscal rule (3 per cent). Household consumption is lower than before the outbreak of Covid-19, although the consumption of goods has grown strongly. The rate of savings is high and a savings rate as high as 15 per cent has been measured in the income and capital accounts before. Consumption is expected to rise during 2021 such that we will return to pre-Covid-19 levels towards the end of 2021. The low interest rate is expected to rise from the middle of 2021 and until 2023. The interest rate level in the period remains below the normal interest rate level.

Furthermore, the Board of Directors has taken into account unemployment and house prices. Unemployment remains higher than the normal (old) rate but has fallen significantly since April 2020. The average unemployment rate has been at around 3.7 per cent so far in the 2000s. Unemployment for 2020 is expected to be 4.8 per cent (measured by the labour survey) before falling gradually to around 4 per cent in 2022 and 2023. House prices are rising after a slight downturn in March 2020. Low interest rates are significant given that house prices in Norway rose by 8.7 per cent in 2020. In Oslo, house prices rose by 12 per cent in the past year. Statistics Norway estimates that house prices will rise by 3-4 per cent per year in the coming years. Significant and increasing competition between banks in mortgage lending indicate clearly that banks remain able to continue lending to customers, even when taking into account that many savings banks have paid dividends and made charitable donations for the 2019 financial year. This is supported by the decision issued by the Ministry of Finance on 11.09.2020 to discontinue temporary changes to lending regulations relating to flexibility quotas for mortgages as of for the fourth quarter of 2020. This reinforces the impression that the housing market is moving towards normalisation.

The trend in infections in Norway was falling, as at 05.02.2020, after climbing around Christmas and New Year. Norway's vaccination programme has commenced but is exposed to some political polemic regarding progress. Around 200,000 people had received their first vaccination dose as at 05.02.2021. As at 01.01.2021, the government had made some adjustments to the national infection control measures with, among other things, more opening of schools and in children's and young people's sports. The authorities are warning against a third wave and of local outbreaks of infection with moderate consequences. In connection with the increase in mutant variants, strict, time-limited regional infection control measures have been implemented. The Board of Directors assumes that regional variants and the rise in local infections will continue to occur, including when it comes to mutant variants. Earlier, the Norwegian Institute of Public Health considered the capacity to offer treatment to be good both at a municipal and national level, and there is no shortage of personal protective equipment (PPE). Hospitals have improved their plans and fairly substantial reserve capacity for intensive care treatment is on standby. Hospitals have been received a lot of new equipment and have also gained experience in the treatment of patients of this kind, with positive treatment outcomes. In the view of the Board of Directors, infection trends may vary, especially in terms of local outbreaks, and new measures could still be implemented in order to reduce the spread of infection, however these will not have the same major consequences that created tremendous uncertainty at an early stage during the pandemic. The commenced vaccination programme is expected to be completed in the course of the next few months. **In the opinion of the Board of Directors, the level of uncertainty surrounding infection trends has reduced despite continued variations and fluctuations.**

Sparebanken Øst has just over 3,000 equity certificate holders; around 90 per cent of these can be defined as private individuals and small savers. The Board of Directors considers that a dividend for these parties may be seen as an interest rate return on ordinary savings and the timing of such a payment may generate negative consequences in tax terms. **Out of consideration to the bank's large proportion of small savers, the Board of Directors is choosing to decide to recommend the presented allocation of dividends, although with payment limits on parts of the dividend.**

The Covid-19 pandemic has resulted in significant challenges and a financially demanding period for many associations and clubs. In the sporting and cultural spheres, the pandemic has also created challenges in terms of work directed at children and young people, as well as other particularly vulnerable groups. The bank plays a very important role as a financial donor to voluntary work that is aimed at improving the lives of children and young people. In a press release dated 25.03.2020, the Ministry of Finance clarified that prohibiting the payment of dividends and donations to good causes would impact small savings banks and result in donations not being able to be made to clubs and associations in the future. The Board of Directors recommends an allocation for good causes of up to NOK 25.9 million. The Board of Directors recommends earmarking up to NOK 13 million for Covid-19 relief measures targeted especially at children and young people.

Following an overall assessment, the Board of Directors believes that it is justifiable and consistent with prudent and good business practices under due consideration for losses that may be incurred following the end of the accounting year, or that may be expected to be incurred, as well as based on the need to build up equity in the bank, to recommend paying a dividend and making a grant to good causes for the 2020 accounting year.

Allocation of profit for the 2020 accounting year:

Profit after tax, parent bank*	**NOK 419.0 million**
Allocation to/from fund for unrealised gains	**NOK -157.3 million**
For allocation	**NOK 261.7 million**
Added to the bank's primary capital	**NOK 153.6 million**
Allocated to good causes	**NOK 25.9 million**
Cash dividend for equity certificate holders	**NOK 93.3 million**
Transfer to/from equalisation fund	**NOK -11.1 million**

*Equity certificate holders' and primary capital's share of profits.

The dividend for equity certificate holders and good causes amounts in total to NOK 119.2 million and represents 28.5 per cent of the parent bank's profit for the equity certificate holders and primary capital of 2020. The Financial Supervisory Authority of Norway must be notified of awards of dividends in excess of 50 per cent of the parent bank's profit after tax in accordance with section 10-6, paragraph 3 of the Financial Institutions Act. The total dividend on the parent bank's profit, therefore, does not necessitate notification to the Financial Supervisory Authority of Norway in relation to the payment of the dividend for 2020 after ordinary provisions. The dividend payout rate for equity certificate holders has been calculated at 67.9 per cent and, therefore, is well within the earlier communicated dividend policy that states that the dividend for the equity certificate holders should lie between 50-75 per cent. The allocation rate for good causes has been calculated at 27.8 per cent and lies below the communicated dividend policy (50-100 per cent), see the bank's dividend policy for further details.

Profit for 2020

Sparebanken Øst's profit for 2020 was very good. The profit after tax was NOK 453.1 million. By comparison, the profit after tax was NOK 329.3 million in 2019. The return on equity in 2020 was 11.47 per cent, compared with 8.74 per cent in 2019. Profit effects from the equity investment in Frende Holding AS and gains from the sale of real estate totalled NOK 173.8 million in 2020. Profit effects from the equity investment in Frende Holding AS were NOK 15.7 million in 2019.

Net interest income amounted to NOK 632.1 million and decreased by just NOK 9.6 million compared with the year before. This in a year of significance turmoil around, and pressure on, the banks' interest income due to the Covid-19 crisis. The bank cut its lending rates to customers as early as the second quarter. However, the reduction in money market rates only took effect on borrowing costs as of the third quarter of 2020.

Net commission income amounted to NOK 35.1 million, which represents a reduction of NOK 10.0 million compared with the same period last year. The reduction was mainly due to the lower number of money-transfer transactions compared with the year before.

Dividends received in 2020 totalled NOK 11.8 million and were mainly dividends from Eksportfinans ASA totalling NOK 5.1 million and dividends from VN Norge AS totalling NOK 6.4 million in connection with the realisation of shares in Visa Inc. By comparison, at the end of 2019, dividends received totalled NOK 28.9 million, of which NOK 26.4 million related to the receipt of repaid equity from Frende Holding AS.

Net value changes and gains/losses from financial instruments amounted to NOK 136.3 million, NOK

145.8 million higher than in 2019. Positive value changes to the bank's shares in Frende Holding AS totalled NOK 154.0 million to date this year, compared with a negative value change of NOK 10.7 million in 2019. The positive change in the value of the bank's shares in Kraft Bank ASA amounted to NOK 5.8 million in 2020. Positive value changes related to shares and equity rights in Visa Inc. totalled NOK 2.3 million in 2020, compared with a positive value change of NOK 15.2 million in 2019; the year's value change must be seen in the context of dividends from VN Norge AS being recognised as income. The value of shares in Norne Securities AS was adjusted downwards by NOK 0.6 million in 2020. The value of the liquidity portfolio fell by NOK 18.4 million, compared with a decrease of NOK 9.9 million in 2019. The net profit effects of currency, derivatives and fixed-rate loans at fair value were NOK 2.8 million in 2020, the corresponding figure for 2019 was NOK 2.7 million. The cost of buying back the bank's own issued debt amounted to NOK 9.6 million in 2020, compared with NOK 6.8 million in 2019.

Other operating income amounted to NOK 29.3 million in 2020, compared with NOK 15.3 million in 2019. The increase was primarily due to a gain from the sale of real estate totalling NOK 19.8 million during the first quarter of 2020, in addition to reductions in rental income of NOK 4.8 million as a result of these sales.

Total operating costs were NOK 296.0 million in 2020, compared with NOK 277.8 million in 2019. Operating costs have primarily increased as a result of provisions for profit sharing, transitional supplements, IT costs, and external assistance.

Impairment losses on loans to customers, unused credits and guarantees amounted to NOK 15.1 million in 2020, compared with NOK 18.9 million in 2019.
Tax costs in 2020 totalled NOK 80.4 million and amount to 15.1 per cent of the profit before tax. The 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 31.12.2020

Total assets increased by NOK 1,683.9 million compared with 31.12.2019 and amounted to NOK 44,069.7 million at the end of 2020.

<u>Assets</u>

- Cash and receivables at central banks amounted to NOK 409.4 million as at 31.12.2020, compared with NOK 302.5 million as at 31.12.2019.
- Net lending to financial institutions amounted to NOK 13.4 million as at 31.12.2020, compared with NOK 15.9 million as at 31.12.2019.
- Net lending to customers amounted to NOK 35,443.8 million as at 31.12.2020, compared with NOK 34,225.3 million as at 31.12.2019. This represents an increase of NOK 1,218.6 million in the past 12 months, or 3.56 per cent. In 2020, the bank saw major movements in its loan portfolio as a result of the bank's strategic choices when the pandemic struck Norwegian society. The bank's lending volume decreased prior to the fourth quarter. Lending grew significantly in the fourth quarter. The growth came as a result of the bank's 'Nybygger.no' campaign, which is specifically targeted as the market's very best mortgage customers. This also affects the bank's net interest income development and financial strength during the year. Gross lending to retail customers accounted for 85.8 per cent of total lending to customers.
- Holdings of certificates and bonds amounted to NOK 6,790.2 million as at 31.12.2020, compared with NOK 6,755.1 million as at 31.12.2019. Liquidity reserves measured using LCR totalled 266.93 per cent as at 31.12.2020, compared with 265.11 per cent as at 31.12.2019. 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 811.0 million as at 31.12.2020, compared with NOK 629.6 million as at 31.12.2019.

The bank's stake in Frende Holding AS was 13.75 per cent, and the shareholding was valued at NOK 481.2 million as at 31.12.2020.

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 31.12.2020.

Balder Betaling AS is owned by several independent banks, and its main purpose is to own these banks' shares in Vipps AS. The bank owns a 0.70 per cent stake in Vipps AS. The bank's shares in Balder Betaling AS were valued at NOK 31.0 million as at 31.12.2020. The valuation was 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 28.8 million as at 31.12.2020.

The bank owns 'C' shares in Visa Inc. The shareholding was valued at NOK 35.4 million as at 31.12.2020. The bank also has rights to shares and 'A' shares in Visa Inc., owned via VN Norge Forvaltning AS and rights to shares owned via VN Norge AS. The rights and 'A' shares were valued at NOK 22.4 million as at 31.12.2020.

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 31.12.2020.

Liabilities

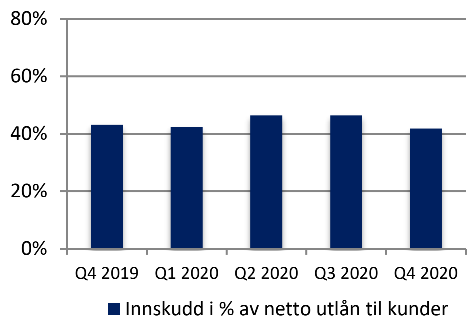
- Deposits from customers amounted to NOK 14,845.1 million as at 31.12.2020, compared with NOK 14,791.7 million as at 31.12.2019. This is an increase of NOK 53.5 million, or 0.36 per cent, in the past 12 months. The loan-to-deposit ratio in the group at the end of 2020 was 41.88 per cent, compared with 43.22 per cent at the end of 2019.

- Securities issued amounted to NOK 23,111.0 million as at 31.12.2020, compared with NOK 22,261.7 million as at 31.12.2019. The degree of stable and long-term financing measured by NSFR was 120.42 per cent as at 31.12.2020, compared with 117.04 per cent as at 31.12.2019. The average maturity for market funding was 3.13 years as at 31.12.2020, compared with 3.16 years as at 31.12.2019.

- Other borrowing amounted to NOK 601.0 million as at 31.12.2020, compared with NOK 300.6 million as at 31.12.2019. The increase relates to short-term F loans of NOK 300.0 million.

- Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 3,292.0 million as at 31.12.2020.

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



Capital adequacy

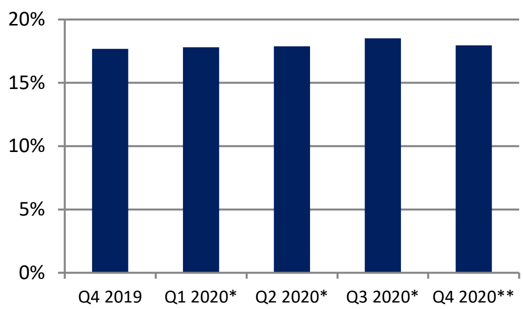
- The capital adequacy ratio measured as CET1 capital amounted to 17.96 per cent at the end of 2020, compared with 17.69 per cent at the end of 2019. The bank has implemented 150 per cent of the risk weighting in the calculation basis for financing speculative investments in real estate.

- The applicable Pillar 2 requirement for Sparebanken Øst is 1.8 per cent, although a minimum of NOK 360 million. The requirement came into effect on 30.06.2020. 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. Sparebanken Øst's target for CET1 capital is 14.75 per cent.

- Net primary capital at the end of 2020 amounted to NOK 4,369.6 million, of which NOK 4,026.2 million constituted the group's CET1 capital. Given a calculation basis of NOK 20,471.4 million, this corresponds to a capital adequacy ratio of 21.34 per cent, of which 19.67 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 leverage ratio amounted to 9.03 per cent at the end of 2020, compared with 8.81 per cent at the end of 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.

** The proposed dividend and donations for good causes were deducted from equity when the group's capital adequacy was calculated.

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 credit strategy is implemented in the bank's credit manuals and in other instructions.

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.

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 has no exposure to oil, oil-related activities, fishing or 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 first quarter of 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. The bank's monitoring and assessment indicates that the loan portfolio is robust, and the risk associated with it low. The use of temporary interest-only periods due to Covid-19 is low. At the end of 2020, only one corporate commitment has been granted such an interest-only period. The commitment accounts for 0.1 per cent of the corporate market portfolio. In relation to the government's loan guarantee scheme, just a handful of applications have been received and only two loans have been granted as at the end of the fourth quarter of 2020.

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. Temporary interest-only periods as a result of Covid-19 have been granted based on furlough notices and were primarily granted in the period from March to May 2020. At the end of the fourth quarter of 2020, the volume of temporary payment holidays as a result of Covid-19 has been reduced significantly and constitutes a total of 0.3 per cent of the retail market portfolio and 0.1 per cent in AS Financiering.

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) and as a deposit basis for borrowing facilities at the central bank. 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 takes a conservative approach to liquidity risk and seeks to ensure proper liquidity management so that the group has sufficient liquid assets to cover its obligations upon maturity at all times. The group must 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 2020, the group's liquidity situation was very robust.

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 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. Awareness of the various departments' operational risk is assured by, among other things, workshops initiated by the compliance department. The group registered no significant losses due to the failure of internal processes, systems, human error or unforeseen events in 2020.

Rating

On 29.01.2021, Moody's Investors Service upgraded Sparebanken Øst's ratings long-term and issuer ratings from A2 to A1. The upgrade was based on the bank's expected issuance of senior non-preferred debt due to the publication of the bank's MREL requirement on 15.12.2020. With an expected increase in non-preferred debt, the risk of losses on deposits and ordinary senior debt is considered to be lower. The outlook for all of the bank's ratings is stable. 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. The loan-to-deposit ratio was 48.3 per cent at the end of 2020, compared with 48.5 per cent at the end of 2019.

As at 31.12.2020, the company's total assets amounted to NOK 18,233.9 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 1,150.0 million, of which NOK 426.4 million is share capital and NOK 723.6 million makes up the share premium account. The profit after tax in 2020 was NOK 107.4 million, compared with NOK 88.8 million for 2019. 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 achieved a profit after tax of NOK 53.0 million for 2020, compared with NOK 38.3 million for 2019. Total assets amounted to NOK 2,234.4 million. At the end of 2020, the company had 17 employees, corresponding to 17 FTEs.

Sparebanken Øst Eiendom AS is a wholly owned subsidiary of Sparebanken Øst and is tasked with managing properties owned by the Sparebanken Øst Group. The company's other operating income amounted to NOK 25.2 million in 2020, compared with NOK 10.1 million in 2019. NOK 19.8 million in profit from the sale of property was recognised as income in the first quarter of 2020. The profit after tax was NOK 21.1 million in 2020, compared with NOK 1.4 million in 2019. At the end of 2020, the company had no employees apart from the general manager who was paid by the company, equivalent to 0.2 FTEs.

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 loss after tax was NOK 0.4 million in 2020, compared with a profit of NOK 0.6 million in 2019. In the second quarter of 2020, the company took over an office building 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. A decision was made to wind up the debt recovery company by transferring its business to Lindorff AS with effect from 01.01.2021.

The company's other operating income amounted to NOK 9.4 million in 2020, compared with NOK 8.5 million in 2019. The result after tax for 2020 was a loss of NOK 1.2 million in, compared with a loss of NOK 0.2 million in 2019. The company had no employees at the end of 2020, the general manager was employed by Sparebanken Øst.

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 31.12.2020, Frende is owned by 14 savings banks and three Varig insurance companies, where Sparebanken Vest is the largest shareholder and Sparebanken Øst is the third largest. On 28.12.2020, an agreement on cooperation and ownership in Frende was announced between the current owners and the Lokalbank alliance consisting of ten savings banks from the former Eika alliance. Frende offers life and non-life products to companies and private individuals and has more than 250,000 customers. Frende Forsikring's head office is in Bergen. Frende Holding AS posted a profit after tax of NOK 559.6 million for 2020, compared with NOK 322.5 million for 2019.

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 means 2020 will go down in history as one of the most volatile economic years of modern times. In March, the Norwegian and international economies were severely impacted by the infection control measures introduced by governments to limit the damage done by the disease. Economic activity varied a lot throughout the year due to changes in the infection situation and the associated easing or tightening of infection control measures.

In Norway and among our trading partners, the shutdowns of economies were generally countered with major monetary and fiscal policy measures aimed at preventing prolonged recessions. The central banks' policy rates were cut quickly when liquidity in the financial markets faltered in March and the equity markets abruptly fell. The central banks in the USA, EU and Japan also launched major programmes to support purchases of bonds to ensure access to credit in their economies. The indications are that the central banks' measures will be maintained for several years going forward and that interest rates will probably be close to 0 per cent during this period.

Norges Bank also cut interest rates fast. The key policy rate was first cut from 1.50 per cent to 1.0 per cent on 12.03.2020. A week later it was cut by a further 0.75 percentage points. At the beginning of May, Norges Bank cut its rate to 0.0 per cent. In parallel with the rate cuts and expanded supply of liquidity from Norges Bank, the Norwegian government launched several immediate measures aimed at reducing the economic damage caused by the pandemic. Compensation schemes for enterprises that experienced falls in earnings of more than 30 per cent, tax and VAT deferrals, and wages compensation for furloughed workers were some of the measures that were put in place in spring 2020.

The economic effects of the pandemic will be less in the USA than in the EU for 2020. For the full year, GDP is estimated to have fallen by around 3.5 per cent while the EU's GDP is expected to have fallen by more than 7.0 per cent. For the UK, the pandemic came in addition to the negative economic consequences due to its departure from the EU. Right up to the end of December there was great uncertainty surrounding its exit and what agreement the EU and UK would reach when the transition period ended on 31.12.2020. The estimated fall in GDP in the UK was no less than 10 per cent in 2020. Asian countries generally fared better economically speaking than Europe and the USA in 2020. They have largely managed to keep infections under control and thus been able to maintain a higher level of economic activity.

Oil prices were heavily affected by the global economic situation in 2020. North Sea oil fell from USD 66 per barrel at the end of 2019 to USD 19 per barrel at its lowest in April due to the Covid-19 crisis and the price war between Russia and the OPEC countries. Prices developed positively in the second half-year and ended the year at just over USD 50 per barrel.

The overall fall in the Norwegian Mainland economy is expected to be around 3.5 per cent for 2020 following strong fluctuations in growth throughout the year. In second quarter, GDP fell by 6.3 per cent, while in the third quarter it grew by 5.2 per cent. The infection control measures have had varying effects on the economy. Service industries have seen big drops in demand, while retail and parts of manufacturing have fared much better. Unemployment peaked in March in Norway at 10.6 per cent completely unemployed. Unemployment dropped quickly during the summer and autumn in line with society reopening and was 3.8 per cent in December. The housing market developed unexpectedly strongly due to the interest rate cuts and the growth in prices increased over the year after a fall in March. Prices rose by 8.7 per cent in 2020.

Outlook

The economic uncertainty caused by the Covid-19 pandemic has decreased significantly since the first half of 2020. The long-term health and economic consequences remain unclear. The number of infections has been rising since August and Norway saw them peak at the beginning of January 2021. The trend in infections has been downwards in the year to date. Despite the low level of infection and falling infection rates, recent finds of virus mutations have resulted in the introduction of very strict infection control measures in Eastern Norway. So far, it has been communicated that these comprehensive measures will be short-term in nature. Very strict infection control measures are over time having major negative economic consequences for multiple industries. To date, three vaccines have been approved in Norway. The vaccination process is well underway but some delays in progress have been warned about. In the opinion of Sparebanken Øst, it appears that the authorities have a good overview and are in a position to implement effective infection control measures. The authorities have also launched support schemes for a large number of groups that appear to be helping to reduce the negative economic effects of the pandemic.

The state budget presented on 07.10.2020 forecast good growth in the Norwegian economy in 2021. GDP is expected to grow by 4.4 per cent while unemployment will continue to fall. The budget will tighten facilitation of certain extraordinary funding measures implemented during the course of this year but continues to provide an impulse for growth to the Norwegian economy throughout next year. Statistics Norway, Norges Bank and the banks' analysis teams all expect a relatively high level of growth in GDP for the mainland economy during 2021.

Unemployment is expected to continue to fall over the coming year thanks to a growth in demand from households and increased rates of activity in society.

Turnover and pricing trends for housing are both developing positively supported by low rates of interest and increased job security. Rising house prices support increased future house building following the postponement of multiple projects in the first 6 months of the year. Norges Bank's loan survey for the fourth quarter of 2020 showed that demand for mortgages was effectively unchanged. The banks' lending margins for mortgages dropped slightly in the fourth quarter due to increased funding costs and somewhat stronger competition.

Sparebanken Øst is a cost-effective bank with a strong 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. The low rate of non-performing and impaired commitments and low losses on lending are expected to continue going forward.

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 continues to enjoy good liquidity, which will provide security if the banks' access to funding is challenged in the future.

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.

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. Money market rates have stabilised at historically low levels and the funding market for banks is well functioning. This, combined with the reduction in countercyclical capital buffers in March 2020, indicates that going forward the competition will be fierce, especially for mortgages. Pressure on the bank's net interest rate is expected to be significant going forward.

Sparebanken Øst bases its capital calculations on the principles in the standard model. The government's regulation within the area of capital and financial strength is creating some major competitive advantages for a few large banks at the expense of the vast majority of Norwegian savings banks, including Sparebanken Øst. It is a matter of deep concern that the Norwegian authorities are choosing to discriminate against banks through the capital calculation regulations by treating equal risk differently. If the authorities choose to maintain this differential treatment it will have a major impact on the structure of the Norwegian financial services industry and on how individual savings banks will align their operations in the future. Sparebanken Øst will work to ensure that the framework conditions for Norwegian banks are equal and that competition between the banks can be maintained without the use of such means.

On the basis of the low money market rates, the bank is offering historically low rates of interest on lending through its self-service concept ‘nybygger.no’ which launched on 09.10.2020. Sparebanken Øst has long experience of using various sales channels. The bank’s self-service solutions are cost effective and enable very competitive rates of interest with lower margins. The bank expects to achieve lending growth in the future in line with the credit growth in society.

Growth in lending to retail customers will primarily come from home mortgages and providing loans for second-hand cars that are secured by collateral 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 will continue to systematically implement principles for green products and green funding. The framework for green product development and the classification of customers is based on sustainability criteria and for 2020 the bank will report in line with the Global Reporting Initiative Standards (GRI). GRI is a recognised global system and framework for reporting on sustainability that is recommended in Oslo Børs’ guidance on reporting on sustainability. There will be areas in the reporting that will be further developed in the future and the reporting will therefore not fully satisfy the GRI standards as at 31.12.2020.

The Financial Supervisory Authority of Norway set Sparebanken Øst’s MREL requirement on 15.12.2020 at 31.6 per cent of an adjusted calculation basis. The MREL requirement must be met by 01.01.2024 and can be phased in by the group being allowed, prior to 01.01.2024, to include in the fulfilment of the minimum requirement unsecured senior preferred bonds issued by Sparebanken Øst to external investors with remaining terms to maturity of at least 1 year. The phasing in of the MREL requirement must as a minimum be linear over the years 2021, 2022 and 2023. By the end of the first quarter of 2021, the bank will submit a plan for issuing senior non-preferred debt to the Financial Supervisory Authority of Norway. This plan must be based on a prognosis for an adjusted calculation basis at the end of the phasing in period. During the course of 2021, Sparebanken Øst must phase in a minimum of one third of the total estimated need for non-preferred debt in the phasing in period.
The Ministry of Finance has completed new lending regulations that will apply for 4 years from 01.01.2021 and be evaluated in autumn 2022. The regulations are an amalgamation of the earlier mortgage regulations and consumer loan regulations. Most of the requirements in the earlier regulations will be continued, even though the Financial Supervisory Authority of Norway suggested some changes in the consultation paper at the end of September 2020. This means that the regulations will continue the requirements for a debt ratio of up to five times annual income, a loan-to-value ratio of a maximum of 85 per cent for primary homes, the capacity to service a 5 per cent rise in interest rates and a requirement for instalment payments for loans with a loan-to-value ratio of more than 60 per cent. The flexibility quota of 8 per cent in Oslo and 10 per cent in the rest of the country will also be continued.

Based on a proposal from the Financial Supervisory Authority of Norway, a new provision has been established concerning the restructuring of debt that provides greater leeway for helping customers with debt problems through so-called restart loans. For such loans, the requirements regarding debt ratio and capacity to cope with a 5 per cent rise in interest rates will not apply. Otherwise, it has been clarified that the requirements for mortgages will also apply to mortgages for sole proprietorships. Furthermore, the provisions for a loan-to-value ratio (section 7), additional collateral (section 8), refinancing (section 10) and the flexibility quota (section 12) will also apply to mortgages for legal people. In other words, the requirement for instalment payments for a loan-to-value ratio above 60 per cent (section 9) will no longer apply to mortgages for legal persons.

Sparebanken Øst still believes that lending practices should be the banks’ own responsibility and that responsibility for lending practices should be returned to the banks in full when the level of risk decreases. Therefore, it is positive that the regulations are time-limited and that they will be evaluated in autumn 2022.

In the bank's view, there is significant uncertainty relating to the framework conditions and future capital adequacy requirements for banks which calculate capital requirements using the standard method.

As at 31.12.2020, the system risk buffer requirement increased by 1.5 per cent from 3 to 4.5 per cent, and a floor for the risk weighting of real property loans was introduced. In the case of banks that do not use IRB methods and are not essential to the system, the current requirements for 3 per cent will continue to apply until 31.12.2022. The Ministry of Finance's increase to systemic risk buffers is directly connected to the capital reliefs provided for in Pillar 1 as a result of the introduction of CRR/CRD IV, which took effect on 31.12.2019, in which the Basel I floor for IRB banks was abolished and an 'SME discount' was introduced for lending to small and medium enterprises. For Sparebanken Øst, this will mean an increase in capital requirements as at 31.12.2022.

The countercyclical capital buffer requirement stands at 1 per cent after being reduced on 13.03.2020 by 1.5 per cent from 2.5 per cent in connection with the Covid-19 pandemic. There is reason to assume that the authorities will consider increasing the countercyclical buffer once the economy normalises. Norges Bank has indicated that it expects to advise an increase in buffer requirements again in 2021. A 1-year period of notice applies before any changes can take effect.

In December, the Ministry of Finance asked the Financial Supervisory Authority of Norway to evaluate its establishment of the Pillar 2 capital requirements, underscoring the importance of transparency and their systematic structuring. They also announced that further regulation of the framework may be required for this process.

Hokksund, 31.12.2020

Drammen, 11.02.2021

Øivind Andersson Chair	Cecilie Hagby Deputy Chair	Elly Therese Thoresen Board member
Jorund Rønning Indrelid Board member	Arne K. Stokke Board member	Richard Tandberg Olsen Deputy board member
Ole-Martin Solberg Employee representative	Sissel Album Fjeld Employee representative	Pål Strand CEO

Income Statement – Group

(Amounts in NOK millions)	Note	Q4 2020	Q4 2019	Year 2020	Year 2019
Interest income from assets valued at amortised cost		217,7	313,7	992,9	1.161,4
Interest income from assets valued at fair value		20,3	39,8	128,6	129,5
Interest costs		74,0	177,5	489,3	649,1
Net interest income	15	**164,0**	**176,0**	**632,1**	**641,7**
Commission income and income from banking services		19,8	22,5	78,0	89,9
Commission costs and costs for banking services		11,6	10,9	42,9	44,8
Dividend		6,4	0,0	11,8	28,9
Net value changes and gains/losses on financial instruments	16	-3,7	-2,0	136,3	-9,5
Other operating income		3,3	3,2	29,3	15,3
Net other operating income		**14,2**	**12,9**	**212,6**	**79,8**
Payroll, etc.		46,3	43,3	167,4	162,6
Administration costs		15,4	14,1	57,4	53,6
Depreciation/write-downs/changes in value for non-financial assets		7,4	6,6	27,3	25,7
Other operating costs		12,9	8,0	43,9	35,9
Total operating costs	17	**81,9**	**72,0**	**296,0**	**277,8**
Profit/loss before losses		**96,3**	**116,9**	**548,7**	**443,7**
Losses on loans, unused credit and guarantees	4	3,7	7,6	15,1	18,9
Profit/loss before tax costs		**92,6**	**109,4**	**533,6**	**424,8**
Tax costs		20,6	26,2	80,4	95,5
Profit/loss after tax		**72,0**	**83,2**	**453,1**	**329,3**
Hybrid capital owners' share of the result		3,4	4,7	15,9	17,9
Equity certificate holders' and primary capital share of profits		68,5	78,5	437,2	311,5
Profit/loss after tax		**72,0**	**83,2**	**453,1**	**329,3**
Earnings per equity certificate		1,04	1,23	6,62	4,87
Diluted earnings per equity certificate		1,04	1,23	6,62	4,87

Total income - Group

(Amounts in NOK millions)	Note	Q4 2020	Q4 2019	Year 2020	Year 2019
Profit/loss after tax		**72,0**	**83,2**	**453,1**	**329,3**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans		-2,4	4,1	-2,4	4,1
Tax related to items that cannot be reclassified		0,6	-1,0	0,6	-1,0
Comprehensive income		**70,2**	**86,3**	**451,4**	**332,4**

Balance Sheet – Group

(Amounts in NOK millions)	Note	31.12.2020	31.12.2019
Assets			
Cash and receivables from central banks	10,11	409,4	302,5
Loans to and receivables from financial institutions	10,11	13,4	15,9
Loans to and receivables from customers	4,7,8,10,11	35.443,8	34.225,3
Certificates and bonds	10,11	6.790,2	6.755,1
Shares and units	10,11	811,0	629,6
Financial derivatives	10,11,13,14	374,1	174,7
Investment properties		11,9	59,0
Tangible fixed assets		145,1	137,7
Lease rights		44,1	49,5
Other assets		14,9	23,9
Prepaid non-accrued costs and income earned, but not received		11,7	12,6
Total assets		**44.069,7**	**42.385,8**
Liabilities and equity			
Liabilities to financial institutions	10,11	601,0	300,6
Deposits from and liabilities to customers	6,10,11	14.845,1	14.791,7
Financial derivatives	10,11,13,14	17,9	35,3
Securities issued	10,11,12	23.111,0	22.261,7
Other liabilities		501,8	298,9
Accruals and deferred income		43,0	33,6
Other provisions and liabilities		62,9	67,4
Deferred tax liability		0,0	5,0
Lease liabilities		44,9	49,9
Subordinated loan capital	10,11,12	400,1	400,4
Total liabilities		**39.627,7**	**38.244,3**
Paid-up equity		595,1	595,1
Hybrid capital		351,7	352,4
Retained earnings		3.495,1	3.194,0
Total equity		**4.442,0**	**4.141,5**
Total liabilities and equity		**44.069,7**	**42.385,8**

Changes in Equity - Group

(Amounts in NOK millions)		Paid-up equity		Hybrid capital	Retained earnings				
								Fund for	
	Total	Equity	Share	ditional Tier 1	Equalisation	Primary	Endowment	unrealised	Other
2020	**equity**	**certificates**	**mium reserve**	**capital**	**fund**	**capital**	**fund**	**gains**	**equity**
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**
Ordinary result	453,1	0,0	0,0	15,9	82,2	179,5	0,0	157,3	18,3
Actuarial gains and losses on defined-benefit plans	-1,8	0,0	0,0	0,0	-0,6	-1,3	0,0	0,0	0,1
Comprehensive income	**451,4**	**0,0**	**0,0**	**15,9**	**81,6**	**178,3**	**0,0**	**157,3**	**18,4**
Dividend to equity certificate holders 2019 - adopt	-74,6	0,0	0,0	0,0	-74,6	0,0	0,0	0,0	0,0
Dividend to social capital 2019 - adopted	-59,7	0,0	0,0	0,0	0,0	-59,7	0,0	0,0	0,0
Interest paid on hybrid capital	-16,6	0,0	0,0	-16,6	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2020	**4.442,0**	**207,3**	**387,8**	**351,7**	**412,7**	**2.164,1**	**38,1**	**434,7**	**445,6**

The year’s proposed dividend for equity certificate holders of up to NOK 93.3 million (up to NOK 4.50 per equity certificate) is being held as part of the equalisation fund, and the year’s proposed grants for good causes of up to NOK 25.9 million is being held as part of the primary capital until they are finally approved.

(Amounts in NOK millions)		Paid-up equity		Hybrid capital	Retained earnings				
								Fund for	
	Total	Equity	Share	ditional Tier 1	Equalisation	Primary	Endowment	unrealised	Other
2019	**equity**	**certificates**	**mium reserve**	**capital**	**fund**	**capital**	**fund**	**gains**	**equity**
Equity as at 31.12.2018	**3.944,2**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**405,3**
Ordinary result	329,3	0,0	0,0	17,9	96,0	199,9	0,0	-6,2	21,7
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
Comprehensive income	**332,4**	**0,0**	**0,0**	**17,9**	**96,9**	**201,8**	**0,0**	**-6,2**	**22,0**
Dividend to equity certificate holders 2018 - adopt	-95,4	0,0	0,0	0,0	-95,4	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
Interest paid on hybrid capital	-15,9	0,0	0,0	-15,9	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
Issue of hybrid capital	150,0	0,0	0,0	150,0	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**

The year’s proposed dividend for equity certificate holders of NOK 74.6 million (up to NOK 3.60 per equity certificate) is being held as part of the equalisation fund, and the year’s proposed grants for good causes of up to NOK 59.7 million is being held as part of the primary capital until they are finally approved.

Cash Flow Statement - Group

(Amounts in NOK millions)	**31.12.2020**	**31.12.2019**
Operating activities		
Profit before tax	533,6	424,8
Adjusted for:		
Change in net interest income earned and accrued interest costs	-10,0	-9,2
Net receipts/payments of loans to customers	-1.247,1	924,4
Change in certificates and bonds	-41,6	-1.581,7
Changes in value of equities and units	-161,5	-4,5
Change in other assets in connection with operations	31,6	-17,6
Change in loans from credit institutions	0,0	0,1
Net receipts/disbursement of deposits from customers	53,7	-107,0
Change in other operating liabilities	153,9	-71,1
Non-cash items included in profit before tax costs	42,3	34,0
Net gain/loss from investing activities	-20,2	-0,1
Net gain/loss from financing activities	9,6	6,8
Taxes paid for the period	-99,5	-86,2
Net cash flow from operating activities	**-755,3**	**-487,3**
Investing activities		
Payments on purchases of tangible fixed assets	-33,5	-19,0
Proceeds from sales of tangible fixed assets	72,1	0,3
Payments on purchases of financial investments	-19,9	-18,3
Net cash flow from investing activities	**18,7**	**-37,0**
Financing activities		
Net incoming/outgoing payments for loans to/from financial institutions	300,0	0,0
Payments on repayment of securities	-4.364,9	-3.609,9
Proceeds on issuance of securities	4.997,1	3.951,7
Payment of dividend	-74,6	-95,4
Net payments on repayment of hybrid capital	0,0	-150,5
Net receipts on issue of hybrid capital	0,0	150,0
Interest paid on hybrid capital	-16,6	-15,9
Net cash flow from financing activities	**840,9**	**230,0**
Net change in cash and cash equivalents	104,4	-294,3
Cash and cash equivalents at 01.01.	318,3	612,6
Holding of cash and cash equivalents at the end of the period	**422,8**	**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	**31.12.2020**	**31.12.2019**
Interest payments received	1.147,5	1.271,7
Interest payments made	523,5	636,9
Dividends received	11,8	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

31.12.2020	Retail market	market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	351,0	134,4	-33,4	137,5	-0,4	39,4	3,6	632,1
Other operating income	54,9	7,9	-13,4	-20,9	25,2	167,0	-8,1	212,6
Operating costs	54,5	19,3	0,0	34,7	3,4	189,8	-5,7	296,0
Profit/loss before losses	**351,4**	**123,0**	**-46,7**	**81,8**	**21,4**	**16,5**	**1,2**	**548,7**
Losses on loans, unused credit and guarantees	0,4	3,6	0,0	11,1	0,0	0,0	0,0	15,1
Profit/loss before tax costs	**351,0**	**119,4**	**-46,7**	**70,7**	**21,4**	**16,5**	**1,2**	**533,6**
Tax costs	0,0	0,0	0,0	17,8	0,4	62,2	0,1	80,4
Profit/loss after tax	**351,0**	**119,4**	**-46,7**	**53,0**	**21,1**	**-45,7**	**1,1**	**453,1**

31.12.2019	Retail market	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

31.12.2020	Retail market	market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	27.874,8	4.931,5	8,0	2.188,7	0,0	465,6	-24,7	35.443,8
Other assets	4,9	0,0	7.673,3	45,7	105,6	3.817,5	-3.021,2	8.625,9
Total assets	**27.879,7**	**4.931,5**	**7.681,3**	**2.234,4**	**105,6**	**4.283,1**	**-3.045,9**	**44.069,7**
Deposits from and liabilities to customers	9.500,2	3.519,9	1.734,7	0,0	0,0	149,1	-58,8	14.845,1
Other liabilities/offsetting	18.379,5	1.411,6	5.946,5	1.810,6	33,8	-168,8	-2.630,8	24.782,6
Equity	0,0	0,0	0,0	423,8	71,8	4.302,8	-356,4	4.442,0
Total liabilities and equity	**27.879,7**	**4.931,5**	**7.681,3**	**2.234,4**	**105,6**	**4.283,1**	**-3.045,9**	**44.069,7**

31.12.2019	Retail market	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.

	31.12.2020	31.12.2019
CET1 capital		
Book equity	4.090,2	3.789,1
Deduction items in CET1 capital		
Additional value adjustments (prudent valuation requirement) (AVA)	-8,4	-8,0
Dividends*	-119,2	-134,3
Goodwill included in the valuation of significant investments	-223,1	-149,3
Intangible assets	-32,5	-26,3
CET1 capital instruments in other financial institutions (not significant)	0,0	0,0
CET1 capital instruments in other financial institutions (significant)	0,0	0,0
Other deductions from CET1 capital	-31,0	-30,8
Total CET1 capital	**3.676,2**	**3.440,3**
Other tier 1 capital		
Hybrid tier 1 capital	350,0	350,0
Deductions from other tier 1 capital		
Other tier 1 capital instruments in other financial institutions (not significant)	0,0	0,0
Other tier 1 capital instruments in other financial institutions (significant)	0,0	0,0
Total other tier 1 capital	**350,0**	**350,0**
Total tier 1 capital	**4.026,2**	**3.790,3**
Tier 2 capital		
Subordinated loans	400,0	400,0
Deductions from tier 2 capital		
Tier 2 capital instruments in other financial institutions (not significant)	0,0	0,0
Tier 2 capital instruments in other financial institutions (significant)	-56,6	-57,3
Total tier 2 capital	**343,4**	**342,7**
Net primary capital	**4.369,6**	**4.132,9**

Note 3 - Capital adequacy (contd.)

	31.12.2020	31.12.2019
Governments and central banks	0,0	0,0
Local and regional authorities	86,3	127,5
Publicly owned companies	0,0	0,0
Multilateral development banks	0,0	0,0
Institutions	46,0	42,8
Companies	435,4	528,8
Mass market accounts	1.696,0	1.703,3
Accounts secured against property	14.233,5	14.059,2
Accounts due	187,4	194,4
High-risk commitments	654,5	0,0
Covered bonds	476,5	481,8
Shares in securities fund	0,0	0,0
Equity positions	921,6	664,2
Other exposures	241,4	243,0
Securitisation	0,0	0,0
Calculation basis for credit and counterparty risk	**18.978,6**	**18.044,9**
Calculation basis for currency risk	**0,0**	**0,0**
Calculation basis for operational risk	**1.444,9**	**1.363,1**
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	**48,0**	**42,4**
Deductions from calculation basis	**0,0**	**0,0**
Total calculation basis	**20.471,4**	**19.450,3**

CET1 capital ratio*	17,96 %	17,69 %
Tier 1 capital ratio*	19,67 %	19,49 %
Capital adequacy*	21,34 %	21,25 %

Buffers		
Capital conservation buffer	511,8	486,3
Countercyclical buffer	204,7	486,3
Systemic risk buffer	614,1	583,5
Buffer for systemically important banks	0,0	0,0
Total buffer requirements	**1.330,6**	**1.556,0**
Available buffer capital	**2.731,9**	**2.565,0**

Leverage ratio	9,03 %	8,81 %

* The Board of Directors’ proposed dividend for equity certificate holders of up to NOK 93.3 million for 2020 (up to NOK 4.50 per equity certificate) and up to NOK 25.9 million for grants for good causes for 2020 was deducted when calculating the group’s capital adequacy ratio as at 31.12.2020.

Note 4 - Losses on loans, unused credit and guarantees

Loss costs

	Q4 2020	Q4 2019	31.12.2020	31.12.2019
Change in model-based provisions, Stage 1	1,3	1,1	3,6	0,9
Change in model-based provisions, Stage 2	0,7	0,4	3,3	1,0
Change in model-based provisions, Stage 3	0,0	-0,8	-0,3	-1,6
Increase in existing individual loss provisions	-0,1	0,7	6,1	8,7
New individual loss provisions	2,9	6,8	10,1	16,3
Established losses covered by previous individual loss provisions	1,6	1,2	6,0	9,3
Reversals of previous individual loss provisions	-1,8	-1,3	-10,3	-14,7
Actual losses where no individual loss provisions have previously been made	0,1	0,8	1,0	4,0
Recovery of previously identified losses	-1,0	-1,6	-4,6	-5,6
Amortisation costs for the period	0,0	0,2	0,0	0,7
Losses on loans, unused credit and guarantees	**3,7**	**7,6**	**15,1**	**18,9**
- of which losses on lending to retail customers of the parent bank and mortgage credit con	0,2	3,8	-0,1	4,4
- of which losses on lending to business customers	0,5	0,4	3,7	0,9
- of which losses on lending AS Financiering	2,8	3,2	11,1	13,5
- of which losses on unused credit and guarantees	0,2	0,2	0,4	0,1

Changes in loss provisions

	Loss given default	ıss given default	ıss given default	
Group - 31.12.2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2020	**19,8**	**9,0**	**84,0**	**112,8**
Transferred to Stage 1	3,2	-2,7	-0,5	0,0
Transferred to Stage 2	-1,1	2,4	-1,3	0,0
Transferred to Stage 3	-0,1	-0,7	0,7	0,0
Net change	-3,4	2,4	10,2	9,1
New losses	10,0	1,3	1,3	12,5
Deducted losses	-7,8	-1,9	-4,9	-14,6
Change in risk model/parameters	2,9	2,6	0,1	5,5
Closing balance as at 31.12.2020	**23,4**	**12,3**	**89,6**	**125,3**
- of which loss provisions on lending to retail customers of the parent bank and mortgage c	6,7	2,1	3,8	12,6
- of which loss provisions on lending to business customers	8,0	4,1	0,5	12,6
- of which loss provisions on lending AS Financiering	7,9	5,9	85,1	98,9
- of which loss provisions on unused credit and guarantees	0,8	0,2	0,3	1,2
Model-calculated loss provisions	23,4	12,3	0,3	36,0
Individual loss provisions	0,0	0,0	89,3	89,3

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

Group - 31.12.2019	Loss given default Stage 1	Loss given default Stage 2	Loss given default Stage 3	Total
Opening balance at 01.01.2019	**18,9**	**8,0**	**75,3**	**102,1**
Transferred to Stage 1	3,7	-2,0	-1,7	0,0
Transferred to Stage 2	-0,9	2,1	-1,2	0,0
Transferred to Stage 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 c	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

Change in gross lending, broken down by stage

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

Group - 31.12.2020	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.2020	**32.919,1**	**780,7**	**215,3**	**33.915,1**
Transferred to Stage 1	238,1	-234,8	-3,4	0,0
Transferred to Stage 2	-410,8	420,6	-9,8	0,0
Transferred to Stage 3	-25,0	-37,8	62,7	0,0
Net change	-690,2	-97,5	-28,1	-815,8
New loans	19.352,8	146,1	6,6	19.505,5
Deducted lending	-17.137,0	-216,0	-43,0	-17.396,1
Closing balance as at 31.12.2020	**34.247,1**	**761,3**	**200,4**	**35.208,8**
- of which lending to retail customers of the parent bank and mortgage credit company	27.715,6	201,5	21,7	27.938,8
- of which lending to business customers	4.745,1	228,0	9,2	4.982,3
- of which lending AS Financiering	1.786,3	331,8	169,5	2.287,6
- of which loans with forbearance	0,0	64,9	0,8	65,7

Group - 31.12.2019	Stage 1	Stage 2	Stage 3	Total
Opening balance at 01.01.2019	**33.933,1**	**688,2**	**260,5**	**34.881,8**
Transferred to Stage 1	198,5	-174,6	-23,9	0,0
Transferred to Stage 2	-416,6	446,6	-30,0	0,0
Transferred to Stage 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
- of which loans with forbearance	0,0	49,5	4,4	53,9

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

Model-calculated loss given default

The major economic uncertainty that arose at the end of the first quarter of 2020 as a result of the Covid-19 pandemic and the fall in oil prices was deemed to have significantly reduced as at the end of 2020 when compared with the end of first quarter of 2020. Despite improvements in the macroeconomic conditions, there remains widespread uncertainty pertaining to the long-term impact of the pandemic. The macroeconomic outlook remains somewhat 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. During subsequent quarters, further assessments of the portfolios were carried out which resulted in updated evaluations. The purpose of this was 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 was made as to whether risks relating to credit and loss increased over the duration of each respective commitment. The reviews 'looked past' the situation that has arisen, and which is assumed to be transitory, in terms of the lockdown of society as a result of Covid-19. The reviews also examined the government's measures and aid packages. Measures to remedy immediate liquidity challenges among the bank's customers, as in the rest of the financial industry, have been implemented using temporary interest-only periods.

The majority of Sparebanken Øst's loan 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. As far as collateral is concerned, the loan portfolios are well covered through security in real estate within reassuring loan-to-value ratios. Furthermore, the bank has no exposure to oil, oil-related activities, fishing or aquaculture activities. Overall, the bank also has very little exposure to the accommodation/hospitality industry, imports/exports, manufacturing and whole and retail operations. On the basis of the reviews and evaluations, no special adjustments were made to loss provision levels and no changes were made to the assumptions that underpinned the model-calculated losses in the anticipated scenario in 2020.

The bank received a higher number of requests from customers for interest-only periods as a result of the Covid-19 situation. The majority of requests were for the period from March to May 2020, and the group received relatively few requests for extensions to interest-only periods. Where the need arose due to the Covid-19 situation, the group granted temporary interest-only periods of up to 6 months. Individual assessments of the applications were conducted to establish whether such the need was temporary, or whether the measure was in reality an offer of forbearance necessitates a transfer to Stage 2 or Stage 3. The scope of current temporary forbearance as at 31.12.2020 amounted to around 0.3 per cent of the loans in the retail market portfolio (1.4 per cent as at 30.09.2020, 4.4 per cent as at 30.06.2020 and 3.6 per cent as at 31.03.2020), 0.1 per cent of loans in the corporate market portfolio (0.7 per cent as at 30.09.2020, 9.0 per cent as at 30.06.2020 and 10.2 per cent as at 31.03.2020) and 0.1 per cent of loans in AS Financiering (0.1 per cent as at 30.09.2020, 0.9 per cent as at 30.06.2020 and 3.3 per cent as at 31.03.2020).

Given the ongoing uncertainty regarding long-term economic impact, the estimated uncertainty increased compared with that used as the basis for the preparation of the annual financial statements for 2019. During the first quarter of 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. The probability weighting of macroeconomic scenarios remained unchanged at the end of the fourth quarter of 2020. This change resulted in NOK 4.2 million in higher loss provisions during the first quarter of 2020, of which NOK 4.1 million related to increased loss provisions for Stage 1 and Stage 2. The factors (effect) of the scenarios for all segments within the group remained unchanged when compared with 31.12.2019.

The table below shows the loss given default in the various scenarios and the probability weighting. Individually assessed loss provisions remained unchanged in the various scenarios.

31.12.2020 - Group	Probability Weighting	Stage 1	Stage 2	Stage 3	Total
Optimistic scenario	0 %	13,4	7,1	89,4	109,9
Expected scenario	70 %	16,8	8,9	89,5	115,1
Pessimistic scenario	30 %	38,9	20,2	89,8	149,0
Loss provisions (probability weighted)	**100 %**	**23,4**	**12,3**	**89,6**	**125,3**

Sensitivity to model parameters

The sensitivity analysis of the model parameters related to the increase in the probability weighting of a pessimistic scenario have changed in relation to the information provided in the annual report for 2019. A further increase in the probability weighting of the pessimistic scenario by 50 per cent, from 30 per cent to 45 per cent, and where the expected scenario is reduced correspondingly, would have resulted in a further increase in model-calculated loss given default of NOK 5.1 million as at 31.12.2020. This breaks down into NOK 2.4 million for corporate customers, NOK 1.1 million for customers of the parent bank and mortgage credit company, and NOK 1.6 million in AS Financiering. The sensitivity of the other model parameters probability of default (PD) and loss given default (LGD) had not changed significantly as at 31.12.2020 when compared with the information set out in the annual report for 2019.

Note 5 - Non-performing commitments, customers

		31.12.2020	31.12.2019
	Payment defaults in excess of 90 days		
	Business	9,7	12,4
+	Retail	14,1	44,5
+	AS Financiering	169,5	152,6
=	Gross payment defaults	193,3	209,5
-	Loss provisions	89,6	83,7
=	**Net payment defaults**	**103,7**	**125,8**
	Other non-performing commitments		
	Business	0,5	0,3
+	Retail	7,6	6,2
+	AS Financiering	0,0	0,0
=	Gross other non-performing commitments	8,1	6,5
-	Loss provisions	0,0	0,3
=	**Net other non-performing commitments**	**8,1**	**6,1**
	Non-performing commitments		
	Business	10,2	12,7
+	Retail	21,7	50,7
+	AS Financiering	169,5	152,6
=	Gross non-performing commitments	201,4	215,9
-	Loss provisions	89,6	84,0
=	**Net non-performing commitments**	**111,8**	**131,9**

Note 6 - Deposits from customers by sector and industry

	31.12.2020	31.12.2019
Salaried employees	8.440,4	8.388,9
Public administration	621,3	543,7
Agriculture, forestry and fishing, etc.	106,4	101,9
Industry and mining, power and water supply	862,2	1.149,9
Building and construction	568,6	627,8
Wholesale and retail trade, hotels and restaurants	449,8	442,1
Transport and communications	476,5	219,4
Business financial services	1.362,9	1.453,5
Other service industries	889,5	821,0
Real estate sales and operation	944,6	918,6
Abroad	123,0	124,7
Total customer deposits	**14.845,1**	**14.791,7**

Note 7 - Loans to customers by sector and industry

	31.12.2020	31.12.2019
Salaried employees	30.497,6	29.349,3
Agriculture, forestry and fishing, etc.	104,7	97,0
Industry and mining, power and water supply	65,2	80,7
Building and construction	436,3	417,5
Wholesale and retail trade, hotels and restaurants	119,1	133,2
Transport and communications	40,2	34,2
Business financial services	214,8	131,0
Other service industries	808,1	788,5
Real estate sales and operation	3.245,5	3.264,0
Abroad	36,1	42,0
Gross lending to customers	**35.567,9**	**34.337,2**
Loss provisions on loans	-124,1	-111,9
Net lending to customers	**35.443,8**	**34.225,3**

Note 8 - Geographical distribution of lending, customers

	31.12.2020	31.12.2019
Drammen	7.598,9	8.137,1
Øvre Eiker	2.075,5	2.126,6
Asker/Bærum	5.275,9	4.843,6
Rest of Viken	6.927,2	7.123,7
Oslo	7.617,5	6.656,6
Vestfold/Telemark	3.043,1	3.019,7
Rest of Norway	2.993,7	2.387,9
Abroad	36,1	42,0
Gross lending to customers	**35.567,9**	**34.337,2**
Loss provisions on loans	-124,1	-111,9
Net lending to customers	**35.443,8**	**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 group's portfolios are based on a risk classification consisting of 11 categories from A to K. Risk class A represents the lowest risk and 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.

31.12.2020	**Gross loans**	**Guarantee liabilities**	**Overdraft facilities**	**Total commitments**	**%**	**Commitments Stage 1**	**Loss provisions Stage 1**	**Commitments Stage 2**	**Loss provisions Stage 2**	**Commitments Stage 3**	**Loss provisions Stage 3***
A	15.958,8	12,9	1.558,0	17.529,6	46,2	17.503,2	1,0	26,4	0,0	0,0	0,0
B	6.549,6	10,6	306,2	6.866,4	18,1	6.851,8	1,6	14,6	0,0	0,0	0,0
C	4.888,7	24,4	176,8	5.089,9	13,4	5.070,2	2,8	19,7	0,0	0,0	0,0
D	4.175,8	29,8	171,5	4.377,1	11,5	4.360,7	5,3	16,4	0,0	0,0	0,0
E	1.146,1	10,6	29,2	1.186,0	3,1	979,8	2,4	206,2	1,6	0,0	0,0
F	1.256,7	1,2	5,2	1.263,2	3,3	1.145,8	2,5	117,4	1,0	0,0	0,0
G	917,6	0,4	2,9	920,9	2,4	788,2	4,6	132,7	2,0	0,0	0,0
H	446,7	0,0	0,4	447,1	1,2	225,2	2,9	221,9	5,3	0,0	0,0
I	27,3	0,0	0,1	27,4	0,1	6,5	0,3	20,9	2,2	0,0	0,0
J	25,6	0,5	0,0	26,1	0,1	0,0	0,0	0,0	0,0	26,1	0,0
K	174,8	0,5	0,0	175,3	0,5	0,0	0,0	0,0	0,0	175,3	89,6
Unallocated	0,2	0,0	0,0	0,2	0,0	0,2	0,1	0,0	0,0	0,0	0,0
Total	**35.567,9**	**91,0**	**2.250,2**	**37.909,1**	**100,0**	**36.931,5**	**23,4**	**776,2**	**12,3**	**201,4**	**89,6**

* Stage 3 provisions include individually assessed loss write-downs of NOK 89.3 million.

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

31.12.2019	**Gross lending****	**Guarantee liabilities**	**Overdraft facilities**	**Total commitments**	**%**	**Commitments Stage 1**	**Loss provisions Stage 1**	**Commitments Stage 2**	**Loss provisions Stage 2**	**Commitments Stage 3**	**Loss provisions Stage 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
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
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
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
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
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
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
H	301,1	0,2	0,1	301,3	0,8	104,5	1,7	196,9	5,6	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
J	58,1	0,0	0,2	58,6	0,2	0,0	0,0	0,0	0,0	58,3	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
Unallocated	10,2	0,0	0,0	10,2	0,0	10,1	0,0	0,1	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**

* Stage 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

31.12.2020	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Designated	Measured at amortised cost*	Total
Cash and receivables from central banks	0,0	0,0	409,4	409,4
Net loans to and receivables from financial institutions	0,0	0,0	13,4	13,4
Net loans to and receivables from customers	0,0	359,1	35.084,7	35.443,8
Certificates and bonds	6.790,2	0,0	0,0	6.790,2
Shares and units	811,0	0,0	0,0	811,0
Financial derivatives**	374,1	0,0	0,0	374,1
Total financial assets	**7.975,3**	**359,1**	**35.507,5**	**43.841,9**
Liabilities to financial institutions	0,0	0,0	601,0	601,0
Deposits from and liabilities to customers	0,0	0,0	14.485,1	14.485,1
Financial derivatives**	17,9	0,0	0,0	17,9
Securities issued	0,0	0,0	23.111,0	23.111,0
Subordinated loan capital	0,0	0,0	400,1	400,1
Total financial liabilities	**17,9**	**0,0**	**38.597,2**	**38.615,1**

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

31.12.2019	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Designated	Measured at amortised cost*	Total
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.

31.12.2020	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	359,1	359,1
Certificates and bonds	0,0	6.790,2	0,0	6.790,2
Shares and units	35,4	28,8	746,9	811,0
Financial derivatives	0,0	374,1	0,0	374,1
Total assets at fair value	**35,4**	**7.193,1**	**1.106,0**	**8.334,4**
Financial derivatives	0,0	17,9	0,0	17,9
Total liabilities at fair value	**0,0**	**17,9**	**0,0**	**17,9**

Movements in level 3 for items valued at fair value	Fixed interest loans	Shares through profit or loss	Total
Balance sheet as at 01.01.2020	422,1	598,3	1.020,4
Net realised gains	0,0	0,0	0,0
Additions	43,9	19,9	63,8
Disposals	113,7	0,0	113,7
Changes in value	6,8	151,6	158,4
Transferred to levels 1 and 2	0,0	-23,0	-23,0
Balance sheet at end of period	**359,1**	**746,9**	**1.106,0**

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 01.01.2019	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	31.12.2020	31.12.2019
Bonds, nominal value	22.717,0	22.065,0
Value adjustments (incl. excess/deficit value)	314,0	87,2
Accrued interest	79,9	109,5
Total securities issued	**23.111,0**	**22.261,7**

Change for securities issued	31.12.2020	Issued	Due/redeemed	Change holdings	Other changes incl. currency	31.12.2019
Bonds, nominal value	7.545,0	0,0	1.370,0	0,0	0,0	8.915,0
Covered bonds, nominal value in NOK	15.172,0	5.000,0	2.800,0	178,0	0,0	13.150,0
Value adjustments (including premium/discount)	314,1	0,0	0,0	0,0	226,9	87,2
Accrued interest	79,9	0,0	0,0	0,0	-29,6	109,5
Total securities issued	**23.111,0**	**5.000,0**	**4.170,0**	**178,0**	**197,3**	**22.261,7**

Change in subordinated loan capital	31.12.2020	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)	-0,3	0,0	0,0	0,0	0,2	-0,5
Accrued interest	0,4	0,0	0,0	0,0	-0,4	0,8
Total subordinated loan capital	**400,1**	**0,0**	**0,0**	**0,0**	**-0,2**	**400,4**

Note 13 - Financial derivatives

31.12.2020	Contract sum	Book value of hedging object	Fair value of hedging instruments Assets	Fair value of hedging instruments Liabilities	Value adjustment of hedging object Liabilities
Fair value through profit or loss					
Forward exchange contracts	34,7		0,5	0,0	
Interest rate swaps (IRS)	775,0		0,4	17,9	
Total instruments recognised at fair value through profit or loss			**0,9**	**17,9**	
Used for hedge accounting					
Currency swap agreements	0,0		0,0	0,0	0,0
Interest rate swaps (IRS)	6.025,0		373,2	0,0	0,0
Securities issued		6.410,5			310,8
Total instruments used for hedge accounting		**6.410,5**	**373,2**	**0,0**	**310,8**
Total		**6.410,5**	**374,1**	**17,9**	**310,8**

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 a hedging object includes value adjustment and accrued interest.

31.12.2019	Contract sum	Book value of hedging object	Fair value of hedging instruments Assets	Fair value of hedging instruments Liabilities	Value adjustment of hedging object 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		**7.723,0**	**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 a hedging object includes value adjustment 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 have also been entered into concerning the provision of security (CSA). In accordance with the offsetting disclosure requirements, no offset amounts are recognised on the balance sheet.

Exposure as at 31.12.2020	Gross amount	Offset	Recognised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Financial derivatives, assets	374,1	0,0	374,1	-13,4	-266,0	94,7
Financial derivatives, liabilities	17,9	0,0	17,9	-13,4	-6,0	-1,5
Exposure as at 31.12.2019						
Financial derivatives, assets	174,7	0,0	174,7	-26,3	-88,6	59,7
Financial derivatives, liabilities	35,3	0,0	35,3	-26,3	-7,9	1,1

Note 15 - Net interest income

	Q4 2020	Q4 2019	Year 2020	Year 2019
Interest income from loans to and receivables from financial institutions	0,0	1,5	1,7	4,6
Interest income from loans to customers	220,4	315,3	1.002,3	1.168,0
Interest income from certificates and bonds	17,6	36,7	117,4	118,2
Total interest income	**238,0**	**353,5**	**1.121,4**	**1.290,8**
Interest costs on liabilities to financial institutions	2,0	2,1	8,5	8,1
Interest on deposits from customers	17,9	38,0	106,5	144,9
Interest on securities issued	48,6	132,8	349,3	472,8
Interest on subordinated loan capital	1,7	3,2	9,2	11,7
Norwegian Banks Guarantee Fund levy	4,0	1,2	15,9	11,5
Total interest costs	**74,0**	**177,5**	**489,3**	**649,0**
Net interest income	**164,0**	**176,0**	**632,1**	**641,8**

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

	Q4 2020	Q4 2019	Year 2020	Year 2019
Net changes in value and gains/losses on certificates and bonds	-7,3	-9,3	-10,0	-12,7
Net value change and gains/losses on shares	-3,9	2,5	161,5	4,4
Net changes in value and gains/losses on fixed-interest loans	-2,8	-1,0	6,8	-1,9
Net changes in value and gains/losses on other financial instruments	10,4	5,8	-22,0	0,7
Net value change and gains/losses on financial instruments	**-3,7**	**-2,0**	**136,3**	**-9,5**

Note 17 - Operating costs

	Q4 2020	Q4 2019	Year 2020	Year 2019
Payroll costs incl. AGA and Financial Activity Tax	40,8	37,0	146,1	142,4
Pension costs	4,5	4,0	16,5	13,3
Other personnel-related costs	1,0	2,3	4,7	6,9
IT costs	11,4	9,9	42,9	37,4
Other administrative costs	4,0	4,3	14,5	16,2
Depreciation/write-downs/changes in value for non-financial assets	7,4	6,6	27,3	25,7
Operating costs, properties and premises	1,6	2,6	8,7	10,3
Other operating costs	11,3	5,4	35,2	25,5
Total operating costs	**81,9**	**72,0**	**296,0**	**277,8**

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

Guarantee liability	31.12.2020	31.12.2019
Payment guarantees	35,4	14,0
Contract guarantees	33,3	42,6
Loan guarantees	12,6	20,5
Other guarantee liabilities	9,7	10,5
Total guarantees to customers	**91,0**	**87,6**

Pledges of security	31.12.2020	31.12.2019
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	1.520,0	410,0
Total pledges of security	**1.520,0**	**410,0**

The parent bank has issued a revolving credit facility vis-à-vis Sparebanken Øst Boligkreditt AS which guarantees timely payment of outstanding covered bonds 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 outstanding covered bonds had a face value of NOK 778.0 million as at 31.12.2020 (NOK 600.0 million as at 31.12.2019) and are not included in the table below.

Preferential rights	31.12.2020	31.12.2019
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nominal value)	15.950,0	13.750,0
Total preferential rights	**15.950,0**	**13.750,0**

Note 19 - Equity certificates

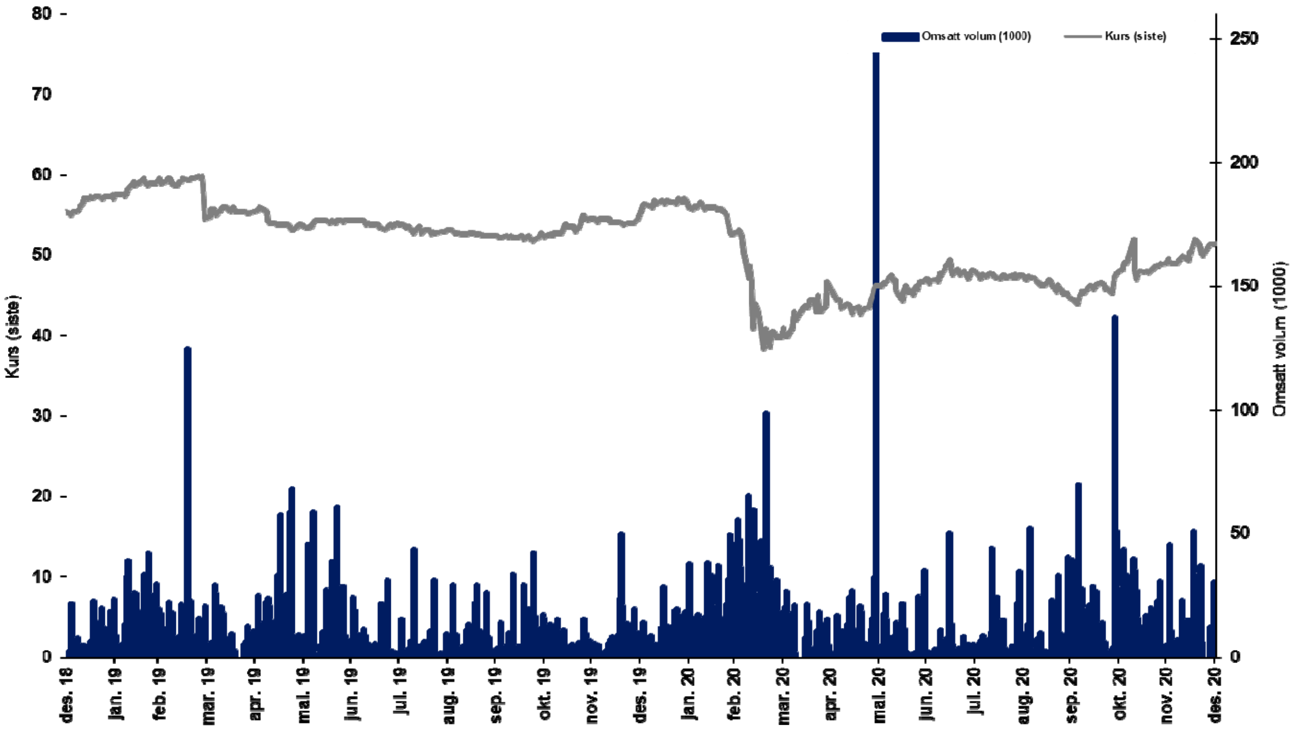
Ownership fraction, parent bank

	01.01.2021	01.01.2020
Equity certificate capital	207,3	207,3
Premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	319,4	331,1
Share of Fund for Unrealised Gains	128,7	87,1
Total numerator (A)	1.043,2	1.013,3
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3.525,6	3.227,6
Total denominator (B)	3.525,6	3.227,6
Ownership fraction (A/B) in per cent*	**29,59**	**31,40**

*The Board of Directors' proposed dividend for equity certificate holders of up to NOK 93.3 million for 2020 (up to NOK 4.50 per equity certificate) and up to NOK 25.9 million for grants for good causes for 2020 was deducted when calculating the ownership fraction as at 01.01.2021.

Note 19 - Equity certificates (cont.)

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders as at 31.12.2020

	Name	Number	%		Name	Number	%
1	MP Pensjon	1.657.815	8,00 %	11	AS Andersen Eiendomselskap	238.900	1,15 %
2	Cape Invest AS	1.140.000	5,50 %	12	Skandinaviska Enskilda Banken	180.000	0,87 %
3	Directmarketing Invest AS	999.500	4,82 %	13	Profond AS	172.046	0,83 %
4	Eika securities fund, dividend	967.730	4,67 %	14	Johansen, Kjell Petter	152.000	0,73 %
5	Hansen, Asbjørn Rudolf	445.502	2,15 %	15	Løkke, Helge Arnfinn	148.433	0,72 %
6	Foretakskonsulenter AS	409.841	1,98 %	16	Morgan Stanley & Co. Internal	147.826	0,71 %
7	Jag Holding AS	303.897	1,47 %	17	Seriana AS	130.931	0,63 %
8	Storetind AS	275.000	1,33 %	18	Niwjo Invest AS	124.000	0,60 %
9	Wenaasgruppen AS	273.000	1,32 %	19	Julius Johannessen & Sønner A/S	121.200	0,58 %
10	BKK Norwegian Public Service P	250.000	1,21 %	20	The estate of Hellik Teigen	120.400	0,58 %

Income Statement - Parent Bank

(Amounts in NOK millions)	Q4 2020	Q4 2019	Year 2020	Year 2019
Interest income	122,5	210,7	605,1	764,2
Interest costs	48,2	104,1	287,5	388,1
Net interest income	**74,3**	**106,6**	**317,5**	**376,2**
Commission income and income from banking services	25,1	27,9	99,4	111,3
Commission costs and costs for banking services	5,1	5,2	20,1	20,6
Dividend	169,2	107,9	174,6	136,8
Net changes in value and gains/losses on financial instruments	-5,3	-2,7	143,9	-5,2
Other operating income	1,7	1,7	7,2	7,7
Net other operating income	**185,6**	**129,7**	**405,0**	**230,0**
Payroll, etc.	40,9	37,7	146,2	140,4
Administration costs	11,7	11,1	45,3	42,8
Depreciation/write-downs/changes in value for non-financial assets	6,8	6,5	26,7	25,0
Other operating costs	8,8	6,4	33,7	28,6
Total operating costs	**68,1**	**61,6**	**252,0**	**236,9**
Profit/loss before losses	**191,8**	**174,7**	**470,5**	**369,2**
Losses on loans, unused credit and guarantees	0,6	4,4	3,4	4,9
Profit/loss before tax costs	**191,3**	**170,3**	**467,1**	**364,4**
Tax costs	5,9	15,2	32,2	56,8
Profit/loss after tax	**185,4**	**155,0**	**434,9**	**307,6**
Hybrid capital owners’ share of the result	3,4	4,7	15,9	17,9
Equity certificate holders’ and primary capital share of profits	182,0	150,3	419,0	289,7
Profit/loss after tax	**185,4**	**155,0**	**434,9**	**307,6**
Earnings per equity certificate	2,75	2,35	6,34	4,54
Diluted earnings per equity certificate	2,75	2,35	6,34	4,54

Other comprehensive income - parent bank

(Amounts in NOK millions)	Q4 2020	Q4 2019	Year 2020	Year 2019
Profit/loss after tax	**185,4**	**155,0**	**434,9**	**307,6**
Items that will not be reclassified to the income statement				
Actuarial gains and losses on defined-benefit plans	-2,5	3,7	-2,5	3,7
Tax related to items that cannot be reclassified	0,6	-0,9	0,6	-0,9
Items that may later be reclassified to the income statement				
Lending at fair value	0,1	-0,1	0,2	-0,2
Tax related to items that can be reclassified	0,0	0,0	0,0	0,0
Comprehensive income	**183,6**	**157,7**	**433,1**	**310,3**

Balance Sheet - Parent Bank

(Amounts in NOK millions)	31.12.2020	31.12.2019
Assets		
Cash and receivables from central banks	409,4	302,5
Loans to and receivables from financial institutions	2.232,8	2.273,2
Loans to and receivables from customers	16.436,7	16.982,8
Certificates and bonds	7.217,0	7.197,6
Shares and units	811,0	629,6
Financial derivatives	200,9	57,2
Ownership interests in Group companies	1.560,0	1.321,0
Deferred tax asset	7,7	6,8
Tangible fixed assets	88,8	89,6
Lease rights	77,1	84,8
Other assets	8,5	10,2
Prepaid non-accrued costs and income earned, but not received	14,6	9,1
Total assets	**29.064,5**	**28.964,4**
Liabilities and equity		
Liabilities to financial institutions	1.470,7	620,2
Deposits from and liabilities to customers	14.921,2	14.879,5
Financial derivatives	17,9	35,3
Securities issued	7.755,8	8.959,6
Other liabilities	328,5	178,7
Accruals and deferred income	34,0	25,5
Other provisions and liabilities	61,3	65,5
Lease liabilities	78,4	85,5
Subordinated loan capital	400,1	400,4
Total liabilities	**25.068,0**	**25.250,1**
Paid-up equity	595,1	595,1
Hybrid capital	351,7	352,4
Retained earnings	3.049,7	2.766,8
Total equity	**3.996,5**	**3.714,3**
Total liabilities and equity	**29.064,5**	**28.964,4**

Changes in equity - parent bank

		Paid-up equity		Hybrid capital	Retained earnings					
								Fund for	ue adjustment	
(Amounts in NOK millions)	Total	Equity	Share	ditional Tier 1	Equalisation	Primary	Endowment	unrealised	ensive income	Retained
31.12.2020	**equity**	**certificates**	**mium reserve**	**capital**	**fund**	**capital**	**fund**	**gains**	**as reclass.**	**profit**
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	434,9	0,0	0,0	15,9	82,2	179,5	0,0	157,3	0,0	0,0
Change in lending at fair value through comprehen	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 plans	-1,9	0,0	0,0	0,0	-0,6	-1,3	0,0	0,0	0,0	0,0
Comprehensive income	**433,1**	**0,0**	**0,0**	**15,9**	**81,6**	**178,3**	**0,0**	**157,3**	**0,1**	**0,0**
Dividend to equity certificate holders 2019 - adopte	-74,6	0,0	0,0	0,0	-74,6	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2019 - adopted	-59,7	0,0	0,0	0,0	0,0	-59,7	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-16,6	0,0	0,0	-16,6	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2020	**3.996,5**	**207,3**	**387,8**	**351,7**	**412,6**	**2.164,1**	**38,1**	**434,7**	**0,2**	**0,0**

The year's proposed dividend for equity certificate holders of up to NOK 93.3 million (up to NOK 4.50 per equity certificate) is being held as part of the equalisation fund,
and the year's proposed grants for good causes of up to NOK 25.9 million is being held as part of the primary capital until they are finally approved.

		Paid-up equity		Hybrid capital	Retained earnings					
								Fund for	ue adjustment	
(Amounts in NOK millions)	Total	Equity	Share	ditional Tier 1	Equalisation	Primary	Endowment	unrealised	ensive income	Retained
31.12.2019	**equity**	**certificates**	**mium reserve**	**capital**	**fund**	**capital**	**fund**	**gains**	**as reclass.**	**profit**
Equity as 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 comprehen	-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 plans	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 - adopte	-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**

The year's proposed dividend for equity certificate holders of NOK 74.6 million (up to NOK 3.60 per equity certificate) is being held as part of the equalisation fund,
and the year's proposed grants for good causes of up to NOK 59.7 million is being held as part of the primary capital until they are finally approved.

Cash Flow Statement - Parent Bank

		31.12.2020	31.12.2019
Operating activities			
Profit before tax		467,1	364,4
Adjusted for:			
Change in net interest income earned and accrued interest costs		7,1	-7,5
Net payment/disbursement of loans to financial institutions		37,7	-111,9
Net receipts/payments of loans to customers		531,0	2.738,1
Change in certificates and bonds		-29,1	-2.182,1
Changes in value of equities and units		-161,5	-4,5
Change in other assets in connection with operations		16,9	-13,4
Net receipts/disbursement of borrowing from financial institutions		550,2	79,2
Net receipts/disbursement of deposits from customers		41,8	-93,8
Change in other operating liabilities		108,4	-70,6
Non-cash items included in profit before tax costs		30,0	25,1
Net gain/loss from investing activities		-0,4	-0,1
Net gain/loss from financing activities		1,3	0,9
Taxes paid for the period		-61,0	-47,8
Net cash flow from operating activities	**A**	**1.539,5**	**676,1**
Investing activities			
Payments on purchases of tangible fixed assets		-13,7	-17,6
Proceeds from sales of tangible fixed assets		0,8	0,1
Payments on purchases of financial investments		-19,9	-18,3
Payment concerning investments in subsidiaries		-240,0	-80,0
Net cash flow from investing activities	**B**	**-272,8**	**-115,8**
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions		300,0	0,0
Payments on repayment of securities		-1.371,2	-2.192,4
Proceeds on issuance of securities		0,0	1.449,7
Payment of dividend		-74,6	-95,4
Net payments on repayment of hybrid capital		0,0	-150,5
Net receipts on issue of hybrid capital		0,0	150,0
Interest paid on hybrid capital		-16,6	-15,9
Net cash flow from financing activities	**C**	**-1.162,4**	**-854,5**
Net change in cash and cash equivalents	**A+B+C**	104,4	-294,3
Cash and cash equivalents at 01.01.		318,3	612,6
Holding of cash and cash equivalents at the end of the period		**422,8**	**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	**31.12.2020**	**31.12.2019**
Interest payments received	628,9	749,8
Interest payments made	303,5	379,9
Dividends received	174,6	136,8

Key Figures, Group

		Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
	Profitability					
1.	Return on equity*	6,82	7,23	24,34	7,00	8,46
2.	Net interest income as a % of average total assets	1,50	1,53	1,26	1,54	1,64
3.	Profit/loss after tax as a % of average total assets	0,66	0,70	2,18	0,65	0,77
4.	Costs as a % of average total assets	0,75	0,66	0,57	0,75	0,67
5.	Costs as a % of income (before losses on loans/guarantees)*	45,96	41,88	18,96	47,50	38,11
6.	Costs as a % of income (excl. return on financial investments)*	46,69	40,75	42,05	40,66	37,71
	Balance sheet figures					
7.	Net lending to customers	35.443,8	31.366,3	32.013,4	33.735,1	34.225,3
8.	Lending growth (quarter)	13,00	-2,02	-5,10	-1,43	-1,46
9.	Deposits	14.845,1	14.542,0	14.851,5	14.313,7	14.791,7
10.	Deposit growth (quarter)	2,08	-2,08	3,76	-3,23	-1,86
11.	Average equity	3.997,3	3.987,3	3.835,0	3.686,9	3.681,2
12.	Average total assets	43.404,4	43.219,6	43.650,1	42.993,0	42.697,2
	Loss provisions on impaired and non-performing commitments					
13.	Losses as a % of net lending to customers (OB)*	0,05	0,02	0,02	0,09	0,09
14.	Loss provisions as a % of gross lending to customers*	0,35	0,39	0,38	0,35	0,33
15.	Net payment defaults exceeding 90 days as a % of net lending	0,29	0,35	0,33	0,40	0,37
16.	Other net non-performing commitments (Stage 3) as a % of net lending	0,02	0,02	0,04	0,04	0,02
	Financial strength					
17.	CET1 capital ratio incl. 50% of retained earnings (%)	17,96	18,51	17,89	17,81	17,69
18.	CET1 capital ratio (%)	17,96	17,53	17,11	17,64	17,69
19.	Tier 1 capital ratio (%)	19,67	19,39	18,95	19,43	19,49
20.	Capital adequacy ratio (%)	21,34	21,22	20,75	21,21	21,25
21.	Risk-weighted volume (calculation basis)	20.471,4	18.818,0	19.076,4	19.579,4	19.450,3
22.	Leverage ratio incl. 50% of retained earnings (%)	9,03	8,93	8,57	8,71	8,81
23.	Leverage ratio (%)	9,03	8,50	8,23	8,64	8,81
	Liquidity					
24.	Deposit coverage ratio	41,88	46,36	46,39	42,43	43,22
25.	LCR (%)	266,93	337,87	371,91	278,50	265,11
	Branches and FTEs					
26.	No. of branches	29	29	29	29	28
27.	FTEs	184	188	187	192	192
	Equity certificates					
28.	Ownership fraction (parent bank) (%)	31,40	31,40	31,40	31,40	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*	61,18	64,53	63,43	59,92	58,95
31.	Earnings per equity certificate*	1,04	1,10	3,51	0,97	1,23
32.	Dividend per equity certificate**	4,50	0,00	0,00	0,00	3,60
33.	Turnover rate	24,98	11,83	19,23	26,54	11,83
34.	Price	51,40	44,70	47,10	41,00	54,60

* Defined as alternate performance target

** The Board of Directors is recommending a dividend for 2020 of NOK 4.50, where NOK 3.50 will be paid after the Board of Trustees' decision on 25.03.2021 and where the Board of Trustees will give the Board of Directors special authorisation to make a decision on paying a dividend of up to NOK 1.00 at the earliest on 01.10.2021 and by no later than the annual meeting of the Board of Trustees in 2022.

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 a % 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
11. Average equity	show 12-month growth. (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 commitments	
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 accounting 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, Stages 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 that 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 (Stage 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. 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. 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 FTEs	
26. No. of branches	
27. FTEs	
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 01.01, 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 allows 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 millions)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	3. kvartal 2019	2. kvartal 2019
Interest income	238,0	245,6	287,4	350,4	353,5	333,4	309,4
Interest costs	74,0	79,3	150,1	185,9	177,5	167,9	156,1
Net interest income	**164,0**	**166,3**	**137,3**	**164,6**	**176,0**	**165,6**	**153,4**
Commission income and income from banking services	19,8	19,1	17,8	21,3	22,5	23,7	22,6
Commission costs and costs for banking services	11,6	10,4	10,1	10,7	10,9	11,3	11,2
Dividend	6,4	0,1	0,0	5,2	0,0	26,4	2,5
Net changes in value and gains/losses on financial instruments	-3,7	-4,9	178,5	-33,7	-2,0	-15,7	2,9
Other operating income	3,3	1,9	1,6	22,5	3,2	3,4	4,2
Net other operating income	**14,2**	**5,9**	**187,9**	**4,6**	**12,9**	**26,5**	**21,0**
Payroll, etc.	46,3	43,8	30,6	46,6	43,3	42,1	30,2
Administration costs	15,4	13,9	13,2	14,9	14,1	13,0	13,1
Depreciation/write-downs/changes in value for non-financial assets	7,4	6,9	6,6	6,5	6,6	6,5	6,4
Other operating costs	12,9	7,4	11,2	12,4	8,0	7,2	9,0
Total operating costs	**81,9**	**72,1**	**61,6**	**80,4**	**72,0**	**68,8**	**58,7**
Profit/loss before losses	**96,3**	**100,0**	**263,5**	**88,8**	**116,9**	**123,2**	**115,7**
Losses on loans, unused credit and guarantees	3,7	2,0	1,8	7,6	7,6	3,4	3,7
Profit/loss before tax costs	**92,6**	**98,1**	**261,7**	**81,2**	**109,4**	**119,8**	**112,0**
Tax costs	20,6	22,1	25,4	12,2	26,2	24,2	26,0
Profit/loss after tax	**72,0**	**75,9**	**236,3**	**69,0**	**83,2**	**95,7**	**85,9**
Hybrid capital owners’ share of the result	3,4	3,5	4,2	4,8	4,7	5,1	4,1
Equity certificate holders’ and primary capital share of profits	68,5	72,4	232,1	64,2	78,5	90,5	81,9
Profit/loss after tax	**72,0**	**75,9**	**236,3**	**69,0**	**83,2**	**95,7**	**85,9**
Earnings per equity certificate	1,04	1,10	3,51	0,97	1,23	1,42	1,28
Diluted earnings per equity certificate	1,04	1,10	3,51	0,97	1,23	1,42	1,28

Other comprehensive income performance - Group

(Amounts in NOK millions)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	3. kvartal 2019	2. kvartal 2019
Profit/loss after tax	**72,0**	**75,9**	**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	-2,4	0,0	0,0	0,0	4,1	0,0	0,0
Tax related to items that cannot be reclassified	0,6	0,0	0,0	0,0	-1,0	0,0	0,0
Comprehensive income	**70,2**	**75,9**	**236,3**	**69,0**	**86,3**	**95,7**	**85,9**

Balance sheet performance - Group

(Amounts in NOK millions)	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Assets						
Cash and receivables from central banks	409,4	441,0	536,3	620,1	302,5	440,7
Loans to and receivables from financial institutions	13,4	12,3	8,2	10,2	15,9	8,5
Loans to and receivables from customers	35.443,8	31.366,3	32.013,4	33.735,1	34.225,3	34.733,3
Certificates and bonds	6.790,2	9.316,0	9.562,9	7.936,2	6.755,1	6.589,7
Shares and units	811,0	814,8	810,8	633,1	629,6	627,1
Financial derivatives	374,1	552,5	530,8	435,4	174,7	325,8
Investment properties	11,9	12,0	12,1	3,9	59,0	59,3
Tangible fixed assets	145,1	143,0	143,6	136,9	137,7	136,8
Lease rights	44,1	46,5	47,9	50,3	49,5	50,7
Other assets	14,9	16,3	17,5	14,8	23,9	14,9
Prepaid non-accrued costs and income earned, but not received	11,7	18,4	16,5	24,1	12,6	21,7
Total assets	**44.069,7**	**42.739,1**	**43.700,1**	**43.600,1**	**42.385,8**	**43.008,5**
Liabilities and equity						
Liabilities to financial institutions	601,0	601,4	601,0	602,5	300,6	302,2
Deposits from and liabilities to customers	14.845,1	14.542,0	14.851,5	14.313,7	14.791,7	15.072,0
Financial derivatives	17,9	25,3	29,9	21,7	35,3	19,5
Securities issued	23.111,0	21.950,7	22.698,7	23.394,7	22.261,7	22.579,6
Other liabilities	501,8	553,2	528,8	499,9	298,9	401,1
Accruals and deferred income	43,0	41,5	34,4	39,7	33,6	41,3
Other provisions and liabilities	62,9	67,6	67,7	67,8	67,4	78,3
Deferred tax liability	0,0	0,7	2,2	3,3	5,0	3,5
Lease liabilities	44,9	47,2	48,6	50,8	49,9	51,0
Subordinated loan capital	400,1	400,0	400,0	400,4	400,4	400,3
Total liabilities	**39.627,7**	**38.229,6**	**39.262,8**	**39.394,5**	**38.244,3**	**38.948,6**
Paid-up equity	595,1	595,1	595,1	595,1	595,1	595,1
Hybrid capital	351,7	351,7	352,0	352,3	352,4	352,3
Retained earnings	3.495,1	3.562,7	3.490,3	3.258,2	3.194,0	3.112,5
Total equity	**4.442,0**	**4.509,5**	**4.437,4**	**4.205,7**	**4.141,5**	**4.059,9**
Total liabilities and equity	**44.069,7**	**42.739,1**	**43.700,1**	**43.600,1**	**42.385,8**	**43.008,5**

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