

177th year

QUARTERLY REPORT

Q2 2019



Interim report, Q2 2019

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Key figures - Group

	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Net interest income	153,4	133,9	300,1	277,2	565,1
Net commission income	11,4	11,6	21,1	24,9	45,9
Net result from financial assets	5,4	48,9	10,7	51,1	119,3
Other operating income	4,2	2,8	8,6	19,9	27,3
Total net income	174,4	197,2	340,5	373,1	757,6
Total operating costs	58,7	64,8	137,0	135,7	289,1
Profit/loss before losses	115,7	132,4	203,6	237,4	468,5
Losses on loans, unused credit and guarantees	3,7	6,6	8,0	8,7	17,6
Profit/loss before tax costs	112,0	125,8	195,6	228,7	450,9
Tax costs	26,0	20,2	45,2	42,4	76,7
Profit/loss after tax	85,9	105,6	150,5	186,3	374,2

Key figures

	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Profitability					
Return on equity*	9,19	12,24	8,10	10,96	10,81
Net interest income as a % of average total assets	1,44	1,40	1,43	1,48	1,45
Profit/loss after tax as a % of average total assets	0,81	1,11	0,72	0,99	0,96
Costs as a % of average total assets	0,55	0,68	0,65	0,72	0,74
Costs as a % of income (before losses on loans/guarantees)*	33,65	32,86	40,22	36,37	38,16
Costs as a % of income (excl. return on financial investments)*	34,73	43,70	41,52	42,14	45,29

Balance sheet figures

Net lending to customers	34.801,6	32.181,4	34.801,6	32.181,4	35.147,4
Lending growth (quarter/12 months)	-2,31	2,58	8,14	6,96	13,48
Deposits	15.014,4	14.268,2	15.014,4	14.268,2	14.899,7
Deposit growth (quarter/12 months)	1,06	2,35	5,23	1,64	6,64
Average equity	3.576,1	3.364,7	3.545,8	3.325,7	3.354,9
Average total assets	42.572,8	38.280,8	42.376,0	37.851,9	38.986,6

Loss provisions on impaired and non-performing loans

Losses as a % of net lending to customers (OB)*	0,04	0,08	0,05	0,06	0,06
Loss provisions as a % of gross lending to customers*	0,29	0,30	0,29	0,30	0,29
Net impaired and non-performing commitments as a % of net lending*	0,35	0,34	0,35	0,34	0,36

Financial strength

CET1 capital ratio incl. 50% of retained earnings (%)	16,71	17,17	16,71	17,17	16,39
CET1 capital ratio (%)	16,35	16,69	16,35	16,69	16,39
Tier 1 capital ratio (%)	17,63	18,57	17,63	18,57	18,15
Capital adequacy ratio (%)	19,35	20,44	19,35	20,44	19,87
Risk-weighted volume (calculation basis)	20.003,5	18.640,8	20.003,5	18.640,8	19.959,5
Tier 1 leverage ratio incl. 50% of retained earnings (%)	8,29	8,97	8,29	8,97	8,48
Tier 1 leverage ratio (%)	8,13	8,75	8,13	8,75	8,48

Liquidity

Deposit coverage ratio	43,14	44,34	43,14	44,34	42,39
LCR (%)	261,62	257,14	261,62	257,14	224,93

Branches and full-time equivalents

No. of branches	27	27	27	27	27
Full-time equivalents	198	200	198	200	199

Equity certificates

Ownership fraction (parent bank) (%)**	32,45	34,40	32,45	34,40	34,40
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate*	56,61	56,68	56,61	56,68	58,98
Earnings per equity certificate*	1,28	1,70	2,23	3,00	6,01
Dividend per equity certificate	0,00	0,00	0,00	0,00	4,60
Turnover rate	20,54	29,33	19,72	37,92	28,16
Price	54,40	53,20	54,40	53,20	55,60

* Defined as alternate performance target

** For ownership fraction at 1 January 2019, see Note 19

For definition of key figures and a review of alternative performance targets, see p. 43.

Board of Directors' Report

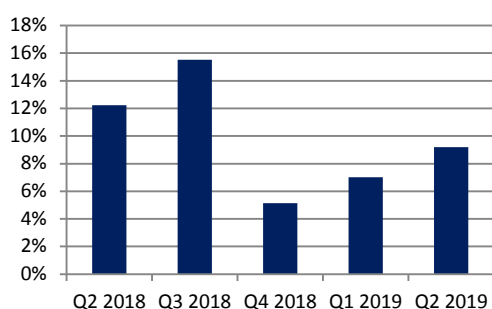
Sparebanken Øst achieved a profit after tax of NOK 85.9 million in the second quarter of 2019, which represents a return on equity of 9.19 per cent. Earnings per equity certificate in the quarter were NOK 1.28. Net interest income increased by NOK 19.5 million from the same period last year. The portfolio of net impaired and non-performing commitments remains very low and at the end of the quarter amounted to 0.35 per cent of net lending. Losses on loans to customers are modest and amounted to NOK 3.7 million for the quarter.

The profit after tax for the first half of 2019 amounted to NOK 150.5 million, which represents a return on equity of 8.10 per cent. Earnings per equity certificate were NOK 2.23. Net interest income increased by NOK 22.9 million compared with the first half of last year. The bank's CET1 capital ratio is very solid (incl. 50 per cent of retained earnings) at 16.71 per cent. Losses on lending to customers in the first half of the year were low and amounted to NOK 8.0 million. Lending growth over the last 12 months was 8.14 per cent, while deposits from customers increased by 5.23 per cent in the same period.

Results for the quarter

Sparebanken Øst achieved a profit after tax of NOK 85.9 million for Q2 2019. The profit after tax for the second quarter of 2018 was NOK 105.6 million.

The return on equity in the quarter was 9.19 per cent, compared with 12.24 per cent for the same quarter in 2018. The table below presents the return on equity in the last five quarters.



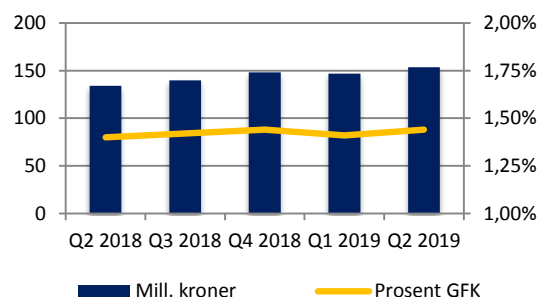
Net interest income

Net interest income increased by NOK 19.5 million to NOK 153.4 million in Q2 2019, compared to NOK 133.9 million in the same quarter of 2018. Net interest income amounted to 1.44 per cent of average total assets in the second quarter of 2019. The

equivalent for the same quarter of 2018 was 1.40 per cent.

Repricing of a large proportion of the lending portfolios was carried out, taking effect from mid-May 2019. Increased money market rates and strong competition contributed to ongoing pressure on the interest rate net during Q2 2019. Compared with Q1 2019, net interest income increased by NOK 6.6 million during Q2 2019, and net interest income as a percentage of average total assets increased by 0.03 per cent.

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



Net other operating income

Net other 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 21.0 million in the second quarter of 2019, compared with NOK 63.3 million in the same quarter in 2018.

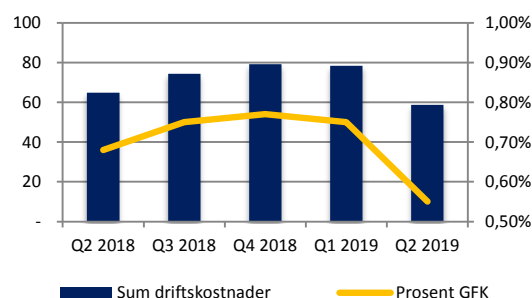
- Net commission income amounted to NOK 11.4 million, a decrease of NOK 0.2 million compared with the same quarter last year.
- NOK 2.5 million in dividends were recognised as income in the second quarter of 2019, the vast majority of which came from dividends from Dialog Eiendomsmegling AS and VN Norge AS. In comparison, dividends in the second quarter of 2018 amounted to NOK 8.7 million, NOK 8.6 million of which came from dividends from Frende Holding AS.
- Net value changes and gains/losses from financial instruments amounted to NOK 2.9 million, a decrease of NOK 37.3 million compared with the same period last year. Positive value changes related to shares and equity rights in Visa Inc. total NOK 2.9 million in the quarter, compared to an increase of NOK 5.0 million in the same quarter of 2018. The value of the liquidity portfolio dropped by NOK 1.0 million in the second quarter of 2019, compared with a reduction of NOK 0.4 million in the same quarter in 2018. The shares in Eksportfinans ASA and the Vipps AS merger had a combined positive effect on Sparebanken Øst's result of NOK 34.9 million during Q2 2018.
- Other operating income amounted to NOK 4.2 million in the second quarter of 2019, compared with NOK 2.8 million in the same quarter of 2018.

Operating costs

Total operating costs were NOK 58.7 million in the second quarter of 2019, equivalent to 0.55 per cent of average total assets. In the second quarter of 2018, total operating expenses amounted to NOK 64.8 million, or 0.68 per cent. The changes concern the following:

- Payroll costs amounted to NOK 30.2 million, compared with NOK 36.3 million in the same quarter last year. Salary costs were reduced primarily as a result of a reorganisation from 12.5 to 12 months' salary and that the bank did not make an allocation in June 2019 for half the December salary. Additionally, the reduction is explained by provisions for profit sharing.
- Administrative costs amounted to NOK 13.1 million in the second quarter of 2019, compared with NOK 11.7 million in the same quarter in 2018.
- Depreciation amounts to NOK 6.4 million in the second quarter of 2019 compared with NOK 3.1 million in the second quarter of 2018. Requirements for capitalisation of leases from 01.01.2019 (IFRS 16) increased depreciation by NOK 2.4 million compared with the same period last year. Similarly, costs for the rental of premises, under other operating costs, decreased by NOK 2.5 million.
- Other operating costs amounted to NOK 9.0 million in the second quarter of 2019, compared with NOK 13.7 million in the same quarter in 2018.

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.



Impaired and non-performing commitments

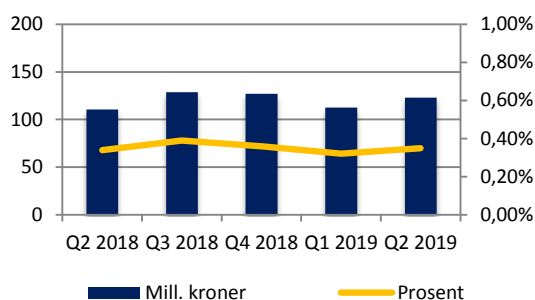
Net impaired and non-performing commitments are very low and amounted to

0.35 per cent of net lending at the end of the second quarter of 2019, compared with 0.34 per cent for the second quarter of 2018.

Losses on loans to customers amounted to NOK 3.7 million in the second quarter of 2019. For comparison, losses on loans amounted to NOK 6.6 million in the second quarter of 2018.

At the end of the quarter, total loss provisions amounted to NOK 103.3 million, corresponding to 0.29 per cent of gross lending to customers. Individual write-downs amounted to NOK 74.7 million at the end of the second quarter of 2019, compared with NOK 68.8 million at the end of the second quarter of 2018.

The figure below shows net non-performing and impaired commitments in NOK millions and as a percentage of net lending in the last five quarters.



Profit for the first half year

Sparebanken Øst achieved a profit after tax of NOK 150.5 million for the first half 2019. The equivalent profit after tax for the first half of 2018 was NOK 186.3 million. The return on equity in the first half of 2019 was 8.10 per cent, compared with 10.96 per cent for the same period last year.

Net interest income amounted to NOK 300.1 million for the first half of 2019, a decrease of NOK 22.9 million compared with the first half of 2018.

Net commission income amounted to NOK 21.1 million in the first half of 2019, which

represents a reduction of NOK 3.8 million compared with the first half of 2018.

NOK 2.5 million in dividends were recognised as income in the first half of 2019, the vast majority of which came from dividends from Dialog Eiendomsmegling AS and VN Norge AS. In comparison, dividends in the first half of 2018 amounted to NOK 8.7 million, NOK 8.6 million of which came from dividends from Frende Holding AS.

Net value changes and gains/losses from financial instruments amounted to NOK 8.1 million in the first half of 2019, a decrease of NOK 34.3 million compared with the first half of 2018. Positive value changes related to shares and equity rights in Visa Inc. total NOK 9.2 million to date this year, compared to an increase of NOK 4.7 million in the same period last year. The value of the liquidity portfolio rose by NOK 3.7 million in the first half of this year, compared with an increase of NOK 0.9 million in the same period last year. To date in 2019, a loss of NOK 5.8 million has been recognised in relation to the repurchase of bonds issued by the bank, while the equivalent figure for the same period last year was a loss of NOK 1.6 million. The shares in Eksportfinans ASA and in connection with the Vipps AS merger had a combined positive effect on Sparebanken Øst's result of NOK 34.9 million during the first half of 2018.

Other operating income amounted to NOK 8.6 million in the first half of 2019, compared with NOK 19.9 million in the first half of 2018. This reduction is primarily related to gains from the sale of real estate in the first half of 2018 totalling NOK 11.3 million.

Total operating costs were NOK 137.0 million in the first half of 2019, compared with NOK 135.7 million in the first half of 2018.

Losses on loans to customers amounted to NOK 8.0 million in the first half of 2019, compared with NOK 8.7 million in the first half of 2018.

Balance sheet as at 30.06.2019

Total assets increased by NOK 3,933.3 million compared with 30.06.2018 and amounted to NOK 42,665.2 million at the end of the second quarter of 2019.

Assets

- Cash and receivables at central banks amounted to NOK 437.5 million as at 30.06.2019, compared with NOK 565.5 million as at 30.06.2018.
- Net lending to financial institutions amounted to NOK 10.7 million as at 30.06.2019, compared with NOK 60.9 million as at 30.06.2018.
- Net lending to customers amounted to NOK 34,801.6 million as at 30.06.2019, compared with NOK 32,181.4 million as at 30.06.2018. This represents an increase of NOK 2,620.2 million in the last 12 months, or 8.14 per cent. Net lending to retail customers increased by 9.21 per cent, while net lending to business customers increased by 1.75 per cent. Gross lending to retail customers accounted for 86.6 per cent of the total lending to customers.
- Holdings of certificates and bonds amounted to NOK 6,238.4 million as at 30.06.2019, compared with NOK 4,813.3 million as at 30.06.2018. Liquidity reserves measured using LCR totalled 261.6 per cent as at 30.06.2019, compared with 257.1 per cent as at 30.06.2018. The bank's liquidity strategy involves a high proportion of securities that count towards the LCR calculation. The maturity structure for market funding significantly affects LCR.
- Shares and units amounted to NOK 619.3 million as at 30.06.2019, compared with NOK 547.8 million as at 30.06.2018.

The bank's stake in Frende Holding AS constitutes 13.19 per cent and the shareholding is valued at NOK 318.3 million as at 30/06/2019. The bank owns 4.85 per cent of the shares in

Eksportfinans ASA and the shareholding is valued at NOK 195.0 million as at 30/06/2019.

Balder Betaling AS is owned by several independent bank, and its main purpose is to hold these banks' shares in Vipps AS. The bank's stake in Vipps AS is 0.70 per cent. The bank's shares in Balder Betaling AS were valued at NOK 30.8 million at 30.06.2019. The valuation is based on the underlying share value in Vipps AS.

The bank owns 6.8 per cent of the shares in Kraft Bank ASA. The stake was valued at NOK 23.0 million at 30.06.2019.

The bank owns 'C' shares in Visa Inc. The stake was valued at NOK 27.6 million at 30.06.2019. The bank also has convertible C shares in Visa Inc., owned via Visa Norge Holding 1 AS and VN Norge AS. The rights are valued at NOK 21.9 million as at 30.06.2019.

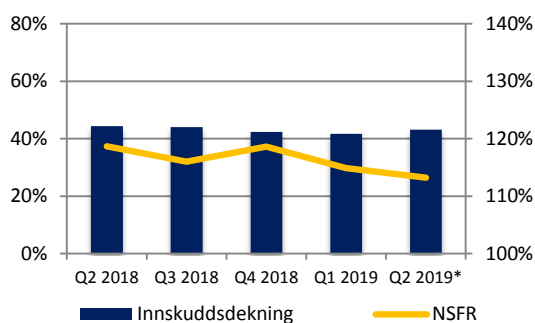
Liabilities

- Deposits from customers amounted to NOK 15,014.4 million at 30.06.2019, compared with NOK 14,268.2 million as at 30.06.2018. This is an increase of NOK 746.2 million, or 5.23 per cent, in the last 12 months. The deposit coverage ratio in the Group at the end of the second quarter of 2019 was 43.14 per cent, compared with 44.34 per cent at the end of the second quarter of 2018.
- Securities issued amounted to NOK 22,484.7 million as at 30.06.2019, compared with NOK 19,684.0 million at 30.06.2018. The degree of stable and long-term financing measured by NSFR is estimated at 113.2 per cent as at 30.06.2019 versus 118.7 per cent as at 30.06.2018. The average maturity on market funding is 3.24 years as at

30/06/2019, compared with 3.17 years as at 30/06/2018.

- Other long-term borrowing amounted to NOK 300.5 million as at 30.06.2019, compared with NOK 300.3 million as at 30.06.2018.
- Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 3,100.0 million as at 30.06.2019.

The figure below shows the deposit coverage ratio (blue/left) and the degree of stable and long-term financing measure by NSFR (yellow/right) in the last five quarters.



* As at 30.06.2019, NSFR is estimated and not final.

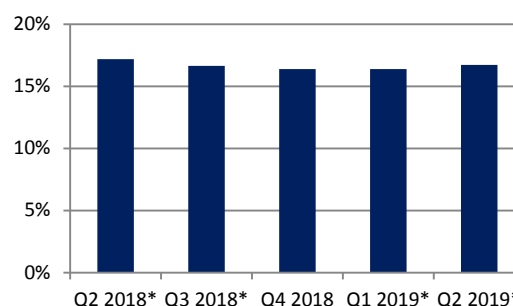
The Ministry of Finance has adopted an increase in the countercyclical buffer of 0.5 percentage points to 2.5 percent with effect from 31.12.2019. The Board of the Sparebanken Øst operates on the principle that all requirements and guidance should be complied with at all times.

- Net primary capital at the end of the second quarter of 2019 amounted to NOK 3,870.8 million, of which NOK 3,527.6 million constituted the Group's CET1 capital. Given a basis for calculation of NOK 20,003.5 million, this corresponds to a capital adequacy ratio of 19.35 per cent, of which 17.63 per cent constitutes the CET1 capital ratio. The bank uses the standardised approach to calculate the minimum primary capital requirement for credit risk.
- The bank is financially very strong, with an unweighted tier 2 leverage ratio, including 50 per cent of equity certificate holders' and primary capital share of profits for the year to date, of 8.29 per cent at the end of Q2 2019, against 8.97 per cent at the end of Q2 2018. The unweighted requirement for CET1 capital is 5.0 per cent.

Capital adequacy

- The capital adequacy ratio measured as CET1 capital including 50 per cent of equity certificate holders' and primary capital share of profits amounted to 16.71 per cent at the end of the second quarter of 2019, down from 16.39 per cent at the end of 2018.
- The Group's Pillar 2 requirement is 2.3 per cent. Given the current level of the countercyclical buffer of 2.0 per cent, this entails a total CET1 capital ratio of at least 14.3 per cent. Sparebanken Øst's CET1 capital ratio target is a minimum of 14.75 per cent.

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



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

Risk

Credit risk

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

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

The bank has an established credit portfolio of a quality and composition that ensures the bank's profitability in the short and long term, and ensures that the bank's management of credit risk is in accordance with the requirements stipulated in acts, regulations, directives from the authorities and other regulatory conditions.

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

Within the retail and business markets, the capacity and willingness to pay are key aspects of credit assessment. The Mortgage Regulation provides essential guidance to the bank's lending business to private individuals. Measurement of risk on lending to customers is by classifying customers according to risk. 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 to 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 generally low concentration 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.

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.

The bank also takes credit risks in managing liquidity reserves and excess liquidity. The bank intends to retain interest-bearing securities with low credit risk for liquidity purposes (reserve for disposal when needed), or as a deposit basis for borrowing facilities at the central bank, or both.

The bank's credit risk is monitored continuously and updated overviews of the bank's total counterparty risk are available.

Market risk

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

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

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

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

Liquidity risk

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

Sparebanken Øst issues covered bonds through the bank's wholly owned mortgage credit company. Covered bonds with long maturities are generally issued, while senior hybrid tier 1 loans are issued with maturities that fit into the existing maturity profile at any time.

Operational risk

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 to the Board of Directors. The group has not registered significant losses due to the failure of internal processes, systems, human error or unforeseen events in the first half of 2019.

Rating

Sparebanken Øst has had an A2 long-term deposit and issuer rating from Moody's Investors Service since October 2017. The bank's counterparty risk assessment (CRA) and long-term counterparty risk rating (CRR) are A1. The prospects for all of the bank's ratings are 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 exists to grant or acquire residential mortgages, commercial mortgages, loans secured against other real estate assets, and public loans, and to finance lending operations primarily by issuing covered bonds. At the end of the second quarter of 2019, the loan-to-value ratio (LTV) of the security portfolio was 46.4 per cent, compared with 44.9 per cent at the end of the second quarter of 2018.

At 30.06.2019, the company's total assets amounted to NOK 16,045.9 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 deposited equity amounts to NOK 950.0 million, of which NOK 373.1 million constitutes share capital and NOK 576.9 million constitutes a share premium reserve. Profit after tax shows a profit of NOK 39.3 million at the end of the first half of 2019 compared with NOK 36.8 million for the same period last year. The company has no employees, but hires services from Sparebanken Øst.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst. Its main product is providing loans for second-hand cars that are secured by security in the purchased car. The company posted a profit after tax of NOK 19.1 million for the first half of 2019, compared with NOK 18.2 million for the same period last year. Total assets amounted to NOK 2,120.2 million. The company had 19 employees,

corresponding to 19 full-time equivalents, at the end of second quarter of 2019.

Sparebanken Øst Eiendom AS is a wholly owned subsidiary of Sparebanken Øst and is tasked with managing properties owned by the Sparebanken Øst Group. Operating income amounted to NOK 5.1 million in the first half of 2019, compared with NOK 17.6 million in the same period in 2015. NOK 11.3 million in profit from the sale of real estate was recognised as income in the first half of 2018. The result after tax was a profit of NOK 0.6 million for the first half of 2019, compared with NOK 11.9 million for the same period last year. The company has 2 employees, corresponding to 2 full-time equivalents. The CEO is hired in from Sparebanken Øst.

Øst Prosjekt AS is a wholly owned subsidiary of Sparebanken Øst and its main object is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees. The result after tax was a profit of NOK 0.7 million for the first half of 2019, compared with a loss of NOK 0.3 million for the same period last year. The company has no major ongoing projects.

Øst Inkasso AS is a wholly owned subsidiary of Sparebanken Øst. The company's object is to engage in debt collection operations and other activities naturally associated with this, including reminder services and long-term monitoring of debt collection portfolios. Other operating income amounted to NOK 4.0 million in the first half of 2019, compared with NOK 4.4 million in the first half of 2018. The result after tax was a loss of NOK 0.1 million for the first half of 2019, compared with a profit of NOK 0.4 million for the same period last year.

The company has 5 employees, corresponding to 5 full-time equivalents. The company has also hired the managing director from Sparebanken Øst and an employee from AS Financiering.

Frende Forsikring

Frende Holding AS owns Frende Skade AS and Frende Liv AS (Frende Forsikring). The bank has a 13.19 per cent stake in the holding company. Frende is owned by 15 savings banks. Sparebanken Vest is the largest shareholder and Sparebanken Øst is the third largest. The company offers P&C and life insurance products to business and retail customers and has more than 250,000 customers. Frende Forsikring's head office is in Bergen. As at 12/07/2019, Frende Holding AS had not published its results and the results and trends for Frende Skade and Frende Liv for the first half of 2019.

Accounting Policies

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

Dividend policy

In June 2019, Sparebanken Øst changed its dividend policy for awarding dividends on social capital in the form of gifts for public benefit purposes. The extent of gifts for public benefit purposes that Sparebanken Øst aims to issue as dividends has increased from '50 to 75 per cent' to '50 to 100 per cent' measured as a percentage of the dividend awarded to shareholders.

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 gifts to charitable 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 development

There is good growth in the Norwegian economy, while economic growth has slowed for Norway's most important trading partners. Although the oil price has fallen somewhat, oil investments have grown significantly. The labour market has improved further, and registered unemployment has fallen further. A tighter labour market is also confirmed by Norges Bank's regional network surveys. The pay settlement in the private sector for 2019 was negotiated at 3.2 per cent.

Consumer prices have increased, and in June were 1.9 per cent higher than compared to the year before. Core inflation was 2.3 per cent in June, well above Norges Bank's inflation targets. The Norwegian krone is still weaker than expected. Housing price growth has been moderate this year: housing prices increased by 1.3 per cent during the last three months. Household debt growth has been stable and is still higher than wage growth.

On 20 June 2019, Norges Bank increased the key rate by 0.25 percentage points to 1.25 per cent. Money market rates have increased significantly from the year-end, and three-month NIBOR stood at 1.52 per cent at the end of June.

Outlook

Sparebanken Øst does most of its business in the East of Norway. The Norwegian economy is expected to continue experiencing good growth, and although there are prospects of low interest rates and weaker international growth, the prognosis from Norges Bank indicates that the rate of interest will be raised again during 2019. The economic prospects are still good and we may expect continued low unemployment and stable housing prices going forward.

Norges Bank is expected to raise the key interest rate again during the course of the second half of the year, and as a result, borrowing costs are expected to rise. Based on Norges Bank's increase to the key interest rate on 20 June 2019, repricing has been carried out on a large proportion of the lending portfolios. The interest changes will take effect from mid-August 2019. Very strong competition is putting pressure on the interest rate net as a percentage of average total assets and affecting the growth estimates for the future.

Sparebanken Øst is a cost-efficient bank with a strong focus and a belief that low costs represent a competitive advantage. The cost level is expected to remain stable.

Banking involves risk, and non-performance and losses on loans and guarantees to customers therefore cannot be excluded. A continuing low level of non-performing and impaired commitments, and low loan losses, are expected in the future.

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 scope for growth and high dividend payments. The CET1 capital ratio target is 14.75 per cent. The Group also has a sound liquidity buffer that will provide security if the banks' access to funding is challenged in the future. The Group expects to be able to obtain new funding with margins at the level of those

of the major regional banks. 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. With strong competition and pressure on net interest income, the return on equity for 2019 is expected to be slightly lower than the target of 10 per cent.

Growth in lending to and deposits from customers will depend on the general competition in the banking market, as well as the access to long-term funding. Very strong competition in Q2 2019 means there is increased uncertainty about anticipated lending growth in 2019. Lending growth in 2019 to both retail and business customers will be lower than in 2018 is expected to be lower than general credit growth over time. Over time, lending growth is expected to come into line with overall credit growth. This growth is expected to be distributed relatively evenly across the various distribution channels. Growth in lending to retail customers will primarily come from home mortgages and providing loans for second-hand cars that are secured by security in the purchased car. Growth in lending to business customers will be seen in the Group's defined market areas, of which the main product is repayment loans against mortgages in real estate.

Sparebanken Øst expects to be set requirements for primary capital and qualifying liabilities that can be written down or converted to equity (MREL) during the course of the second half of 2020. This requirement is expected to create a need to issue senior subordinated debt (Tier 3). The anticipated need to issue subordinated debt could replace parts of existing senior unsecured bonds when these fall due and before the requirement is expected to come into force.

There is new and not insignificant uncertainty related to the framework conditions and future capital requirements for banks that calculate capital coverage using the standard

method. The CRR/CRD IV capital coverage directive is expected to be introduced to Norway during the course of the second half of 2019, where the Basel I floor for IRB will be raised and 'SME discounts' will be introduced for lending to small and medium-sized enterprises. Sparebanken Øst's preliminary estimates indicate that the SME discount, which is expected to be introduced during the course of the second half of 2019, will lead to a reduction in the capital requirements somewhere in the interval of 40 to 50 basis points (based on the calculation basis as at 30/06/2019). On 25 June 2019, the Ministry of Finance issued a consultation on a regulatory change regarding the increase in system risk buffer as a measure to adapt the capital requirements for banks, where it is also suggested that the system risk buffer for standard banks is increased by 1.5 percentage points from 3.0 to 4.5 per cent. For standard banks, it is proposed that the increase is phased in over three years with 0.5 percentage points annually as of 31/12/2019. The proposed rules do not differentiate between IRB banks and standard method banks and imply further discrimination in favour of Norwegian and foreign banks using the IRB method in relation to banks using the standard method. Increased differences in capital requirements between IRB banks and standard method banks will affect lending competition to a significant and increasing degree and will have an impact on competition in favour of Norwegian IRB banks, as well as banks with capital requirements set out by, inter alia, the Finnish, Swedish and Danish authorities.

Implementation of the European Union's PSD2 directive in Norwegian law, which means that from 14 September 2019 customers will gain access to the new services provided for by PSD2, could affect the competition situation among the players in the financial markets, not least because third parties may be granted access to customer data, subject to customer consent.

Hokksund, 30 June 2019

Drammen, 12 July 2019

Øivind Andersson
Chair

Morten André Yttreide
Deputy Chair

Elly Therese Thoresen
Board member

Cecilie Hagby
Board member

Jorund Rønning Indrelid
Board member

Arne K. Stokke
Board member

Ole-Martin Solberg
Employee representative

Sissel Album Fjeld
Employee representative

Pål Strand
CEO

Income Statement – Group

(Amounts in NOK million)	Note	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Interest income from assets valued at amortised cost		280,9	234,3	549,7	466,7	967,4
Interest income from assets valued at fair value		28,5	19,7	54,1	37,4	81,6
Interest costs		156,1	120,1	303,7	226,9	483,9
Net interest income	15	153,4	133,9	300,1	277,2	565,1
Commission income and income from banking services		22,6	21,6	43,6	44,3	88,8
Commission costs and costs for banking services		11,2	10,0	22,5	19,4	42,9
Dividend		2,5	8,7	2,5	8,7	33,0
Net value changes and gains/losses on financial instruments	16	2,9	40,2	8,1	42,4	86,3
Other operating income		4,2	2,8	8,6	19,9	27,3
Net other operating income		21,0	63,3	40,4	95,9	192,5
Payroll, etc.		30,2	36,3	77,2	78,4	172,0
Administration costs		13,1	11,7	26,5	24,8	53,1
Depreciation/write-downs/changes in value for non-financial assets		6,4	3,1	12,6	6,4	13,7
Other operating costs		9,0	13,7	20,7	26,1	50,3
Total operating costs	17	58,7	64,8	137,0	135,7	289,1
Profit/loss before losses		115,7	132,4	203,6	237,4	468,5
Losses on loans, unused credit and guarantees	4	3,7	6,6	8,0	8,7	17,6
Profit/loss before tax costs		112,0	125,8	195,6	228,7	450,9
Tax costs		26,0	20,2	45,2	42,4	76,7
Profit/loss after tax		85,9	105,6	150,5	186,3	374,2
Hybrid capital owners' share of the result		4,1	2,9	8,0	5,5	11,7
Equity certificate holders' and primary capital share of profits		81,9	102,7	142,5	180,8	362,5
Profit/loss after tax		85,9	105,6	150,5	186,3	374,2
Earnings per equity certificate		1,28	1,70	2,23	3,00	6,01
Diluted earnings per equity certificate		1,28	1,70	2,23	3,00	6,01

Total income - Group

(Amounts in NOK million)	Note	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Profit/loss after tax		85,9	105,6	150,5	186,3	374,2
Items that will not be reclassified to the income statement						
Actuarial gains and losses on defined-benefit plans		0,0	0,0	0,0	0,0	-5,3
Tax related to items that cannot be reclassified		0,0	0,0	0,0	0,0	1,3
Comprehensive income		85,9	105,6	150,5	186,3	370,2

Balance Sheet – Group

(Amounts in NOK million)	Note	30.06.2019	30.06.2018	31.12.2018
Assets				
Cash and receivables from central banks	10,11	437,5	565,5	603,1
Loans to and receivables from financial institutions	10,11	10,7	60,9	9,5
Loans to and receivables from customers	4,7,8,10,11	34.801,6	32.181,4	35.147,4
Certificates and bonds	10,11	6.238,4	4.813,3	5.173,1
Shares and units	10,11	619,3	547,8	606,8
Financial derivatives	10,11,13,14	273,3	257,9	222,0
Ownership interests in Group companies		0,0	0,0	0,0
Deferred tax asset		0,0	0,0	0,0
Investment properties		59,5	60,4	59,9
Tangible fixed assets		135,9	128,7	134,2
Lease rights		52,9	0,0	0,0
Other assets		18,3	91,7	19,6
Prepaid non-accrued costs and income earned, but not received		17,8	24,3	6,9
Total assets		42.665,2	38.731,9	41.982,5
Liabilities and equity				
Liabilities to financial institutions	10,11	300,5	300,3	300,4
Deposits from and liabilities to customers	6,10,11	15.014,4	14.268,2	14.899,7
Liabilities to the state, swap of covered bonds		0,0	0,0	0,0
Financial derivatives	10,11,13,14	8,0	46,6	30,7
Securities issued	10,11,12	22.484,7	19.684,0	21.970,8
Other liabilities		319,5	197,3	313,4
Accruals and deferred income		35,5	37,7	41,2
Provisions for accrued costs and liabilities		78,5	69,2	78,4
Deferred tax liability		3,2	9,8	3,7
Commitments related to leases		53,2	0,0	0,0
Subordinated loan capital	10,11,12	400,2	351,0	400,0
Total liabilities		38.697,7	34.964,1	38.038,3
Paid-up equity		595,1	595,1	595,1
Hybrid capital		350,5	351,8	350,5
Retained earnings		3.022,0	2.820,9	2.998,6
Retained ordinary earnings		0,0		0,0
Total equity		3.967,5	3.767,8	3.944,2
Total liabilities and equity		42.665,2	38.731,9	41.982,5

Changes in Equity - Group

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

(Amounts in NOK million)	Paid-up equity			Hybrid capital		Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Retained profit
30.06.2018										
Equity at 31.12.2017	3.384,3	207,3	387,8	0,0	409,3	1.731,6	38,1	197,6	412,6	0,0
Implementation effect of IFRS 9	6,6	0,0	0,0	0,0	5,1	9,5	0,0	0,0	-8,1	0,0
Reclassification of hybrid tier 1 capital	351,7	0,0	0,0	351,7	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2018	3.742,5	207,3	387,8	351,7	414,4	1.741,1	38,1	197,6	404,5	0,0
Ordinary result	186,3	0,0	0,0	5,5	0,0	0,0	0,0	0,0	0,0	180,8
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	186,3	0,0	0,0	5,5	0,0	0,0	0,0	0,0	0,0	180,8
Dividend to equity certificate holders 2017 - adopted	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-51,9	0,0	0,0	0,0	0,0	-51,9	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-7,2	0,0	0,0	-7,2	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	1,8	0,0	0,0	1,8	0,0	0,0	0,0	0,0	0,0	0,0
Changes in endowment fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.06.2018	3.767,8	207,3	387,8	351,8	310,7	1.689,2	38,1	197,6	404,5	180,8

(Amounts in NOK million)	Paid-up equity			Hybrid capital		Retained earnings				
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Retained profit
2018										
Equity at 31.12.2017	3.384,3	207,3	387,8	0,0	409,3	1.731,6	38,1	197,6	412,6	0,0
Implementation effect of IFRS 9	6,6	0,0	0,0	0,0	5,1	9,5	0,0	0,0	-8,1	0,0
Reclassification of hybrid tier 1 capital	351,7	0,0	0,0	351,7	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2018	3.742,5	207,3	387,8	351,7	414,4	1.741,1	38,1	197,6	404,5	0,0
Ordinary result	374,2	0,0	0,0	11,7	95,0	181,2	0,0	86,0	0,3	0,0
Changes in fair value of shares through comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plans	-4,0	0,0	0,0	0,0	-1,6	-2,9	0,0	0,0	0,5	0,0
Other comprehensive income	370,2	0,0	0,0	11,7	93,4	178,3	0,0	86,0	0,8	0,0
Dividend to equity certificate holders 2017 - adopted	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-51,9	0,0	0,0	0,0	0,0	-51,9	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-16,8	0,0	0,0	-16,8	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	3,9	0,0	0,0	3,9	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-200,0	0,0	0,0	-200,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	200,0	0,0	0,0	200,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 31.12.2018	3.944,2	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	405,3	0,0

Cash Flow Statement - Group

(Amounts in NOK million)	30.06.2019	30.06.2018	31.12.2018
Operating activities			
Profit/loss before tax costs	195,6	228,7	450,9
Adjusted for:			
Change in net interest income earned and accrued interest costs	29,3	36,7	1,3
Net payment/disbursement of loans to financial institutions			0,0
Net receipts/payments of loans to customers	350,2	-1.204,5	-4.172,7
Change in certificates and bonds	-1.064,4	-299,8	-655,2
Changes in value of equities and units	-9,2	-39,6	-98,6
Change in other assets in connection with operations	-11,9	-12,6	76,3
Net receipts/disbursement of deposits from customers	73,9	262,1	926,9
Change in other operating liabilities	11,7	-23,9	63,5
Non-cash items included in profit before tax costs	12,7	11,2	27,3
Net gain/loss from investing activities	-0,1	-12,6	-12,6
Net gain/loss from financing activities	5,8	2,2	4,1
Net change in relation to investing activities	0,0	0,0	0,0
Other changes	0,0	0,0	-0,8
Taxes paid for the period	-84,9	-107,3	-107,6
Net cash flow from operating activities	A	-491,3	-1.159,4
Investing activities			
Payments on purchases of fixed assets	-9,3	-7,7	-20,0
Proceeds from sale of fixed assets	0,3	92,1	92,1
Net proceeds/costs on the sale/purchase of financial investments	-3,3	-23,1	-23,1
Net payment/disbursement concerning investments in subsidiaries			0,0
Net cash flow from investing activities	B	-12,3	61,3
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions	0,0	-30,0	-30,0
Payments on repayment of securities	-2.059,5	-1.485,9	-2.638,0
Proceeds on issuance of securities	2.502,1	3.004,4	6.502,4
Payment of dividend	-95,4	-103,7	-103,7
Net payments on repayment of hybrid capital	0,0	0,0	-200,0
Net receipts on issue of hybrid capital	0,0	0,0	200,0
Interest paid on hybrid capital	-8,0	-7,2	-16,8
Net cash flow from financing activities	C	339,2	1.377,6
Net change in cash and cash equivalents	A+B	-164,4	279,5
Cash and cash equivalents at 01.01		612,6	346,9
Holding of cash and cash equivalents at the end of the period		448,2	626,4

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

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 principles that have been applied in preparing the accounts is given in the annual report for 2018, with the exception of IFRS 16 Leases which has replaced IAS 17 with effect from 01.01.2019, and the presentation of tax deductions on interest from hybrid tier 1 capital. Accounting policies arising from these changes are described below.

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 2018, Note 3 - Assessments and use of estimates.

Leases (IFRS 16)

For the transition to IFRS 16, the Group's classification, income statement and balance sheet are not affected where the Group is a lessor. As lessee, the Group has leases previously classified under IAS 17 as operating leases. It has been concluded that the Group's leases on premises must be capitalised when the lease period is longer than 12 months. With the implementation of IFRS 16, 'lease rights' in the amount of NOK 57.6 million were recognised at 01.01.2019 for the rental of premises, with a corresponding 'lease obligation' posted as a debt of NOK 57.6 million. For the implementation, the 'modified retrospective method' was chosen, which means that comparative figures for 2018 have not been reworked.

The lease rights in the balance sheet are recognised at 100% risk weight in the basis for calculating capital adequacy. The effect of implementation as at 01/01/2019 represented a reduction of 5 basis points in the Group's CET1 capital ratio.

The change in the accounting policy has resulted in leasing costs previously recognised as other operating costs being replaced with interest costs and depreciation in the income statement. The Group's leasing costs, which would have been recognised under IAS 17 as other operating costs, decreased by NOK 2.5 million in the second quarter of 2019, to be replaced by NOK 0.3 million in interest costs and NOK 2.4 million in depreciation. For the period 1/1-30/06/2019, other operating costs reduced by NOK 5.1 million and were replaced by NOK 0.5 million in interest costs and NOK 4.8 million in depreciation. Reference is otherwise made to the quarterly report for Q1 in 2019 for a more detailed description of the new accounting principles in relation to circumstances where the Group is a lessee.

Presentation of tax deductions on interest from hybrid tier 1 capital

IAS 12 has been amended with effect from 01.01.2019. The amendment meant that tax deductions on interest from hybrid tier 1 capital are presented as a reduction in tax expenses in the income statement. Prior to the change, the tax deduction was not recognised as a reduction in tax costs but presented directly in equity. The change therefore implies a reduced tax expense in the income statement and the hybrid capital owners' share of income after tax is increased accordingly. The equity certificate holders' and base capital share of the profit will not be affected by the change.

The tax deduction on hybrid tier 1 capital totals NOK 0.9 million during Q2 of 2019 and NOK 2.0 million for the period 1/1-30/06/2019. Comparative figures have not been reworked.

Note 2 - Operating segments

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

Profit/loss

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

	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS Unallocated	Elimination s	Group
30.06.2018							
Net interest and commission income	155,8	54,3	-13,4	57,8	-1,3	23,1	277,2
Other operating income	34,2	4,3	4,5	-10,8	17,6	51,4	95,9
Operating costs	25,8	7,4	0,0	15,3	4,3	85,1	135,7
Profit/loss before losses	164,2	51,2	-8,9	31,7	12,0	-10,6	237,4
Losses on loans, unused credit and guarantees	-0,4	1,6	0,0	7,4	0,0	0,1	8,7
Profit/loss before tax costs	164,6	49,6	-8,9	24,3	12,0	-10,7	228,7
Tax costs	0,0	0,0	0,0	6,1	0,1	36,3	42,4
Profit/loss after tax	164,6	49,6	-8,9	18,2	11,9	-47,0	186,3

	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS Unallocated	Elimination s	Group
31.12.2018							
Net interest and commission income	311,8	114,2	-25,8	118,4	-2,3	47,1	565,1
Other operating income	66,0	8,7	-11,4	-23,8	22,4	137,8	192,5
Operating costs	60,4	16,8	0,0	33,3	7,4	175,3	289,1
Profit/loss before losses	317,4	106,1	-37,2	61,3	12,7	9,6	468,5
Losses on loans, unused credit and guarantees	-1,2	4,4	0,0	14,4	0,0	0,0	17,6
Profit/loss before tax costs	318,6	101,7	-37,2	46,9	12,7	9,6	450,9
Tax costs	0,0	0,0	0,0	11,9	-0,6	65,8	76,7
Profit/loss after tax	318,6	101,7	-37,2	35,0	13,3	-56,2	374,2

Balance sheet

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

	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS Unallocated	Elimination s	Group
30.06.2018							
Loans to and receivables from customers	25.365,0	4.492,8	0,0	1.943,2	0,0	444,2	32.181,4
Other assets	4,5	0,0	5.496,6	30,9	189,8	3.004,9	6.550,5
Total assets	25.369,5	4.492,8	5.496,6	1.974,1	189,8	3.449,1	38.731,9
Deposits from and liabilities to customers	9.653,0	2.887,4	1.625,1	11,3	0,0	172,5	14.268,2
Other liabilities/offsetting	15.716,5	1.605,4	3.871,5	1.658,3	94,7	-330,3	20.695,9
Equity	0,0	0,0	0,0	304,5	95,1	3.606,9	3.767,8
Total liabilities and equity	25.369,5	4.492,8	5.496,6	1.974,1	189,8	3.449,1	38.731,9

	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS Unallocated	Elimination s	Group
31.12.2018							
Loans to and receivables from customers	27.963,6	4.795,0	0,0	1.987,7	0,0	464,9	35.147,4
Other assets	6,4	0,0	5.630,9	32,8	176,8	3.008,4	6.835,1
Total assets	27.970,0	4.795,0	5.630,9	2.020,5	176,8	3.473,3	41.982,5
Deposits from and liabilities to customers	9.633,5	3.298,0	1.875,3	11,5	0,0	150,0	14.899,7
Other liabilities/offsetting	18.336,5	1.497,0	3.755,6	1.723,5	91,9	-488,9	23.138,6
Equity	0,0	0,0	0,0	285,5	84,9	3.812,2	3.944,2
Total liabilities and equity	27.970,0	4.795,0	5.630,9	2.020,5	176,8	3.473,3	41.982,5

Note 3 - Capital adequacy

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

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

	30.06.2019	30.06.2018	31.12.2018
CET1 capital			
Book equity	3.474,6	3.235,2	3.593,7
Deduction items in CET1 capital			
Additional value adjustments (prudent valuation requirement) (AVA)	-7,5	-5,9	-6,4
Dividends	0,0	0,0	-119,2
Goodwill included in the valuation of significant investments	-143,3	-78,3	-150,9
Intangible assets	-22,0	-12,4	-17,8
Deferred tax			
CET1 capital instruments in other financial institutions (not significant)	0,0	0,0	0,0
CET1 capital instruments in other financial institutions (significant)	0,0	0,0	0,0
Other deductions from CET1 capital	-31,0	-27,7	-27,7
Total CET1 capital	3.270,8	3.110,9	3.271,8
Other tier 1 capital			
Hybrid tier 1 capital *)	256,8	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	0,0
Other tier 1 capital instruments in other financial institutions (significant)	0,0	0,0	0,0
Total other tier 1 capital	256,8	350,0	350,0
Total tier 1 capital	3.527,6	3.460,9	3.621,8
Tier 2 capital			
Subordinated loans	400,0	349,6	400,0
Deductions from tier 2 capital			
Tier 2 capital instruments in other financial institutions (not significant)	0,0	0,0	0,0
Tier 2 capital instruments in other financial institutions (significant)	-56,8	0,0	-56,0
Total tier 2 capital	343,2	349,6	344,0
Net primary capital	3.870,8	3.810,4	3.965,8

*) As at 30/06/2019, a contract for the repurchase of hybrid tier 1 capital bonds totalling NOK 93.2 million has been concluded, and the amount has been deducted from the capital adequacy calculation.

The agreement relating to the repurchase was concluded concurrently with the issuance of new hybrid tier 1 capital bonds totalling NOK 150 million with a payment date of 04/07/2019.

Note 3 - Capital adequacy (contd.)

	30.06.2019	30.06.2018	31.12.2018
Governments and central banks	0,0	0,0	0,0
Local and regional authorities	150,0	75,6	67,8
Publicly owned companies	0,0	25,1	0,0
Multilateral development banks	0,0	0,0	0,0
Institutions	79,4	174,4	73,3
Companies	685,1	471,5	572,6
Mass market accounts	1.673,5	1.590,3	1.655,3
Accounts secured against property	14.416,5	13.516,7	14.692,0
Accounts due	184,8	102,4	159,7
Covered bonds	434,3	337,0	383,4
Shares in securities fund	0,0	0,0	0,0
Equity positions	662,5	631,8	635,1
Other exposures	295,6	244,3	238,3
Securitisation	0,0	0,0	0,0
Calculation basis for credit and counterparty risk	18.581,6	17.169,2	18.477,4
Calculation basis for currency risk	0,0	0,0	0,0
Calculation basis for operational risk	1.356,4	1.294,6	1.294,6
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	65,5	177,0	187,5
Deductions from calculation basis	0,0	0,0	0,0
Total calculation basis	20.003,5	18.640,8	19.959,5
CET1 capital ratio	16,35 %	16,69 %	16,39 %
Tier 1 capital ratio*	17,63 %	18,57 %	18,15 %
Capital adequacy*	19,35 %	20,44 %	19,87 %
Buffers			
Capital conservation buffer	500,1	466,0	499,0
Countercyclical buffer	400,1	372,8	399,2
Systemic risk buffer	600,1	559,2	598,8
Buffer for systemically important banks	0,0	0,0	0,0
Total buffer requirements	1.500,3	1.398,1	1.497,0
Available buffer capital	2.270,5	2.272,0	2.369,0
Leverage ratio*	8,13 %	8,75 %	8,48 %

*) A contract for the repurchase of hybrid tier 1 capital bonds totalling NOK 93.2 million has reduced the capital adequacy by 47 basis points and the tier 1 leverage ratio by 21 basis points as at 30/06/2019.

Note 4 - Losses on loans, unused credit and guarantees

Loss costs

	Q2 2019	Q2 2018	H1 2019	H1 2018	31.12.2018
Change in model-based provisions, group 1	-0,7	-0,3	-0,4	-0,9	-0,3
Change in model-based provisions, group 2	0,6	-1,4	0,6	-1,7	-0,5
Change in model-based provisions, group 3	-0,2	1,0	-0,7	1,6	0,9
Increase in existing individual write-downs	3,1	2,4	6,4	5,2	8,1
New individual write-downs	2,1	3,9	6,9	7,5	15,5
Established losses covered by previous individual write-downs	1,1	0,8	6,2	1,0	5,2
Reversals of previous individual write-downs	-3,0	-2,6	-11,7	-6,9	-13,7
Actual losses where no provision for individual write-downs has previously been made	1,8	4,2	2,9	6,9	10,0
Recovery of previously identified losses	-1,4	-1,5	-2,7	-4,2	-8,3
Amortisation costs for the period	0,2	0,1	0,4	0,3	0,8
Losses on loans, unused credit and guarantees	3,7	6,6	8,0	8,7	17,7
- of which losses on unused credit and guarantees	0,2	0,0	0,1	0,0	0,2

Changes in losses and gross exposure

	Expected loss Step 1	Expected loss Step 2	Expected loss Step 3	Total
Change in loss provisions				
Opening balance at 01.01.19	18,9	8,0	75,3	102,1
Transferred to group 1	2,5	-1,6	-0,8	0,0
Transferred to group 2	-0,7	2,6	-1,9	0,0
Transferred to group 3	-0,1	-0,5	0,6	0,0
Net change	-2,8	0,4	6,6	4,2
New losses	5,3	0,4	0,2	5,9
Deducted losses	-4,6	-0,7	-3,7	-9,0
Closing balance at 30.06.19	18,5	8,6	76,2	103,3
- of which losses on unused credit and guarantees	0,6	0,1	0,2	0,9
Model-calculated loss provisions	18,5	8,6	1,5	28,6
Individual loss provisions	0,0	0,0	74,7	74,7

	Expected loss Step 1	Expected loss Step 2	Expected loss Step 3	Total
Change in gross lending, broken down by group				
Opening balance at 01.01.19	33.933,1	688,2	260,5	34.881,8
Transferred to group 1	158,5	-151,0	-7,6	0,0
Transferred to group 2	-327,0	349,0	-22,0	0,0
Transferred to group 3	-26,7	-34,4	61,1	0,0
Net change	146,3	-51,2	-14,2	80,8
New loans	13.387,0	59,2	8,2	13.454,4
Deducted lending	-13.764,7	-104,9	-40,9	-13.910,4
Closing balance at 30.06.19	33.506,5	755,1	245,0	34.506,6

The table above does not include fixed interest lending at fair value.

Note 5 - Non-performing and impaired commitments, customers

	30.06.2019	30.06.2018	31.12.2018
Non-performing commitments (over 90 days)			
Business	9,5	12,0	11,7
+ Retail	45,9	34,7	48,1
+ AS Financiering	142,6	133,7	140,7
= Gross non-performing commitments	198,0	180,4	200,5
- Loss provisions	75,1	70,0	73,6
= Net non-performing commitments	122,9	110,4	126,9
Impaired (not non-performing) commitments			
Business	0,0	0,0	0,0
+ Retail	0,0	0,0	0,0
+ AS Financiering	0,0	0,0	0,0
= Gross impaired commitments	0,0	0,0	0,0
- Loss provisions	0,0	0,0	0,0
= Net impaired commitments	0,0	0,0	0,0
Non-performing and impaired commitments			
Business	9,5	12,0	11,7
+ Retail	45,9	34,7	48,1
+ AS Financiering	142,6	133,7	140,7
= Gross non-performing and impaired commitments	198,0	180,4	200,5
- Loss provisions	75,1	70,0	73,6
= Net non-performing and impaired commitments	122,9	110,4	126,9

Note 6 - Deposits from customers by sector and industry

	30.06.2019	30.06.2018	31.12.2018
Salaried employees	8.830,5	8.614,3	8.580,4
Public administration	503,2	446,5	518,1
Agriculture, forestry and fishing, etc.	95,6	130,1	116,9
Industry and mining, power and water supply	1.137,8	1.107,7	1.259,5
Building and construction	583,5	481,9	570,2
Wholesale and retail trade, hotels and restaurants	408,5	408,3	448,4
Transport and communications	204,1	191,6	223,8
Business financial services	1.300,7	1.145,6	1.306,9
Other service industries	813,6	801,3	826,1
Real estate sales and operation	1.005,1	845,1	915,3
Abroad	131,9	95,8	134,1
Total customer deposits	15.014,4	14.268,2	14.899,7

Note 7 - Loans to customers by sector and industry

	30.06.2019	30.06.2018	31.12.2018
Salaried employees	30.182,9	27.648,7	30.337,9
Agriculture, forestry and fishing, etc.	100,8	109,7	108,2
Industry and mining, power and water supply	89,5	76,8	69,2
Building and construction	488,1	397,2	417,1
Wholesale and retail trade, hotels and restaurants	153,5	138,7	135,6
Transport and communications	31,3	46,7	46,7
Business financial services	176,4	202,5	192,3
Other service industries	826,2	792,0	788,2
Real estate sales and operation	2.819,8	2.841,6	3.117,0
Abroad	35,7	23,7	36,6
Gross lending to customers	34.904,1	32.277,6	35.248,8
Loss provisions on loans	-102,5	-96,2	-101,4
Net lending to customers	34.801,6	32.181,4	35.147,4

Note 8 - Geographical distribution of lending, customers

	30.06.2019	30.06.2018	31.12.2018
Drammen	5.068,9	4.903,1	5.127,3
Nedre Eiker	2.474,5	2.421,0	2.458,4
Øvre Eiker	2.187,8	2.060,8	2.171,0
Rest of Buskerud	4.319,7	3.525,9	4.006,0
Oslo	6.749,5	6.243,3	7.087,6
Akershus	6.123,7	5.851,0	6.292,0
Vestfold	2.871,2	2.600,0	2.836,9
Østfold	1.723,8	1.602,4	1.698,0
Rest of Norway	3.349,4	3.046,4	3.535,0
Abroad	35,7	23,7	36,6
Gross lending to customers	34.904,1	32.277,6	35.248,8
Loss provisions on loans	-102,5	-96,2	-101,4
Net lending to customers	34.801,6	32.181,4	35.147,4

Note 9 - Credit risk

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

The parent bank and Sparebanken Øst Boligkreditt AS's portfolios are based on a risk classification consisting of 11 categories from A to K. Risk class A represents the lowest risk and risk class K represents the highest risk. In the Group, risk classes J and K consist of commitments where there is objective evidence of impairment and the commitments are being specifically monitored.

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

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

IAS 39 up to 31.12.2017

30.09.2017	Gross lending	Guarantee liability	Overdraft facilities	Commitments	%	Individual write-downs
A	11.278,8	7,2	1.027,4	12.313,9	38,3	0,0
B	5.216,9	10,8	187,1	5.414,8	16,8	0,0
C	5.607,2	33,1	125,0	5.765,3	17,9	0,0
D	3.505,2	41,8	103,4	3.650,4	11,3	0,0
E	2.901,1	17,3	49,4	2.967,8	9,2	0,0
F	908,5	4,2	19,9	932,6	2,9	0,0
G	333,3	0,7	4,8	338,8	1,1	0,0
H	215,5	0,8	2,2	218,5	0,7	0,0
I	117,4	0,0	0,5	117,9	0,4	0,0
J	147,7	1,3	0,0	149,0	0,5	29,3
K	105,9	1,5	0,0	107,4	0,3	33,1
Unallocated	188,8	1,4	8,5	198,7	0,6	0,0
Total	30.526,3	120,1	1.528,2	32.175,1	100,0	62,4

30.06.2018	Gross lending	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commitments	Loss provisions	Commitments	Loss provisions	Commitments	Loss provisions
						Group 1	Group 1	Group 2	Group 2	Group 3	Group 3*
A	12.251,3	5,4	1.049,8	13.306,5	39,3	13.302,3	0,7	4,2	0,0	0,0	0,0
B	5.556,1	33,4	185,2	5.774,7	17,0	5.767,8	1,1	6,4	0,0	0,5	0,0
C	5.407,2	31,1	134,9	5.573,2	16,4	5.565,9	2,3	6,8	0,0	0,5	0,0
D	5.448,9	32,2	109,8	5.590,9	16,5	5.588,5	4,7	2,4	0,0	0,0	0,0
E	784,8	3,2	25,5	813,5	2,4	710,6	0,9	102,9	0,4	0,0	0,0
F	1.038,1	2,6	7,7	1.048,4	3,1	955,6	1,8	92,2	0,4	0,6	0,6
G	1.163,4	0,0	2,3	1.165,7	3,4	947,9	3,4	217,8	1,9	0,0	0,0
H	220,9	1,2	0,2	222,3	0,7	133,8	1,7	88,5	2,0	0,0	0,0
I	33,5	0,0	0,2	33,7	0,1	32,9	1,1	0,8	0,0	0,0	0,0
J	164,8	1,2	0,3	166,3	0,5	14,5	0,2	20,9	0,5	130,9	5,0
K	195,1	1,5	0,1	196,7	0,6	15,8	0,4	38,1	1,6	142,8	66,1
Unallocated	13,5	0,0	0,0	13,5	0,0	13,2	0,0	0,3	0,0	0,0	0,0
TOTAL	32.277,6	111,8	1.516,0	33.905,4	100,0	33.048,8	18,3	581,3	6,8	275,3	71,7

* Step 3 provisions include individually assessed loss write-downs of NOK 68.8 million.

Note 9 - Credit risk (cont.)

31.12.2018	Gross lending	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commitments	Loss provisions	Commitments	Loss provisions	Commitments	Loss provisions
						Group 1	Group 1	Group 2	Group 2	Group 3	Group 3*
A	13.636,1	9,4	1.115,9	14.761,4	39,9	14.751,7	0,7	9,7	0,0	0,0	0,0
B	6.428,3	24,9	223,1	6.676,3	18,0	6.667,6	1,3	8,7	0,0	0,0	0,0
C	6.160,6	17,9	158,9	6.337,4	17,1	6.308,1	2,9	29,3	0,0	0,0	0,0
D	5.435,2	44,5	145,8	5.625,5	15,2	5.611,3	5,1	14,2	0,0	0,0	0,0
E	837,2	5,4	33,5	876,1	2,4	763,1	1,2	113,0	0,5	0,0	0,0
F	1.040,8	1,1	2,9	1.044,8	2,8	927,1	1,9	117,7	0,5	0,0	0,0
G	1.140,9	0,0	0,7	1.141,6	3,1	912,4	3,5	229,2	1,6	0,0	0,0
H	273,6	0,0	0,1	273,7	0,7	100,1	1,6	173,6	5,0	0,0	0,0
I	27,0	0,0	0,0	27,0	0,1	23,3	0,8	3,7	0,3	0,0	0,0
J	102,0	0,9	0,0	102,9	0,2	0,0	0,0	0,0	0,0	102,9	8,9
K	158,6	2,2	0,0	160,8	0,4	0,0	0,0	0,0	0,0	160,8	66,3
Unallocated	8,5	0,0	0,0	8,5	0,1	8,5	0,0	0,0	0,1	0,0	0,0
Total	35.248,8	106,3	1.680,9	37.036,0	100,0	36.073,2	19,0	699,1	8,0	263,7	75,2

* Group 3 provisions include individually assessed loss write-downs of NOK 73.1 million.

Note 10 - Classification of financial instruments

30.06.2019	Fair value through profit or loss			Total
	Held for trading	Measured at fair value	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	437,5	437,5
Net loans to and receivables from financial institutions	0,0	0,0	10,7	10,7
Net loans to and receivables from customers	0,0	397,5	34.404,1	34.801,6
Certificates and bonds	0,0	6.238,4	0,0	6.238,4
Shares and units	0,0	619,3	0,0	619,3
Financial derivatives**	273,3	0,0	0,0	273,3
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0
Total financial assets	273,3	7.255,2	34.852,3	42.380,8
Liabilities to financial institutions	0,0	0,0	300,5	300,5
Deposits from and liabilities to customers	0,0	0,0	15.014,4	15.014,4
Financial derivatives**	8,0	0,0	0,0	8,0
Securities issued	0,0	0,0	22.484,7	22.484,7
Subordinated loan capital	0,0	0,0	400,2	400,2
Total financial liabilities	8,0	0,0	38.199,8	38.207,8

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

30.06.2018	Fair value through profit or loss			Total
	Held for trading	Measured at fair value	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	565,5	565,5
Net loans to and receivables from financial institutions	0,0	0,0	60,9	60,9
Net loans to and receivables from customers	0,0	266,7	31.914,7	32.181,4
Certificates and bonds	0,0	4.813,3	0,0	4.813,3
Shares and units	0,0	547,8	0,0	547,8
Financial derivatives**	257,9	0,0	0,0	257,9
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0
Total financial assets	257,9	5.627,8	32.541,1	38.426,8
Liabilities to financial institutions	0,0	0,0	300,3	300,3
Deposits from and liabilities to customers	0,0	0,0	14.268,2	14.268,2
Financial derivatives**	46,6	0,0	0,0	46,6
Securities issued	0,0	0,0	19.684,0	19.684,0
Subordinated loan capital	0,0	0,0	351,0	351,0
Total financial liabilities	46,6	0,0	34.603,5	34.650,1

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

Note 10 - Classification of financial instruments (cont.)

31.12.2018	Fair value through profit or loss			Total
	Held for trading	Measured at fair value	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	603,1	603,1
Net loans to and receivables from financial institutions	0,0	0,0	9,5	9,5
Net loans to and receivables from customers	0,0	367,0	34.780,4	35.147,4
Certificates and bonds	0,0	5.173,1	0,0	5.173,1
Shares and units	0,0	606,8	0,0	606,8
Financial derivatives**	222,0	0,0	0,0	222,0
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0
Total financial assets	222,0	6.146,9	35.393,0	41.761,9
Liabilities to financial institutions	0,0	0,0	300,4	300,4
Deposits from and liabilities to customers	0,0	0,0	14.899,7	14.899,7
Financial derivatives**	30,7	0,0	0,0	30,7
Securities issued	0,0	0,0	21.970,8	21.970,8
Subordinated loan capital	0,0	0,0	400,0	400,0
Total financial liabilities	30,7	0,0	37.570,9	37.601,6

* 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 22 in the Annual Report for 2018 for further details of individual accounting items.

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

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

30.06.2018	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	266,7	266,7
Certificates and bonds	0,0	4.813,3	0,0	4.813,3
Shares and units	20,5	23,0	504,3	547,8
Financial derivatives	0,0	257,9	0,0	257,9
Total assets at fair value	20,5	5.094,2	771,0	5.885,7
Financial derivatives	0,0	46,6	0,0	46,6
Total liabilities at fair value	0,0	46,6	0,0	46,6

	Fixed interest loans	Shares through profit or loss	Total
Movements in level 3 for items valued at fair value			
Balance sheet as at 01.01.2018	255,7	466,1	721,8
Net realised gains	0,0	10,7	10,7
Additions	99,4	12,8	112,2
Disposals	90,6	11,4	102,0
Changes in value	2,2	26,1	28,3
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	266,7	504,3	771,0

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

31.12.2018	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	367,0	367,0
Certificates and bonds	0,0	5.173,1	0,0	5.173,1
Shares and units	21,6	23,0	562,2	606,8
- at fair value through profit or loss	0,0	0,0	0,0	0,0
- recognised at fair value through comprehensive income	0,0	0,0	0,0	0,0
Financial derivatives	0,0	222,0	0,0	222,0
Total assets at fair value	21,6	5.418,1	929,2	6.368,9
Financial derivatives	0,0	30,7	0,0	30,7
Total liabilities at fair value	0,0	30,7	0,0	30,7

	Fixed interest loans	Shares through profit or loss	Total
Movements in level 3 for items valued at fair value			
Balance sheet as at 01.01.2018	255,7	466,1	721,8
Net realised gains	0,0	10,7	10,7
Additions	221,2	12,8	234,0
Disposals	112,8	11,4	124,2
Changes in value	2,9	84,0	86,9
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	367,0	562,2	929,2

Note 12 - Securities issued and subordinated loan capital

Securities issued	30.06.2019	30.06.2018	31.12.2018
Bonds, nominal value	22.165,0	19.388,9	21.705,8
Value adjustments (incl. excess/deficit value)	178,5	155,9	170,9
Accrued interest	141,2	139,2	94,1
Total securities issued	22.484,7	19.684,0	21.970,8

Change for securities issued	30.06.2019	Issued value/redeemed		Change own holding	Other changes		31.12.2018
					incl. currency		
Bonds, nominal value	9.015,0	0,0	642,0	0,0	0,0		9.657,0
Covered bonds, nominal value in NOK	13.150,0	2.500,0	508,0	600,0	0,0		11.758,0
Covered bonds, nominal value in SEK (converted to NOK)	0,0	0,0	276,8	0,0	-14,0		290,8
Value adjustments (incl. excess/deficit value)	178,5	0,0	0,0	0,0	7,6		170,9
Accrued interest	141,2	0,0	0,0	0,0	47,1		94,1
Total securities issued	22.484,7	2.500,0	1.426,8	600,0	40,7		21.970,8

Change in subordinated loan capital	30.06.2019	Issued value/redeemed		Change own holding	Other changes		31.12.2018
					incl. currency		
Ordinary subordinated loan capital, nominal value	400,0	0,0	0,0	0,0	0,0		400,0
Hybrid tier 1 capital loans, nominal value	350,0	0,0	0,0	0,0	0,0		350,0
Value adjustments (incl. excess/deficit value)	-0,6	0,0	0,0	0,0	0,1		-0,7
Accrued interest	0,8	0,0	0,0	0,0	0,1		0,7
Total subordinated loan capital	400,2	0,0	0,0	0,0	0,2		400,0

Note 13 - Financial derivatives

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

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

30.06.2018	Fair value of hedging instruments			Value adjustment of
	Contract sum	Assets	Liabilities	hedging object Liabilities
Fair value through profit or loss				
Forward exchange contracts	12,4	0,2	0,0	
Interest rate swaps (IRS)	535,0	0,7	6,5	
Forward rate agreements (FRA)	2.000,0	0,0	0,0	
Total instruments recognised at fair value through profit or loss		0,9	6,5	
Used for hedge accounting				
Currency swap agreements	304,9	0,0	32,4	-31,9
Interest rate swaps (IRS)	5.615,0	257,0	7,7	148,4
Total instruments used for hedge accounting		257,0	40,1	116,5
Total derivatives		257,9	46,6	116,5

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

31.12.2018	Fair value of hedging instruments			Value adjustment of
	Contract sum	Assets	Liabilities	hedging object Liabilities
Fair value through profit or loss				
Forward exchange contracts	16,9	0,0	0,5	
Interest rate swaps (IRS)	765,0	0,9	8,8	
Total instruments recognised at fair value through profit or loss		0,9	9,3	
Used for hedge accounting				
Currency swap agreements	304,9	0,0	14,6	-14,0
Interest rate swaps (IRS)	7.315,0	221,1	6,8	160,7
Total instruments used for hedge accounting		221,1	21,4	146,7
Total derivatives		222,0	30,7	146,7

The difference between the fair value of hedging instruments and the value adjustment of a security is explained by 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, there has been no offsetting of amounts recognised on the balance sheet.

	Gross amount	Offset	Recognised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Exposure as at 30.06.2019						
Financial derivatives, assets	211,9	0,0	211,9	-6,0	-139,1	66,8
Financial derivatives, liabilities	6,6	0,0	6,6	-6,0	0,0	0,6
Exposure as at 30.06.2018						
Financial derivatives, assets	158,3	0,0	158,3	-39,3	-3,8	115,2
Financial derivatives, liabilities	39,3	0,0	39,3	-39,3	0,0	0,0
Exposure as at 31.12.2018						
Financial derivatives, assets	175,6	0,0	175,6	-17,1	-101,8	56,7
Financial derivatives, liabilities	17,6	0,0	17,6	-17,1	0,0	0,5

Note 15 - Net interest income

	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Interest income from loans to and receivables from financial institutions	0,9	0,4	1,7	0,9	2,2
Interest income from loans to customers	282,7	235,6	553,3	469,3	973,2
Interest income from certificates and bonds	25,8	18,0	48,9	33,9	73,6
Other interest income	0,0	0,0	0,0	0,0	0,0
Total interest income	309,4	254,0	603,9	504,1	1.049,0
Interest costs on liabilities to financial institutions	2,0	1,6	3,8	3,2	6,6
Interest on deposits from customers	35,6	29,5	70,3	58,1	122,8
Interest on securities issued	112,2	83,7	217,3	154,7	332,7
Interest on subordinated loan capital	2,8	2,4	5,5	5,2	10,3
Norwegian Banks Guarantee Fund levy	3,5	2,9	6,8	5,7	11,5
Total interest costs	156,1	120,1	303,7	226,9	483,9
Net interest income	153,4	133,9	300,1	277,2	565,1

*The Norwegian Banks Guarantee Fund levy was accrued on a monthly basis in 2017. In 2016, the levy was charged in its entirety in Q1.

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

	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Net changes in value and gains/losses on certificates and bonds	-0,3	-0,9	3,3	-3,4	-17,8
Net changes in value and gains/losses on shares and equity derivatives	2,9	40,1	9,2	40,8	99,6
Net changes in value and gains/losses on fixed-interest loans	0,0	0,9	-0,7	-0,8	-0,1
Net changes in value and gains/losses on other financial instruments	0,3	0,1	-3,6	5,8	4,6
Net value change and gains/losses on financial instruments	2,9	40,2	8,1	42,4	86,3

Note 17 - Operating costs

	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Payroll costs incl. AGA and Financial Activity Tax	25,8	31,0	67,3	66,5	149,3
Pension costs	3,1	3,2	6,2	6,3	12,7
Other personnel-related costs	1,3	2,1	3,7	5,6	10,0
IT costs	8,8	7,5	18,4	15,9	35,1
Other administrative costs	4,3	4,2	8,1	8,9	18,0
Depreciation/write-downs/changes in value for non-financial assets	6,4	3,1	12,6	6,4	13,7
Operating costs, properties and premises	1,8	4,7	4,7	9,8	21,1
Other operating costs	7,2	9,0	16,0	16,3	29,2
Total operating costs	58,7	64,8	137,0	135,7	289,1

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

Guarantee liability	30.06.2019	30.06.2018	31.12.2018
Payment guarantees	13,8	20,8	23,6
Contract guarantees	50,8	56,0	51,6
Loan guarantees	19,4	18,1	17,5
Other guarantee liabilities	10,9	16,9	13,6
Total guarantees to customers	94,9	111,8	106,3

Pledges of security	30.06.2019	30.06.2018	31.12.2018
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	410,0	711,0	711,0
Total pledges of security	410,0	711,0	711,0

The parent bank has issued a liquidity facility (revolving credit facility) to Sparebanken Øst Boligkreditt AS which guarantees timely payment of outstanding covered bonds (OMF) maturing in the next 12 months, including the coupon rate, principal and derivative contracts taken to

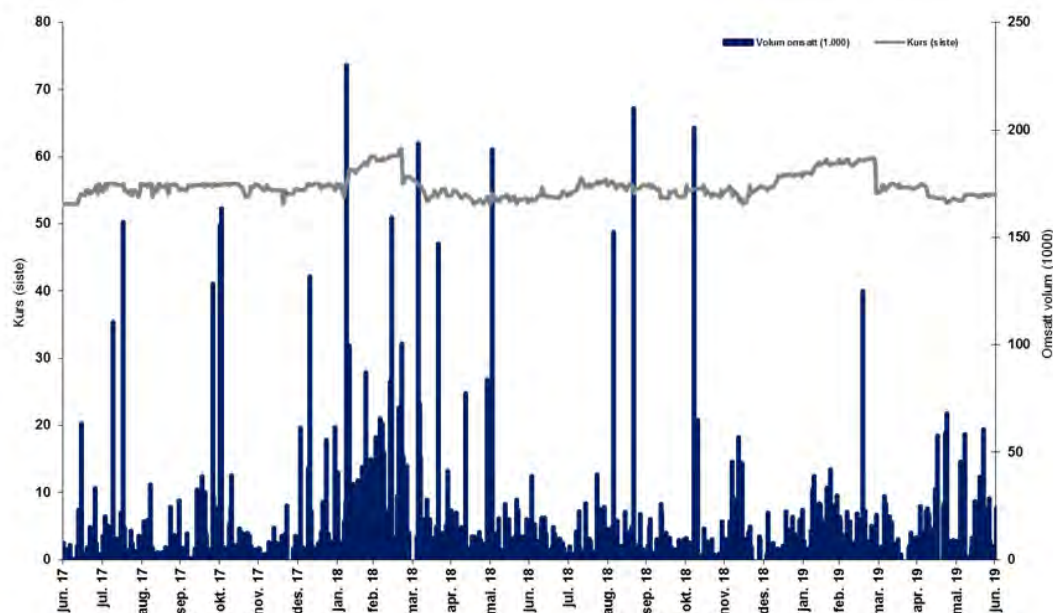
hedge covered bonds. In addition to the liquidity facility, Sparebanken Øst Boligkreditt AS has a NOK 3.0 billion credit line from the parent bank.

The parent bank's holdings of covered bonds had a face value of NOK 600.0 at 30.06.19, NOK 200.0 million at 30.06.18 and NOK 0.0 at 31.12.18 and are not included in the table below.

Preferential rights	30.06.2019	30.06.2018	31.12.2018
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nominal)	13.750,0	11.674,0	12.048,8
Total preferential rights	13.750,0	11.674,0	12.048,8

Note 19 - Equity certificates

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders at 30.06.2019

Name	Number	%	Name	Number	%
1 MP Pensjon	1.667.815	8,04 %	11 Profond AS	177.425	0,86 %
2 Cape Invest	1.420.000	6,85 %	12 Skandinaviska Enskilda Ba	173.000	0,83 %
3 Directmark	999.500	4,82 %	13 Tindra Eiendom AS	169.663	0,82 %
4 Verdipapirf	918.982	4,43 %	14 Johansen, Kjell Petter	152.000	0,73 %
5 Hansen, Ask	500.000	2,41 %	15 Løkke, Helge Arnfinn	148.433	0,72 %
6 Jag Holding	400.000	1,93 %	16 Morgan Stanley & Co. Inte	143.663	0,69 %
7 Foretakskor	310.128	1,50 %	17 Seriana AS	130.931	0,63 %
8 Wenaasgru	273.000	1,32 %	18 DnB NOR Markets	129.781	0,63 %
9 AS Anderse	238.900	1,15 %	19 Juel, Iver Albert	126.306	0,61 %
10 Storetind A	230.000	1,11 %	20 Nordnet Bank AB	126.097	0,61 %

Ownership fraction, parent bank

	01.01.2019	01.01.2018
Equity certificate capital	207,3	207,3
Share premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	308,8	310,7
Share of Fund for Unrealised Gains	92,1	68,3
Total numerator (A)	996,0	974,0
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3.069,5	2.831,6
Total denominator (B)	3.069,5	2.831,6
Ownership fraction (A/B) in %	32,45	34,40

Income Statement - Parent Bank

(Amounts in NOK million)	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Interest income	182,6	154,3	357,6	304,8	635,1
Auxiliary line for interest income	0,0		0,0		
Interest costs	93,9	75,2	184,7	145,3	307,9
Net interest income	88,7	79,1	172,9	159,5	327,2
Commission income and income from banking services	27,9	25,7	54,2	52,4	106,1
Commission costs and costs for banking services	5,2	3,7	10,2	7,4	17,5
Dividend	2,5	8,7	2,5	8,7	152,4
Net changes in value and gains/losses on financial instruments	2,2	40,3	13,6	46,9	91,7
Other operating income	2,2	1,2	4,2	2,6	4,7
Net other operating income	29,7	72,2	64,4	103,2	337,4
Payroll, etc.	25,7	31,8	66,5	67,6	148,0
Administration costs	10,5	9,3	21,1	20,0	43,8
Depreciation/write-downs/changes in value for non-financial assets	6,2	2,2	12,2	4,1	9,5
Other operating costs	7,7	11,7	16,4	21,9	41,1
Total operating costs	50,1	55,0	116,2	113,6	242,4
Profit/loss before losses	68,4	96,3	121,0	149,1	422,2
Losses on loans, unused credit and guarantees	0,0	2,5	0,7	1,2	2,9
Profit/loss before tax costs	68,3	93,8	120,4	147,9	419,3
Tax costs	16,0	12,5	28,0	26,0	45,4
Profit/loss after tax	52,4	81,3	92,4	121,9	373,9
Hybrid capital owners' share of the result	4,1	2,9	8,0	5,5	11,7
Equity certificate holders' and primary capital share of profits	48,3	78,4	84,4	116,4	362,2
Profit/loss after tax	52,4	81,3	92,4	121,9	373,9
Earnings per equity certificate	0,76	1,30	1,32	1,93	6,01
Diluted earnings per equity certificate	0,76	1,30	1,32	1,93	6,01

Other comprehensive income - parent bank

(Amounts in NOK million)	Q2 2019	Q2 2018	H1 2019	H1 2018	Full-year 2018
Profit/loss after tax	52,4	81,3	92,4	121,9	373,9
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	-5,9
Tax related to items that cannot be reclassified	0,0	0,0	0,0	0,0	1,4
Items that may later be reclassified to the income statement					
Lending at fair value	0,0	-0,2	0,0	-0,9	-0,9
Tax related to items that can be reclassified	0,0	0,0	0,0	0,2	0,2
Comprehensive income	52,4	81,1	92,4	121,2	368,7

Balance Sheet - Parent Bank

(Amounts in NOK million)	30.06.2019	30.06.2018	31.12.2018
Assets			
Cash and receivables from central banks	437,5	565,5	603,1
Loans to and receivables from financial institutions	2.471,4	2.111,6	2.155,1
Loans to and receivables from customers	17.371,6	17.623,5	19.716,6
Certificates and bonds	6.681,5	4.858,0	5.012,1
Shares and units	619,3	547,8	606,8
Financial derivatives	107,9	112,1	80,1
Ownership interests in Group companies	1.241,0	940,9	1.240,9
Deferred tax asset	7,2	4,3	7,2
Investment properties	0,0		
Tangible fixed assets	87,4	78,6	84,4
Lease rights	89,8	0,0	0,0
Other assets	5,5	3,7	5,2
Prepaid non-accrued costs and income earned, but not received	16,7	25,0	8,4
Total assets	29.136,5	26.871,0	29.519,9
Liabilities and equity			
Liabilities to financial institutions	586,5	549,6	540,8
Deposits from and liabilities to customers	15.098,7	14.343,8	14.974,3
Liabilities to the state, swap of covered bonds	0,0	0,0	
Financial derivatives	8,0	14,2	16,1
Securities issued	9.138,7	8.036,8	9.750,8
Other liabilities	207,7	180,3	190,0
Accruals and deferred income	25,9	29,6	32,6
Provisions for accrued costs and liabilities	76,3	66,6	76,2
Deferred tax liability	0,0	0,0	0,0
Commitments related to leases	90,1	0,0	0,0
Subordinated loan capital	400,2	351,0	400,0
Total liabilities	25.632,1	23.571,9	25.980,8
Paid-up equity	595,1	595,1	595,1
Hybrid capital	350,5	351,8	350,5
Retained earnings	2.558,9	2.352,2	2.593,5
Retained ordinary earnings	0,0	0,0	0,0
Total equity	3.504,4	3.299,1	3.539,1
Total liabilities and equity	29.136,5	26.871,0	29.519,9

Changes in equity - parent bank

	Paid-up equity			Hybrid capital	Retained earnings						
(Amounts in NOK million)	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Change in value of comprehensive income as reclass.	Other equity	Retained profit
30.06.2019											
Equity at 31.12.2018	3.539,1	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	0,2	0,0	0,0
Ordinary result	92,4	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	0,0	84,4
Change in lending at fair value through comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Changes in fair value of shares through comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	92,4	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	0,0	84,4
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0	0,0	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	0,0
Interest paid on hybrid capital	-8,0	0,0	0,0	-8,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Changes in endowment fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.06.2019	3.504,4	207,3	387,8	350,5	308,7	1.843,7	38,1	283,6	0,2	0,0	84,4

	Paid-up equity			Hybrid capital	Retained earnings						
(Amounts in NOK million)	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Change in value of comprehensive income as reclass.	Other equity	Retained profit
30.06.2018											
Equity at 31.12.2017	2.971,7	207,3	387,8	0,0	409,3	1.731,6	38,1	197,6	0,0	0,0	0,0
Implementation effect of IFRS 9	15,5	0,0	0,0	0,0	5,1	9,5	0,0	0,0	0,9	0,0	0,0
Reclassification of hybrid tier 1 capital	351,7	0,0	0,0	351,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2018	3.338,9	207,3	387,8	351,7	414,4	1.741,1	38,1	197,6	0,9	0,0	0,0
Ordinary result	121,9	0,0	0,0	5,5	0,0	0,0	0,0	0,0	0,0	0,0	116,4
Change in lending at fair value through comprehensive income	-0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,7	0,0	0,0
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	121,2	0,0	0,0	5,5	0,0	0,0	0,0	0,0	-0,7	0,0	116,4
Dividend to equity certificate holders 2017 - adopted	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-51,9	0,0	0,0	0,0	0,0	-51,9	0,0	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-7,2	0,0	0,0	-7,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	1,8	0,0	0,0	1,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.06.2018	3.299,1	207,3	387,8	351,8	310,7	1.689,2	38,1	197,6	0,2	0,0	116,4

	Paid-up equity			Hybrid capital	Retained earnings						
(Amounts in NOK million)	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Change in value of comprehensive income as reclass.	Other equity	Retained profit
2018											
Equity at 31.12.2017	2.971,7	207,3	387,8	0,0	409,3	1.731,6	38,1	197,6	0,0	0,0	0,0
Implementation effect of IFRS 9	15,5	0,0	0,0	0,0	5,1	9,5	0,0	0,0	0,9	0,0	0,0
Reclassification of hybrid tier 1 capital	351,7	0,0	0,0	351,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2018	3.338,9	207,3	387,8	351,7	414,4	1.741,1	38,1	197,6	0,9	0,0	0,0
Ordinary result	373,9	0,0	0,0	11,7	95,0	181,2	0,0	86,0	0,0	0,0	0,0
Change in lending at fair value through comprehensive income	-0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,7	0,0	0,0
Changes in fair value of shares through comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plans	-4,5	0,0	0,0	0,0	-1,6	-2,9	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	368,7	0,0	0,0	11,7	93,4	178,3	0,0	86,0	-0,7	0,0	0,0
Dividend to equity certificate holders 2017 - adopted	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-51,9	0,0	0,0	0,0	0,0	-51,9	0,0	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-16,8	0,0	0,0	-16,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	3,9	0,0	0,0	3,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-200,0	0,0	0,0	-200,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	200,0	0,0	0,0	200,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Changes in endowment fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 31.12.2018	3.539,1	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	0,2	0,0	0,0

Cash Flow Statement - Parent Bank

	30.06.2019	30.06.2018	31.12.2018
Operating activities			
Profit/loss before tax costs	120,4	147,9	419,3
Adjusted for:			
Change in net interest income earned and accrued interest costs	35,0	35,0	0,3
Net payment/disbursement of loans to financial institutions	-315,0	-127,9	-222,6
Net receipts/payments of loans to customers	2.350,2	1.047,7	-1.046,3
Change in certificates and bonds	-1.665,9	-500,7	-650,6
Changes in value of equities and units	-9,2	-39,6	-98,6
Change in other assets in connection with operations	-10,6	-16,8	-2,3
Net receipts/disbursement of borrowing from financial institutions	43,6	16,4	8,5
Net receipts/disbursement of deposits from customers	83,3	308,5	972,3
Change in other operating liabilities	1,0	-5,1	-7,9
Non-cash items included in profit before tax costs	7,9	6,5	17,4
Net gain/loss from investing activities	-0,1	-1,2	-1,5
Net gain/loss from financing activities	0,0	0,3	2,6
Net change in relation to investing activities	0,0	0,0	0,0
Taxes paid for the period	-47,5	-68,0	-68,0
Net cash flow from operating activities	A	593,1	803,0
Investing activities			
Payments on purchases of fixed assets	-8,9	-6,8	-17,9
Proceeds from sale of fixed assets	0,1	0,1	0,3
Net proceeds/costs on the sale/purchase of financial investments	-3,3	-23,1	-23,1
Net payment/disbursement concerning investments in subsidiaries	0,0	-50,0	-350,0
Net cash flow from investing activities	B	-12,1	-79,8
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions	0,0	-30,0	-30,0
Payments on repayment of securities	-642,0	-1.004,2	-2.114,4
Proceeds on issuance of securities	0,0	701,5	3.598,7
Payment of dividend	-95,4	-103,7	-103,7
Net payments on repayment of hybrid capital	0,0	0,0	-200,0
Net receipts on issue of hybrid capital	0,0	0,0	200,0
Interest paid on hybrid capital	-8,0	-7,2	-16,8
Net cash flow from financing activities	C	-745,4	-443,6
Net change in cash and cash equivalents	A+B+C	-164,4	279,6
Cash and cash equivalents at 01.01		612,6	346,9
Holding of cash and cash equivalents at the end of the period		448,2	612,6

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

Key Figures – Group

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Profitability					
1. Return on equity*	9,19	7,01	5,14	15,51	12,24
2. Net interest income as a % of average total assets	1,44	1,41	1,44	1,42	1,40
3. Profit/loss after tax as a % of average total assets	0,81	0,62	0,47	1,41	1,11
4. Costs as a % of average total assets	0,55	0,75	0,77	0,75	0,68
5. Costs as a % of income (before losses on loans/guarantees)*	33,65	47,11	52,21	31,89	32,86
6. Costs as a % of income (excl. return on financial investments)*	34,73	48,65	48,29	48,72	43,70
Balance sheet figures					
7. Net lending to customers	34.801,6	35.625,1	35.147,4	33.236,9	32.181,4
8. Lending growth (quarter)	-2,31	1,36	5,75	3,28	2,58
9. Deposits	15.014,4	14.856,5	14.899,7	14.618,8	14.268,2
10. Deposit growth (quarter)	1,06	-0,29	1,92	2,46	2,35
11. Average equity	3.576,1	3.504,8	3.513,4	3.484,1	3.364,7
12. Average total assets	42.572,8	42.231,4	40.688,6	39.063,3	38.280,8
Loss provisions on impaired and non-performing loans					
13. Losses as a % of net lending to customers (OB)*	0,04	0,05	0,09	0,02	0,08
14. Loss provisions as a % of gross lending to customers*	0,29	0,28	0,29	0,29	0,30
15. Net impaired and non-performing commitments as a % of net lending*	0,35	0,32	0,36	0,39	0,34
Financial strength					
16. CET1 capital ratio incl. 50% of retained earnings (%)	16,71	16,37	16,39	16,63	17,17
17. CET1 capital ratio (%)	16,35	16,22	16,39	15,80	16,69
18. Tier 1 capital ratio (%)	17,63	17,96	18,15	17,63	18,57
19. Capital adequacy ratio (%)	19,35	19,66	19,87	19,71	20,44
20. Risk-weighted volume (calculation basis)	20.003,5	20.165,2	19.959,5	19.160,2	18.640,8
21. Tier 1 leverage ratio incl. 50% of retained profit	8,29	8,46	8,48	8,79	8,97
22. Tier 1 leverage ratio (%)	8,13	8,39	8,48	8,39	8,75
Liquidity					
23. Deposit coverage ratio	43,14	41,70	42,39	43,98	44,34
24. LCR (%)	261,62	207,87	224,93	159,90	257,14
Branches and full-time equivalents					
25. No. of branches	27	27	27	27	27
26. Full-time equivalents	198	197	199	201	200
Equity certificates					
27. Ownership fraction (parent bank) (%)	32,45	32,45	34,40	34,40	34,40
28. No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
29. Book equity per equity certificate*	56,61	55,33	58,98	58,94	56,68
30. Earnings per equity certificate*	1,28	0,95	0,75	2,26	1,70
31. Dividend per equity certificate	0,00	0,00	4,60	0,00	0,00
32. Turnover rate	20,54	18,97	18,20	19,34	29,33
33. Price	54,40	54,60	55,60	55,80	53,20

* Defined as alternate performance target

Definition of key figures and alternative profit targets

Profitability

1. Return on equity*
The profit/loss that is attributable to equity certificates and primary capital as a % of average equity adjusted for hybrid capital. The key figure provides relevant information about the group's profitability by measuring its ability to generate profitability on equity. The return on equity is one of Sparebanken Øst's most important target figures.
2. Net interest income as a % of average total assets
Net interest income as a % of average total assets
3. Profit/loss after tax as a % of average total assets
Profit/loss after tax as a % of average total assets
4. Costs as a % of average total assets
Payroll, etc., administrative costs, amortisation and other operating costs as % of average total assets
5. Costs as a % of income (before losses on loans/guarantees)*
Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, dividends, net commission income, net value changes and gains/losses on financial instruments and other operating income. The key figure is used to provide information about the ratio between income and costs.
6. Costs as a % of income (excl. return on financial investments)*
Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, net commission income and other operating income. The key figure is used to provide information about the ratio between income and costs.

Balance sheet figures

7. Net lending to customers
Gross lending minus loss provisions
8. Lending growth (quarter/12 months)
Change in net lending as a % of OB net lending. Quarterly figures show growth in the quarter, while other figures show 12-month growth.
9. Deposits
Customer deposits
10. Deposit growth (quarter/12 months)
Change in deposits as a % of OB deposits. Quarterly figures show growth in the quarter, while other figures show 12-month growth.
11. Average equity
(OB equity (adjusted for hybrid capital) less proposed dividends + CB equity (adjusted for hybrid capital) less proposed dividends) / 2
12. Average total assets
Average total assets based on quarterly balance sheet figures

Loss provisions on impaired and non-performing loans

13. Losses as a % of net lending to customers (OB)*
Losses as % of OB net loans to customers for the period. The key figure indicates the recognised loss in relation to net lending at the beginning of the fiscal period and provides relevant information on the extent of the losses incurred by the group in relation to loan volume.
14. Loss provisions as a % of gross lending to customers*
Total loss provisions, groups 1, 2 and 3, as a % of gross lending. This key figure provides relevant information about credit risk and is deemed useful additional information in addition to that stated in the loss notes.
15. Net impaired and non-performing commitments as a % of net lending*
Net impaired and non-performing commitments as % of net loans to customers. This key figure provides relevant information about credit risk and is deemed useful additional information in addition to that stated in the loss notes.

Financial strength

16. 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)
17. CET1 capital ratio (%)
CET1 capital as a % of the risk-weighted volume (calculation basis)
18. Tier 1 capital ratio (%)
Tier 1 capital as a % of the risk-weighted volume (calculation basis)
19. Capital adequacy ratio (%)
Total primary capital as a % of the risk-weighted volume (calculation basis)
20. Risk-weighted volume (calculation basis)
Total credit and counterparty risk, currency risk, operational risk and calculation basis for impaired counterparty credit rating (CVA)
21. Tier 1 leverage ratio incl. 50% retained earnings (%)
Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of the unweighted basis for calculation.
22. Tier 1 leverage ratio (%)
Tier 1 capital as a % of unweighted calculation basis

Liquidity

23. Deposit coverage ratio
Deposits as a % of net loans to customers
24. LCR (%)
Liquid assets as a % of net payments in a stress scenario lasting 30 days

Branches and full-time equivalents

25. No. of branches
26. Full-time equivalents

Equity certificates

27. 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 on issue).
28. No. of equity certificates
Total no. of outstanding equity certificates
29. 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.
30. 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.
31. Dividend per equity certificate
Dividend in NOK per equity certificate
32. Turnover rate
Annualised turnover rate (traded as a % of issued)
33. Price
The most recently traded price on the Oslo Stock Exchange as at the balance sheet date.

* Defined as alternate performance target

Financial Performance - Group

(Amounts in NOK million)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Interest income	309,4	294,4	281,9	263,0	254,0
Interest costs	0,0	0,0			
Net interest income	153,4	146,8	148,0	139,9	133,9
Commission income and income from banking services	22,6	21,0	23,3	21,2	21,6
Commission costs and costs for banking services	11,2	11,3	12,0	11,5	10,0
Dividend	2,5	0,0	0,0	24,3	8,7
Net changes in value and gains/losses on financial instruments	2,9	5,2	-12,3	56,2	40,2
Other operating income	4,2	4,5	4,5	2,9	2,8
Net other operating income	21,0	19,4	3,5	93,1	63,3
Payroll, etc.	30,2	47,0	47,1	46,5	36,3
Administration costs	13,1	13,4	15,2	13,1	11,7
Depreciation/write-downs/changes in value for non-financial assets	6,4	6,2	3,7	3,6	3,1
Other operating costs	9,0	11,7	13,1	11,1	13,7
Total operating costs	58,7	78,3	79,1	74,3	64,8
Profit/loss before losses	115,7	87,9	72,4	158,7	132,4
Losses on loans, unused credit and guarantees	3,7	4,2	7,6	1,3	6,6
Profit/loss before tax costs	112,0	83,7	64,8	157,4	125,8
Tax costs	26,0	19,1	16,1	18,2	20,2
Profit/loss after tax	85,9	64,5	48,7	139,2	105,6
Hybrid capital owners' share of the result	4,1	3,9	3,2	3,0	2,9
Equity certificate holders' and primary capital share of profits	81,9	60,6	45,5	136,2	102,7
Profit/loss after tax	85,9	64,5	48,7	139,2	105,6
Earnings per equity certificate	1,28	0,95	0,75	2,26	1,70
Diluted earnings per equity certificate	1,28	0,95	0,75	2,26	1,70

Other comprehensive income performance - Group

(Amounts in NOK million)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Profit/loss after tax	85,9	64,5	48,7	139,2	105,6
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	0,0	0,0	-5,3	0,0	0,0
Tax related to items that cannot be reclassified	0,0	0,0	1,3	0,0	0,0
Comprehensive income	85,9	64,5	44,7	139,2	105,6

Balance sheet performance - Group

(Amounts in NOK million)	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Assets					
Cash and receivables from central banks	437,5	244,9	603,1	259,3	565,5
Loans to and receivables from financial institutions	10,7	10,2	9,5	11,1	60,9
Loans to and receivables from customers	34.801,6	35.625,1	35.147,4	33.236,9	32.181,4
Certificates and bonds	6.238,4	5.481,4	5.173,1	4.828,9	4.813,3
Shares and units	619,3	613,1	606,8	611,5	547,8
Financial derivatives	273,3	223,6	222,0	227,3	257,9
Ownership interests in Group companies	0,0	0,0	0,0	0,0	0,0
Deferred tax asset	0,0	0,0			
Investment properties	59,5	59,7	59,9	60,2	60,4
Tangible fixed assets	135,9	135,8	134,2	133,2	128,7
Lease rights	52,9	55,2	0,0	0,0	0,0
Other assets	18,3	15,0	19,6	15,8	91,7
Prepaid non-accrued costs and income earned, but not received	17,8	16,3	6,9	10,5	24,3
Total assets	42.665,2	42.480,3	41.982,5	39.394,7	38.731,9
Liabilities and equity					
Liabilities to financial institutions	300,5	301,8	300,4	301,6	300,3
Deposits from and liabilities to customers	15.014,4	14.856,5	14.899,7	14.618,8	14.268,2
Liabilities to the state, swap of covered bonds	0,0	0,0	0,0	0,0	0,0
Financial derivatives	8,0	12,9	30,7	48,4	46,6
Securities issued	22.484,7	22.438,0	21.970,8	19.590,5	19.684,0
Other liabilities	319,5	401,7	313,4	220,9	197,3
Accruals and deferred income	35,5	47,5	41,2	42,2	37,7
Provisions for accrued costs and liabilities	78,5	78,4	78,4	69,2	69,2
Deferred tax liability	3,2	2,6	3,7	10,1	9,8
Commitments related to leases	53,2	55,3	0,0	0,0	0,0
Subordinated loan capital	400,2	400,1	400,0	465,3	351,0
Total liabilities	38.697,7	38.594,7	38.038,3	35.367,0	34.964,1
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	350,5	350,5	350,5	475,5	351,8
Retained earnings	3.022,0	2.940,1	2.998,6	2.957,1	2.820,9
Retained ordinary earnings	0,0	0,0	0,0	0,0	0,0
Total equity	3.967,5	3.885,7	3.944,2	4.027,7	3.767,8
Total liabilities and equity	42.665,2	42.480,3	41.982,5	39.394,7	38.731,9