

177th year

QUARTERLY REPORT

Q3 2019



Interim report, Q3 2019

Key figures - Group	3
The Board's report	4
Financial statements for the Sparebanken Øst Group	
Income Statement	15
Balance Sheet	16
Changes in Equity	17
Cash Flow Statement	18
Note 1 Basis for preparation of the financial statements	19
Note 2 Operating segments	20
Note 3 Capital adequacy	21
Note 4 Losses on loans, unused credit and guarantees	23
Note 5 Non-performing and impaired commitments, customers	24
Note 6 Deposits from customers by sector and industry	25
Note 7 Loans to customers by sector and industry	25
Note 8 Geographical distribution of lending, customers	25
Note 9 Credit risk	26
Note 10 Classification of financial instruments	28
Note 11 Financial instruments at fair value	30
Note 12 Securities issued and subordinated loan capital	32
Note 13 Financial derivatives	33
Note 14 Financial derivatives - offsetting	34
Note 15 Net interest income	35
Note 16 Net changes in value and gains/losses on financial instruments	35
Note 17 Operating costs	35
Note 18 Guarantee liability and other off-balance sheet items	36
Note 19 Equity certificates	37
Financial Statements for Sparebanken Øst Parent Bank	
Income Statement	38
Balance Sheet	39
Changes in Equity	40
Cash Flow Statement	41
	41
	30
Additional Information - Sparebanken Øst Group	
Key figures	42
Definition of key figures and alternative performance indicators	43
Financial performance	44
Balance sheet performance	45

Key figures - Group

	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Net interest income	165,6	139,9	465,7	417,1	565,1
Net commission income	12,3	9,7	33,5	34,6	45,9
Net result from financial assets	10,7	80,5	21,4	131,6	119,3
Other operating income	3,4	2,9	12,0	22,8	27,3
Total net income	192,0	233,0	532,6	606,1	757,6
Total operating costs	68,8	74,3	205,8	210,0	289,1
Profit/loss before losses	123,2	158,7	326,8	396,1	468,5
Losses on loans, unused credit and guarantees	3,4	1,3	11,3	10,0	17,6
Profit/loss before tax costs	119,8	157,4	315,5	386,1	450,9
Tax costs	24,2	18,2	69,3	60,6	76,7
Profit/loss after tax	95,7	139,2	246,1	325,5	374,2

Key figures	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Profitability					
Return on equity*	9,81	15,51	8,68	12,49	10,81
Net interest income as a % of average total assets	1,53	1,42	1,46	1,46	1,45
Profit/loss after tax as a % of average total assets	0,89	1,41	0,77	1,14	0,96
Costs as a % of average total assets	0,64	0,75	0,65	0,73	0,74
Costs as a % of income (before losses on loans/guarantees)*	35,85	31,89	38,64	34,65	38,16
Costs as a % of income (excl. return on financial investments)*	37,97	48,72	40,26	44,26	45,29
Balance sheet figures					
Net lending to customers	34.733,3	33.236,9	34.733,3	33.236,9	35.147,4
Lending growth (quarter/12 months)	-0,20	3,28	4,50	9,25	13,48
Deposits	15.072,0	14.618,8	15.072,0	14.618,8	14.899,7
Deposit growth (quarter/12 months)	0,38	2,46	3,10	4,86	6,64
Average equity	3.662,3	3.484,1	3.591,0	3.393,8	3.354,9
Average total assets	42.836,9	39.063,3	42.534,1	38.237,6	38.986,6
Loss provisions on impaired and non-performing loans					
Losses as a % of net lending to customers (OB)*	0,04	0,02	0,04	0,04	0,06
Loss provisions as a % of gross lending to customers*	0,30	0,29	0,30	0,29	0,29
Net impaired and non-performing commitments as a % of net lending*	0,37	0,39	0,37	0,39	0,36
Financial strength					
CET1 capital ratio incl. 50% of retained earnings (%)	16,73	16,63	16,73	16,63	16,39
CET1 capital ratio (%)	16,15	15,80	16,15	15,80	16,39
Tier 1 capital ratio (%)	17,89	17,63	17,89	17,63	18,15
Capital adequacy ratio (%)	19,59	19,71	19,59	19,71	19,87
Risk-weighted volume (calculation basis)	20.134,9	19.160,2	20.134,9	19.160,2	19.959,5
Tier 1 leverage ratio incl. 50% of retained earnings (%)	8,52	8,79	8,52	8,79	8,48
Tier 1 leverage ratio (%)	8,26	8,39	8,26	8,39	8,48
Liquidity					
Deposit coverage ratio	43,39	43,98	43,39	43,98	42,39
LCR (%)	257,83	159,90	257,83	159,90	224,93
Branches and full-time equivalents					
No. of branches	27	27	27	27	27
Full-time equivalents	198	201	198	201	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*	58,03	58,94	58,03	58,94	58,98
Earnings per equity certificate*	1,42	2,26	3,65	5,26	6,01
Dividend per equity certificate	0,00	0,00	0,00	0,00	4,60
Turnover rate	9,97	19,34	16,28	31,46	28,16
Price	52,40	55,80	52,40	55,80	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

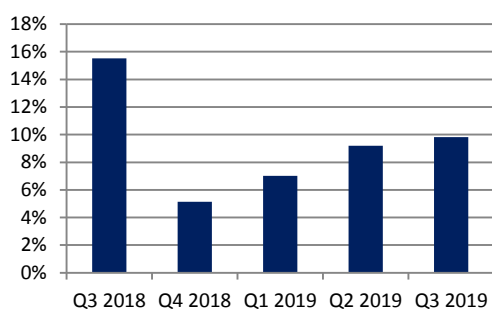
Sparebanken Øst achieved a profit after tax of NOK 95.7 million in the third quarter of 2019, which represents a return on equity of 9.81 per cent. Earnings per equity certificate in the quarter were NOK 1.42. Net interest income increased by NOK 25.7 million from the same period last year. The portfolio of net impaired and non-performing commitments remains very low and at the end of the quarter amounted to 0.37 per cent of net lending. Losses on loans to customers are modest and amounted to NOK 3.4 million for the quarter.

The profit after tax as at 30 September 2019 amounted to NOK 246.1 million, which represents a return on equity of 8.68 per cent. Earnings per equity certificate were NOK 3.65. Net interest income increased by NOK 48.6 million from the same period last year. The bank's CET1 capital ratio is very solid (incl. 50 per cent of retained earnings), at 16.73 per cent. Losses on loans to customers amounted to NOK 11.3 million in the first three quarters of 2019. Lending growth over the last 12 months was 4.50 per cent, while deposits from customers increased by 3.10 per cent in the same period.

Results for the quarter

Sparebanken Øst achieved a profit after tax of NOK 95.7 million for Q3 2019. The profit after tax for the third quarter of 2018 was NOK 139.2 million. The return on equity in the quarter was 9.81 per cent, compared with 15.51 per cent for the same quarter in 2018. Underlying banking operations have made a significantly increased profit contribution compared with the same quarter last year. Due to reduced returns from financial investments, the group has achieved a lower profit than during the same quarter last year.

The table below presents the return on equity in the last five quarters.



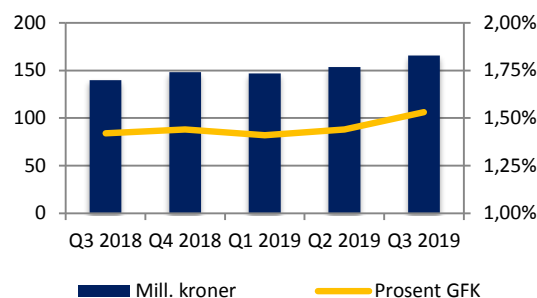
Net interest income

Net interest income increased by NOK 25.7 million to NOK 165.6 million in Q3 2019, compared to NOK 139.9 million in the same quarter of 2018. Net interest income amounted to 1.53 per cent of average total assets in the

third quarter of 2019. The equivalent for the same quarter of 2018 was 1.42 per cent.

The lending portfolios have been repriced on the basis of Norges Bank's changes to the key interest rate. Developments in the money market rates and strong competition contributed to ongoing pressure on net interest income during Q3 of 2019 despite the fact that net interest income increased. Compared with Q2 2019, net interest income increased by NOK 12.2 million during Q3 2019, and net interest income as a percentage of average total assets increased by 0.09 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 26.5 million in the third quarter of 2019, compared with NOK 93.1 million in the same quarter in 2018.

- Net commission income amounted to NOK 12.3 million, an increase of NOK 2.6 million compared with the same quarter last year.
- NOK 26.4 million in dividends were recognised as income in the third quarter of 2019, and relate to the repayment of equity issued by Frende Holding AS. By comparison, NOK 24.3 million in dividends were recognised during the third quarter of 2018, which related to the repayment of equity from Eksportfinans ASA.
- Net value changes and gains/losses from financial instruments amounted to a loss of NOK 15.7 million, a decrease of NOK 71.9 million compared with the same period last year. Positive value changes related to shares and equity rights in Visa Inc. total NOK 3.5 million in the quarter, compared to an increase of NOK 3.8 million in the same quarter of 2018. Negative value changes to shares in Frende Holding AS totalled NOK 10.7 million in the quarter, compared to a positive value change of NOK 83.3 million in the same quarter last year. The value of the liquidity portfolio dropped by NOK 6.6 million in the third quarter of 2019, compared with a reduction of NOK 5.8 million in the same quarter in 2018. Shares in Eksportfinans ASA were revalued during the third quarter of 2018 as being worth NOK 24.2 million less in relation to the repayment of equity that was recognised as dividends.
- Other operating income amounted to NOK 3.4 million in the third quarter of 2019, compared with NOK 2.9 million in the same quarter of 2018.

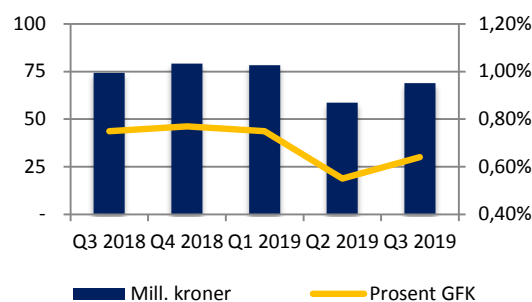
Operating costs

Total operating costs were NOK 68.8 million in the third quarter of 2019, equivalent to 0.64 per cent of average total assets. This is a

reduction of NOK 5.5 million compared with the same period last year, during which total operating costs amounted to NOK 74.3 million, equivalent to 0.75 per cent. The changes concern the following:

- Payroll costs amounted to NOK 42.1 million, compared with NOK 46.5 million in the same quarter last year. This decrease is primarily related to provisions for profit sharing and costs related to the bank's 175th anniversary in 2018.
- Administrative costs amounted to NOK 13.0 million in the third quarter of 2019, compared with NOK 13.1 million in the same quarter in 2018.
- Depreciation amounts to NOK 6.5 million in the third quarter of 2019 compared with NOK 3.6 million in the third 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 7.2 million in the third quarter of 2019, compared with NOK 11.1 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

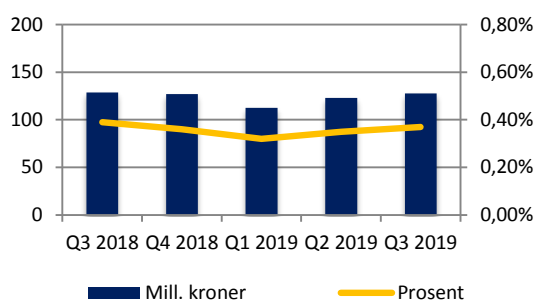
Net impaired and non-performing

commitments are very low and amounted to 0.37 per cent of net lending at the end of the third quarter of 2019, compared with 0.39 per cent for the third quarter of 2018.

Losses on loans to customers amounted to NOK 3.4 million in the third quarter of 2019. For comparison, losses on loans amounted to NOK 1.3 million in the third quarter of 2018.

At the end of the quarter, total loss provisions amounted to NOK 105.8 million, corresponding to 0.30 per cent of gross lending to customers. Individual write-downs amounted to NOK 77.2 million at the end of the third quarter of 2019, compared with NOK 69.0 million at the end of the third 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 year to date

Sparebanken Øst achieved a profit after tax of NOK 246.1 million at the end of the third quarter of 2019. The equivalent profit after tax at the end of the third quarter of 2018 was NOK 325.5 million. Return on equity in the year to date was 8.68 per cent, compared with 12.49 per cent for the same period last year. Underlying banking operations generated an increased profit contribution through increased net interest income and reduced costs compared with the same period last year. The reduced profits to date this year compared with the same period last year relate primarily to reduced profit contributions from share holdings in Frende Holding AS, Eksportfinans ASA and Vipps AS (owned via Balder Betaling AS), which amount to NOK 111.2 million.

Net interest income amounted to NOK 465.7 million and increased by NOK 48.6 million compared with the same period last year.

Net commission income amounted to NOK 33.5 million, which represents a reduction of NOK 1.1 million compared with the same period in 2018.

Dividends received to date this year amount to NOK 28.9 million and relate almost entirely to repayments of equity from Frende Holding AS totalling NOK 26.4 million. By comparison, dividends in the corresponding period last year amounted to NOK 33 million, of which NOK 24.3 million related to the receipt of repaid equity from Eksportfinans ASA and NOK 8.6 million related to dividends from Frende Holding AS.

Net value changes and gains/losses from financial instruments amounted to a loss of NOK 7.6 million to date this year, a decrease of NOK 106.2 million compared with the same period last year. Positive value changes related to shares and equity rights in Visa Inc. totalled NOK 12.7 million to date this year, compared to an increase of NOK 9.1 million in the same period last year. Negative value changes to shares in Frende Holding AS totalled NOK 10.7 million to date this year, compared to a positive value change of NOK 83.3 million in the same period last year. The value of the liquidity portfolio fell by NOK 2.9 million to date this year, compared with an decrease of NOK 4.9 million in the same period last year. To date in 2019, a loss of NOK 6.5 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 3.9 million. During the same period in 2018, the Vipps merger made a positive contribution to the final profit/loss of NOK 10.7 million.

Other operating income amounted to NOK 12.0 million for the year to date, compared with NOK 22.8 million at the end of the third quarter of 2018. This reduction is primarily related to gains from the sale of real estate in 2018 worth NOK 11.3 million.

Total operating costs amounted to NOK 205.8 million and were reduced by NOK 4.2 million compared with the same period last year. This

reduction is related to salary-related costs and is primarily due to reduced provisions for profit sharing and costs related to the bank's 175th anniversary in 2018.

Losses on loans to customer amounted to NOK 11.3 million at the end of the third quarter, compared with NOK 10.0 million at the end of the same period in 2018.

Balance sheet as at 30.09.2019

Total assets increased by NOK 3,613.8 million compared with 30.09.2018 and amounted to NOK 43,008.5 million at the end of the third quarter of 2019.

Assets

- Cash and receivables at central banks amounted to NOK 440.7 million as at 30.09.2019, compared with NOK 259.3 million as at 30.09.2018.
- Net lending to financial institutions amounted to NOK 8.5 million as at 30.09.2019, compared with NOK 11.1 million as at 30.09.2018.
- Net lending to customers amounted to NOK 34,733.3 million as at 30.09.2019, compared with NOK 33,236.9 million as at 30.09.2018. This represents an increase of NOK 1,496.4 million in the last 12 months, or 4.50 per cent. Net lending to retail customers increased by 4.27 per cent, while net lending to business customers increased by 5.87 per cent. Lending growth is lower than overall credit growth, and significantly lower than the lending growth rate of 9.25 per cent that was recorded at the end of the corresponding period last year. Gross lending to retail customers accounted for 85.5 per cent of the total lending to customers as at 30.09.2019.
- Holdings of certificates and bonds amounted to NOK 6,589.7 million as at 30.09.2019, compared with NOK 4,828.9 million as at 30.09.2018. Liquidity reserves

measured using LCR totalled 257.8 per cent as at 30.09.2019, compared with 159.9 per cent as at 30.09.2018. 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 627.1 million as at 30.09.2019, compared with NOK 611.5 million as at 30.09.2018.

The bank's stake in Frende Holding AS constitutes 13.19 per cent and the shareholding is valued at NOK 307.6 million as at 30.09.2019. 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 30.09.2019.

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 30.09.2019. 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 30.09.2019.

The bank owns 'C' shares in Visa Inc. The stake was valued at NOK 29.9 million at 30.09.2019. 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 23.0 million as at 30.09.2019.

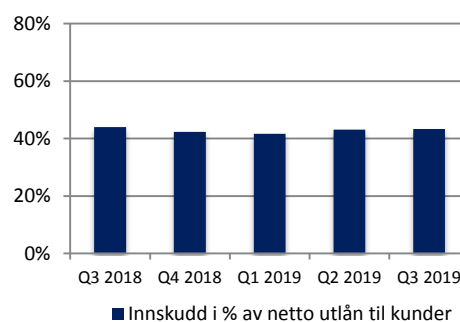
During the third quarter of 2019, the bank invested NOK 15.0 million in Norwegian Block Exchange AS (NBX), which represents a stake of 16.3 per cent. Sparebanken Øst believes that it is important to gain access to knowledge and obtain experience of key digital development areas in the financial industry. Sparebanken Øst wishes to learn from and understand disruptive initiatives

in order to ensure it can assume the best possible position in the competition for future customers. There is a high degree of risk in NBX, however the investment is only of marginal financial significance to the bank. The bank holds the view that the stake in NBX is justifiable on the basis of the bank's financial strength and risk profile, and that it is responsible in relation to the bank's needs and wishes to keep pace with technological developments in the industry.

Liabilities

- Deposits from customers amounted to NOK 15,072.0 million as at 30.09.2019, compared with NOK 14,618.8 million as at 30.09.2018. This is an increase of NOK 453.2 million, or 3.10 per cent, in the last 12 months. The deposit coverage ratio in the Group at the end of the third quarter of 2019 was 43.39 per cent, compared with 43.98 per cent at the end of the third quarter of 2018.
- Securities issued amounted to NOK 22,579.6 million as at 30.09.2019, compared with NOK 19,590.5 million at 30.09.2018. The degree of stable and long-term financing measured by NSFR is 117.5 per cent as at 30.09.2019 versus 116.0 per cent as at 30.09.2018. The average maturity on market funding is 3.29 years as at 30.09.2019, compared with 3.20 years as at 30.09.2018.
- Other long-term borrowing amounted to NOK 302.2 million as at 30.09.2019, compared with NOK 301.6 million as at 30.09.2018.
- Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 2,050.0 million as at 30.09.2019.

The figure below shows the deposit coverage ratio for the last five quarters.



Capital adequacy

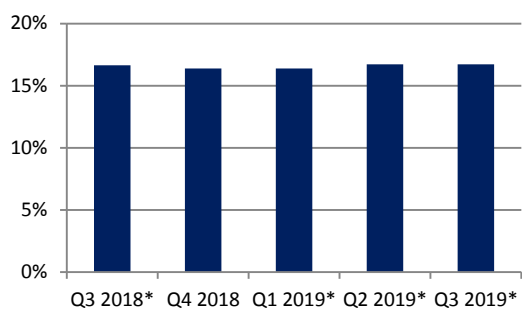
- The capital adequacy ratio measured as CET1 capital including 50 per cent of equity certificate holders' and primary capital share of profits amounted to 16.73 per cent at the end of the third quarter of 2019, down from 16.39 per cent at the end of 2018.
- The Group's Pillar 2 requirement is 2.3 per 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 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 third quarter of 2019 amounted to NOK 3,944.8 million, of which NOK 3,602.0 million constituted the Group's CET1 capital. Given a basis for calculation of NOK 20,134.9 million, this corresponds to a capital adequacy ratio of 19.59 per cent, of which 17.89 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 3 leverage ratio, including 50 per cent of equity certificate holders' and primary capital share of profits for the year to date, of 8.52 per cent

at the end of Q3 2019, against 8.79 per cent at the end of Q3 2018. The unweighted requirement for CET1 capital is 5.0 per cent.

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



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

Risk

Credit risk

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

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

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

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

Within the retail and business markets, the capacity and willingness to pay are key aspects of 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 the risk posed to the bank of losses resulting from inadequate or failing internal processes or systems, human error or malpractice, or external events. Operational risk also encompasses compliance risk, i.e. the risk of non-compliance with applicable legislation, regulations and internal governance documents.

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 any significant losses due to the failure of internal processes, systems, human error or unforeseen events as at 30.09.2019.

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. There are stable prospects for the bank's ratings and these were most recently confirmed in October 2019 by Moody's Investors Service. Covered bonds issued by Sparebanken Øst Boligkreditt AS have an AAA rating from Moody's.

Subsidiaries

Sparebanken Øst Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Øst and 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 third quarter of 2019, the loan-to-value ratio (LTV) of the security portfolio was 47.5 per cent, compared with 45.6 per cent at the end of the third quarter of 2018.

At 30.09.2019, the company's total assets amounted to NOK 15,970.5 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. The profit after tax at the end of the third quarter of 2019 was NOK 63.8 million, compared with NOK 55.1 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 achieved a profit after tax of NOK 28.8 million at the end of the third quarter of 2019 compared with NOK 27.8 million in the same period last year. Total assets amounted to NOK 2,139.0 million. The company had 18 employees, corresponding to 18 full-time equivalents, at the end of third 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 7.6 million at the end of the third quarter of 2019, compared with NOK 20.0 million in the same period last year. NOK 11.3 million in profit from the sale of real estate was recognised as income in 2018. As at the end of the third quarter of 2019, there is a profit after tax of NOK 1.0 million, compared with NOK 12.2 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. As at the end of the third quarter of 2019, there is a profit after tax of NOK 0.6 million, 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. The company's operating income amounted to NOK 6.1 million at the end of the third quarter of 2019, and is at the same level as at the end of the third quarter of 2018. As at the end of the third quarter of 2019, there is a loss after tax of NOK 0.2 million, compared with a profit of NOK 0.2 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. Frende Holding AS achieved a profit after tax of NOK 218.4 million at the end of the third quarter of 2019, compared with NOK 47.0 million in the same period last year.

Frende Skade recorded a profit after tax of NOK 138.7 million, compared to loss of NOK 19.1 million for the same period last year. Levels of large losses remain at the same level as last year, while there has been positive development in terms of the frequency of claims for cars and buildings. The profit to date this year is NOK 137.9 million before tax, compared with NOK 51.8 million during the same period last year. The company has a total premium stock of NOK 2,100 million, an increase from NOK 1,950 million at the same time last year. The premium stock is distributed across 165,000 customers, and the

company's market share is 3.5 per cent. The claims rate at the end of the third quarter of 2019 was 79.9 per cent, against 87.2 per cent in the same period last year, and the company's combined ratio was 97.7 per cent, against 105.8 per cent in the same period last year.

Frende Liv had a profit after tax of NOK 90.9 million, compared to a profit of NOK 68.6 million for the same period last year. The company has a total premium stock, including savings premiums, of NOK 968 million, up from NOK 885 million at the same time last year.

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 remains good growth in the Norwegian economy, but economic growth has slowed for Norway's most important trading partners. Oil prices have fallen significantly during the last month. Nevertheless, the labour market has improved further, and registered unemployment has fallen further.

Consumer prices in September were 1.5 per cent higher than in the same month last year. Core inflation was 2.2 per cent in September, which is above Norges Bank's inflation targets of 2.0 per cent. The Norwegian krone remains significantly weaker than expected, largely due to international uncertainty about a range of political and trade economic issues. Housing price growth has been moderate during 2019: house prices decreased by 0.3 per cent during the last three months. The rate of growth for household debt is somewhat lower than in recent years.

Norges Bank increased the key interest rate by 0.25 per cent to 1.50 per cent on 19 September, and it is now assumed that the rate will remain at this level for some time to come. Money market rates have increased significantly from the year-end, and three-month NIBOR stood at 1.77 per cent at the end of September.

Outlook

Sparebanken Øst does most of its business in the East of Norway. Further growth is expected in the Norwegian economy, but it is anticipated that this growth will decrease in future. The economic situation remains positive and we may expect continued low unemployment and stable housing prices going forward. Any tightening of the mortgage regulation will

result in increased uncertainty relating to house price trends.

Based on Norges Bank's increase to the key interest rate on 19 September 2019, repricing has been carried out on a large proportion of the lending portfolios, which will take effect from November 2019. Very strong competition means there continues to be pressure on net interest income, which has an impact on estimated future growth. Despite the prospect of stable money market rates, borrowing costs are still expected to increase during the fourth quarter of 2019.

Sparebanken Øst sees the need to work in a targeted fashion to prepare standards for green products and the issuance of green bonds. Going forward, resources will be allocated to the development of the bank's strategy and actions in order to ensure that Sparebanken Øst becomes a contributor to sustainable development.

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. Net lending to customers is expected to be at around the same level at the end of 2019 as was the case as at 31.12.2018. 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 significant 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 before the end 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, will lead to a reduction in the capital requirements somewhere in the interval of 30.09.2019 to 50 basis points (based on the

calculation basis as at 30.09.2019). 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 method 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 banks using the IRB method in relation to banks using the standard method. Together with 92 other standard method banks, Sparebanken Øst has submitted a joint response to the consultation concerning the proposal, noting that it is unbalanced and affects standard method banks. Sparebanken Øst and the other 92 banks believe that a decisive emphasis should be placed on ensuring more equal competitive conditions, while also ensuring greater emphasis on the

principle of proportionality. The banks also believe that the systemic risk buffer should be increased by approximately the same amount as the impact of the SME discount on standard method banks. This would indicate an increase of 0.5 per cent instead of 1.5 per cent for standard method banks.

The PSD2 directive took effect in Norway on 14 September 2019, and Sparebanken Øst is working to implement new solutions during the fourth quarter of 2019, which will initially give the bank's customers account information (AISP) from other operators via the bank's online and mobile banking platforms. To date, the bank has noted low levels of activity from new third parties and other banks, but it expects this activity to increase gradually over time. The services that PSD2 facilitate may have an impact on the competitive situation amongst financial industry operators.

Hokksund, 30 September 2019

Drammen, 29 October 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	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Interest income from assets valued at amortised cost		297,9	242,1	847,6	708,8	967,4
Interest income from assets valued at fair value		35,6	20,9	89,7	58,3	81,6
Interest costs		167,9	123,1	471,6	350,0	483,9
Net interest income	15	165,6	139,9	465,7	417,1	565,1
Commission income and income from banking services		23,7	21,2	67,3	65,5	88,8
Commission costs and costs for banking services		11,3	11,5	33,9	30,9	42,9
Dividend		26,4	24,3	28,9	33,0	33,0
Net value changes and gains/losses on financial instruments	16	-15,7	56,2	-7,6	98,6	86,3
Other operating income		3,4	2,9	12,0	22,8	27,3
Net other operating income		26,5	93,1	66,9	189,0	192,5
Payroll, etc.		42,1	46,5	119,3	124,9	172,0
Administration costs		13,0	13,1	39,5	37,9	53,1
Depreciation/write-downs/changes in value for non-financial assets		6,5	3,6	19,1	10,0	13,7
Other operating costs		7,2	11,1	27,9	37,2	50,3
Total operating costs	17	68,8	74,3	205,8	210,0	289,1
Profit/loss before losses		123,2	158,7	326,8	396,1	468,5
Losses on loans, unused credit and guarantees	4	3,4	1,3	11,3	10,0	17,6
Profit/loss before tax costs		119,8	157,4	315,5	386,1	450,9
Tax costs		24,2	18,2	69,3	60,6	76,7
Profit/loss after tax		95,7	139,2	246,1	325,5	374,2
Hybrid capital owners' share of the result		5,1	3,0	13,1	8,5	11,7
Equity certificate holders' and primary capital share of profits		90,5	136,2	233,0	317,0	362,5
Profit/loss after tax		95,7	139,2	246,1	325,5	374,2
Earnings per equity certificate		1,42	2,26	3,65	5,26	6,01
Diluted earnings per equity certificate		1,42	2,26	3,65	5,26	6,01

Total income - Group

(Amounts in NOK million)	Note	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Profit/loss after tax		95,7	139,2	246,1	325,5	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		95,7	139,2	246,1	325,5	370,2

Balance Sheet – Group

(Amounts in NOK million)	Note	30.09.2019	30.09.2018	31.12.2018
Assets				
Cash and receivables from central banks	10,11	440,7	259,3	603,1
Lending to and receivables from financial institutions	10,11	8,5	11,1	9,5
Loans to and receivables from customers	4,7,8,10,11	34.733,3	33.236,9	35.147,4
Certificates and bonds	10,11	6.589,7	4.828,9	5.173,1
Shares and units	10,11	627,1	611,5	606,8
Financial derivatives	10,11,13,14	325,8	227,3	222,0
Ownership interests in Group companies		0,0	0,0	0,0
Deferred tax asset		0,0	0,0	0,0
Investment properties		59,3	60,2	59,9
Tangible fixed assets		136,8	133,2	134,2
Lease rights		50,7	0,0	0,0
Other assets		14,9	15,8	19,6
Prepaid non-accrued costs and income earned, but not received		21,7	10,5	6,9
Total assets		43.008,5	39.394,7	41.982,5
Liabilities and equity				
Liabilities to financial institutions	10,11	302,2	301,6	300,4
Deposits from and liabilities to customers	6,10,11	15.072,0	14.618,8	14.899,7
Liabilities to the state, swap of covered bonds		0,0	0,0	0,0
Financial derivatives	10,11,13,14	19,5	48,4	30,7
Securities issued	10,11,12	22.579,6	19.590,5	21.970,8
Other liabilities		401,1	220,9	313,4
Accruals and deferred income		41,3	42,2	41,2
Provisions for accrued costs and liabilities		78,3	69,2	78,4
Deferred tax liability		3,5	10,1	3,7
Commitments related to leases		51,0	0,0	0,0
Subordinated loan capital	10,11,12	400,3	465,3	400,0
Total liabilities		38.948,6	35.367,0	38.038,3
Paid-up equity		595,1	595,1	595,1
Hybrid capital		352,3	475,5	350,5
Retained earnings		3.112,5	2.957,1	2.998,6
Retained ordinary earnings		0,0		0,0
Total equity		4.059,9	4.027,7	3.944,2
Total liabilities and equity		43.008,5	39.394,7	41.982,5

Changes in Equity - Group

(Amounts in NOK million)	Paid-up equity			Hybrid capital	Retained earnings			Fund for unrealised gains	Other equity	Retained profit
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund			
30.09.2019										
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	246,1	0,0	0,0	13,1	0,0	0,0	0,0	0,0	0,0	233,0
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	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	246,1	0,0	0,0	13,1	0,0	0,0	0,0	0,0	0,0	233,0
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2018 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-11,3	0,0	0,0	-11,3	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0	0,0
Changes in endowment fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.09.2019	4.059,9	207,3	387,8	352,3	308,7	1.843,7	38,1	283,6	405,3	233,0

(Amounts in NOK million)	Paid-up equity			Hybrid capital	Retained earnings			Fund for unrealised gains	Other equity	Retained profit
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund			
30.09.2018										
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	325,5	0,0	0,0	8,5	0,0	0,0	0,0	0,0	0,0	317,0
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
Other comprehensive income	325,5	0,0	0,0	8,5	0,0	0,0	0,0	0,0	0,0	317,0
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	-11,6	0,0	0,0	-11,6	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	2,9	0,0	0,0	2,9	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-76,0	0,0	0,0	-76,0	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 30.09.2018	4.027,7	207,3	387,8	475,5	310,7	1.689,2	38,1	197,6	404,5	317,0

(Amounts in NOK million)	Paid-up equity			Hybrid capital	Retained earnings			Fund for unrealised gains	Other equity	Retained profit
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund			
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)

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Operating activities				
Profit/loss before tax costs		315,3	386,1	450,9
Adjusted for:				
Change in net interest income earned and accrued interest costs		62,4	48,9	1,3
Net payment/disbursement of loans to financial institutions				0,0
Net receipts/payments of loans to customers		416,4	-2.257,6	-4.172,7
Change in certificates and bonds		-1.416,5	-314,5	-655,2
Changes in value of equities and units		-2,0	-103,3	-98,6
Change in other assets in connection with operations		-11,4	74,7	76,3
Change in loans from credit institutions		0,1	0,0	0,0
Net receipts/disbursement of deposits from customers		103,7	597,7	926,9
Change in other operating liabilities		72,5	-12,6	63,5
Non-cash items included in profit before tax costs		21,4	14,1	27,3
Net gain/loss from investing activities		-0,1	-12,6	-12,6
Net gain/loss from financing activities		6,5	3,9	4,1
Net change in relation to investing activities		0,0	-0,2	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	-516,6	-1.682,7	-3.497,2
Investing activities				
Payments on purchases of fixed assets		-14,1	-15,6	-20,0
Proceeds from sale of fixed assets		0,3	92,1	92,1
Net proceeds/costs on the sale/purchase of financial investment		-18,3	-23,1	-23,1
Net payment/disbursement concerning investments in subsidiaries				0,0
Net cash flow from investing activities	B	-32,1	53,4	49,0
Financing activities				
Net incoming/outgoing payments for loans to/from financial institutions		0,0	-30,0	-30,0
Payments on repayment of securities		-2.959,6	-2.529,7	-2.638,0
Proceeds on issuance of securities		3.452,1	4.103,8	6.502,4
Payment of dividend		-95,4	-103,7	-103,7
Net payments on repayment of hybrid capital		-150,5	-76,0	-200,0
Net receipts on issue of hybrid capital		150,0	200,0	200,0
Interest paid on hybrid capital		-11,3	-11,6	-16,8
Net cash flow from financing activities	C	385,3	1.552,8	3.713,9
Net change in cash and cash equivalents	A+B+C	-163,4	-76,5	265,7
Cash and cash equivalents at 01.01		612,6	346,9	346,9
Holding of cash and cash equivalents at the end of the period		449,2	270,4	612,6

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

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 third quarter of 2019, to be replaced by NOK 0.3 million in interest costs and NOK 2.4 million in depreciation. For the period 01.01.2019-30.09.2019, other operating costs reduced by NOK 7.6 million and were replaced by NOK 0.8 million in interest costs and NOK 7.2 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 1.3 million during Q3 of 2019 and NOK 3.3 million for the period 01.01.2019-30.09.2019. 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

30.09.2019	Retail market	Corporate market	Treasury	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	252,9	99,9	-20,9	89,2	-1,4	47,3	-1,3	465,7
Other operating income	45,7	7,1	-6,8	-17,5	7,6	38,9	-8,2	66,9
Operating costs	43,0	13,8	0,0	23,0	4,9	125,7	-4,7	205,8
Profit/loss before losses	255,5	93,3	-27,7	48,7	1,2	-39,5	-4,7	326,8
Losses on loans, unused credit and guarantees	-0,7	1,6	0,0	10,3	0,0	0,0	0,0	11,3
Profit/loss before tax costs	256,2	91,6	-27,7	38,4	1,2	-39,5	-4,7	315,5
Tax costs	0,0	0,0	0,0	9,6	0,3	59,7	-0,3	69,3
Profit/loss after tax	256,2	91,6	-27,7	28,8	1,0	-99,2	-4,5	246,1

30.09.2018	Retail market	Corporate market	Treasury	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	232,4	83,0	-19,8	88,0	-1,8	34,1	1,2	417,1
Other operating income	49,8	6,2	-1,2	-17,3	20,0	137,8	-6,3	189,0
Operating costs	41,6	11,5	0,0	23,5	5,7	130,9	-3,2	210,0
Profit/loss before losses	240,6	77,7	-21,0	47,2	12,5	41,0	-1,9	396,1
Losses on loans, unused credit and guarantees	-2,3	2,1	0,0	10,1	0,0	0,1	0,0	10,0
Profit/loss before tax costs	242,9	75,6	-21,0	37,1	12,5	40,9	-1,9	386,1
Tax costs	0,0	0,0	0,0	9,3	0,3	51,5	-0,5	60,6
Profit/loss after tax	242,9	75,6	-21,0	27,8	12,2	-10,6	-1,4	325,5

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

Balance sheet

30.09.2019	Retail market	Corporate market	Treasury	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	27.183,2	5.022,5	0,0	2.089,2	0,0	502,2	-63,7	34.733,3
Other assets	4,1	0,0	7.504,6	49,8	174,5	3.307,0	-2.764,9	8.275,2
Total assets	27.187,3	5.022,5	7.504,6	2.139,0	174,5	3.809,2	-2.828,7	43.008,5
Deposits from and liabilities to customers	9.652,5	3.599,0	1.735,5	0,0	0,0	152,8	-67,7	15.072,0
Other liabilities/offsetting	17.534,8	1.423,5	5.769,1	1.824,7	88,6	-241,0	-2.523,2	23.876,6
Equity	0,0	0,0	0,0	314,3	85,9	3.897,4	-237,7	4.059,9
Total liabilities and equity	27.187,3	5.022,5	7.504,6	2.139,0	174,5	3.809,2	-2.828,7	43.008,5

30.09.2018	Retail market	Corporate market	Treasury	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	26.200,8	4.667,5	0,0	1.975,9	0,0	456,4	-63,7	33.236,9
Other assets	5,9	0,0	4.949,4	31,3	190,0	2.974,1	-1.992,9	6.157,8
Total assets	26.206,7	4.667,5	4.949,4	2.007,2	190,0	3.430,5	-2.056,6	39.394,7
Deposits from and liabilities to customers	9.648,3	3.100,8	1.768,8	11,5	0,0	171,0	-81,6	14.618,8
Other liabilities/offsetting	16.558,4	1.566,7	3.180,6	1.681,6	94,6	-598,5	-1.735,2	20.748,2
Equity	0,0	0,0	0,0	314,1	95,4	3.858,0	-239,8	4.027,7
Total liabilities and equity	26.206,7	4.667,5	4.949,4	2.007,2	190,0	3.430,5	-2.056,6	39.394,7

31.12.2018	Retail market	Corporate market	Treasury	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	27.963,6	4.795,0	0,0	1.987,7	0,0	464,9	-63,8	35.147,4
Other assets	6,4	0,0	5.630,9	32,8	176,8	3.008,4	-2.020,2	6.835,1
Total assets	27.970,0	4.795,0	5.630,9	2.020,5	176,8	3.473,3	-2.084,0	41.982,5
Deposits from and liabilities to customers	9.633,5	3.298,0	1.875,3	11,5	0,0	150,0	-68,6	14.899,7
Other liabilities/offsetting	18.336,5	1.497,0	3.755,6	1.723,5	91,9	-488,9	-1.777,0	23.138,6
Equity	0,0	0,0	0,0	285,5	84,9	3.812,2	-238,4	3.944,2
Total liabilities and equity	27.970,0	4.795,0	5.630,9	2.020,5	176,8	3.473,3	-2.084,0	41.982,5

31.12.2015	Retail market	Corporate market	Treasury	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	21.914,9	3.906,6	0,0	1.674,3	0,0	666,2	-186,2	27.975,8
Other assets	14,7	0,0	5.145,7	18,3	342,0	2.677,8	-1.665,2	6.533,3
Total assets	21.929,6	3.906,6	5.145,7	1.692,6	342,0	3.344,0	-1.851,4	34.509,1
Deposits from and liabilities to customers	9.354,1	2.445,2	1.258,7	18,2	0,0	118,2	-35,1	13.159,3
Other liabilities/offsetting	12.575,5	1.461,4	3.887,0	1.456,7	228,1	429,9	-1.639,9	18.398,7
Equity	0,0	0,0	0,0	217,7	113,9	2.795,9	-176,4	2.951,1
Total liabilities and equity	21.929,6	3.906,6	5.145,7	1.692,6	342,0	3.344,0	-1.851,4	34.509,1

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.

	30.09.2019	30.09.2018	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)	-8,0	-6,0	-6,4
Dividends	0,0	0,0	-119,2
Goodwill included in the valuation of significant investments	-159,1	-156,3	-150,9
Intangible assets	-24,6	-17,5	-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	3.252,0	3.027,8	3.271,8
Other tier 1 capital			
Hybrid tier 1 capital	350,0	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	350,0	350,0	350,0
Total tier 1 capital	3.602,0	3.377,8	3.621,8
Tier 2 capital			
Subordinated loans	400,0	399,3	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)	-57,1	0,0	-56,0
Total tier 2 capital	342,9	399,3	344,0
Net primary capital	3.944,8	3.777,1	3.965,8

Note 3 - Capital adequacy (contd.)

	30.09.2019	30.09.2018	31.12.2018
Governments and central banks	0,0	0,0	0,0
Local and regional authorities	34,5	57,7	67,8
Publicly owned companies	0,0	0,0	0,0
Multilateral development banks	0,0	0,0	0,0
Institutions	61,1	151,2	73,8
Companies	642,8	549,8	572,6
Mass market accounts	1.698,0	1.643,2	1.655,8
Accounts secured against property	14.598,0	13.971,3	14.692,0
Accounts due	211,6	128,7	159,7
Covered bonds	511,2	365,8	383,4
Shares in securities fund	0,0	0,0	0,0
Equity positions	637,2	625,5	635,1
Other exposures	302,1	211,0	238,8
Securitisation	0,0	0,0	0,0
Calculation basis for credit and counterparty risk	18.696,5	17.704,1	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)	82,0	161,5	187,5
Deductions from calculation basis	0,0	0,0	0,0
Total calculation basis	20.134,9	19.160,2	19.959,5
CET1 capital ratio	16,15 %	15,80 %	16,39 %
Tier 1 capital ratio	17,89 %	17,63 %	18,15 %
Capital adequacy	19,59 %	19,71 %	19,87 %
Buffers			
Capital conservation buffer	503,4	479,0	499,0
Countercyclical buffer	402,7	383,2	399,2
Systemic risk buffer	604,0	574,8	598,8
Buffer for systemically important banks	0,0	0,0	0,0
Total buffer requirements	1.510,1	1.437,0	1.497,0
Available buffer capital	2.334,0	2.165,6	2.369,0
Tier 1 leverage ratio	8,26 %	8,39 %	8,48 %

Note 4 - Losses on loans, unused credit and guarantees

Loss costs

	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	31.12.2018
Change in model-based provisions, group 1	0,2	-0,6	-0,2	-1,5	-0,3
Change in model-based provisions, group 2	0,0	-0,2	0,6	-1,9	-0,5
Change in model-based provisions, group 3	-0,2	-0,3	-0,9	1,3	0,9
Increase in existing individual write-downs	1,6	2,1	8,1	7,3	8,1
New individual write-downs	2,7	2,5	9,5	10,0	15,5
Established losses covered by previous individual write-downs	1,8	2,2	8,1	3,2	5,2
Reversals of previous individual write-downs	-1,7	-4,4	-13,4	-11,4	-13,7
Actual losses where no provision for individual write-downs has previously been made	0,3	1,8	3,1	8,7	10,0
Recovery of previously identified losses	-1,4	-1,9	-4,1	-6,1	-8,3
Amortisation costs for the period	0,1	0,2	0,5	0,5	0,8
Losses on loans, unused credit and guarantees	3,4	1,3	11,3	10,0	17,6
- of which losses on unused credit and guarantees	-0,2	0,1	-0,1	0,1	0,2

Changes in losses and gross exposure

Change in loss provisions	Expected loss			Total
	Stage 1	Stage 2	Stage 3	
Opening balance at 01.01.19	18,9	8,0	75,3	102,1
Transferred to group 1	2,7	-1,8	-0,8	0,0
Transferred to group 2	-0,8	2,2	-1,4	0,0
Transferred to group 3	-0,1	-0,6	0,6	0,0
Net change	-3,3	1,3	9,4	7,4
New losses	7,3	0,7	0,9	8,9
Deducted losses	-6,0	-1,2	-5,4	-12,6
Closing balance at 30.09.19	18,7	8,6	78,6	105,8
- of which losses on unused credit and guarantees	0,5	0,0	0,1	0,6
Model-calculated loss provisions	18,7	8,6	1,3	28,6
Individual loss provisions	0,0	0,0	77,2	77,2

Change in gross lending, broken down by group	Stage 1	Stage 2	Stage 3	Total
Opening balance at 01.01.19	33.933,1	688,2	260,5	34.881,8
Transferred to group 1	165,2	-157,8	-7,4	0,0
Transferred to group 2	-376,6	400,8	-24,1	0,0
Transferred to group 3	-28,4	-35,8	64,2	0,0
Net change	227,6	-78,0	-28,4	121,2
New loans	15.961,3	99,1	29,0	16.089,5
Deducted lending	-16.478,5	-152,5	-45,1	-16.676,1
Closing balance at 30.09.19	33.403,8	764,0	248,7	34.416,5

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

Note 5 - Non-performing and impaired commitments, customers

	30.09.2019	30.09.2018	31.12.2018
Non-performing commitments (over 90 days)			
Business	6,7	14,0	11,7
+ Retail	54,9	50,7	48,1
+ AS Financiering	143,7	133,8	140,7
= Gross non-performing commitments	205,3	198,5	200,5
- Loss provisions	77,5	69,8	73,6
= Net non-performing commitments	127,7	128,7	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	6,7	14,0	11,7
+ Retail	54,9	50,7	48,1
+ AS Financiering	143,7	133,8	140,7
= Gross non-performing and impaired commitments	205,3	198,5	200,5
- Loss provisions	77,5	69,8	73,6
= Net non-performing and impaired commitments	127,7	128,7	126,9

Note 6 - Deposits from customers by sector and industry

	#####	#####	#####
Salaried employees	8.546,8	8.589,6	8.580,4
Public administration	502,6	479,1	518,1
Agriculture, forestry and fishing, etc.	99,3	130,4	116,9
Industry and mining, power and water supply	1.175,8	1.119,0	1.259,5
Building and construction	593,2	488,5	570,2
Wholesale and retail trade, hotels and restaurants	399,5	416,7	448,4
Transport and communications	231,2	261,3	223,8
Business financial services	1.523,8	1.337,6	1.306,9
Other service industries	828,6	819,9	826,1
Real estate sales and operation	1.042,6	881,1	915,3
Abroad	128,8	95,6	134,1
Total customer deposits	15.072,0	14.618,8	14.899,7

Note 7 - Loans to customers by sector and industry

	#####	#####	#####
Salaried employees	29.760,8	28.548,5	30.337,9
Agriculture, forestry and fishing, etc.	110,4	111,0	108,2
Industry and mining, power and water supply	87,3	81,6	69,2
Building and construction	477,2	406,0	417,1
Wholesale and retail trade, hotels and restaurants	148,3	129,5	135,6
Transport and communications	33,5	47,3	46,7
Business financial services	168,5	271,8	192,3
Other service industries	813,0	788,7	788,2
Real estate sales and operation	3.201,4	2.924,1	3.117,0
Abroad	38,1	23,6	36,6
Gross lending to customers	34.838,5	33.332,1	35.248,8
Loss provisions on loans	-105,2	-95,2	-101,4
Net lending to customers	34.733,3	33.236,9	35.147,4

Note 8 - Geographical distribution of lending, customers

	#####	#####	#####
Drammen	5.128,0	5.095,6	5.127,3
Nedre Eiker	2.465,4	2.422,1	2.458,4
Øvre Eiker	2.219,9	2.140,2	2.171,0
Rest of Buskerud	4.334,7	3.662,2	4.006,0
Oslo	6.846,5	6.448,9	7.087,6
Akershus	5.943,4	6.013,3	6.292,0
Vestfold	2.812,6	2.726,2	2.836,9
Østfold	1.755,2	1.649,6	1.698,0
Rest of Norway	3.294,7	3.150,4	3.535,0
Abroad	38,1	23,6	36,6
Gross lending to customers	34.838,5	33.332,1	35.248,8
Loss provisions on loans	-105,2	-95,2	-101,4
Net lending to customers	34.733,3	33.236,9	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 Boligkredit 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.

30.09.2019	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commit-ments Group 1	Loss provisions Group 1	Commit-ments Group 2	Loss provisions Group 2	Commit-ments Group 2	Loss provisions Group 3*
A	14.105,3	9,0	1.172,3	15.286,7	41,6	15.280,4	0,8	6,3	0,0	0,0	0,0
B	5.881,7	15,4	249,5	6.146,5	16,7	6.138,4	1,2	8,1	0,0	0,0	0,0
C	5.721,5	15,1	170,0	5.906,6	16,1	5.891,6	2,6	15,0	0,0	0,0	0,0
D	5.188,0	41,1	220,9	5.450,1	14,8	5.401,7	5,0	48,3	0,1	0,0	0,0
E	1.073,4	6,3	12,7	1.092,4	3,0	911,0	1,5	181,3	0,8	0,0	0,0
F	1.153,9	0,9	4,0	1.158,9	3,2	1.061,5	2,3	97,5	0,4	0,0	0,0
G	1.127,0	0,0	0,8	1.127,8	3,1	906,6	3,1	221,2	1,3	0,0	0,0
H	290,1	0,2	0,1	290,3	0,8	105,9	1,6	184,4	5,4	0,0	0,0
I	21,2	0,0	0,1	21,3	0,1	14,1	0,5	7,2	0,5	0,0	0,0
J	93,7	0,5	0,0	94,2	0,3	0,0	0,0	0,0	0,0	94,2	2,4
K	155,1	0,7	0,0	155,7	0,4	0,0	0,0	0,0	0,0	155,7	76,2
Unallocated	27,6	0,3	0,2	28,1	0,1	28,1	0,0	0,0	0,0	0,0	0,0
Total	34.838,5	89,5	1.830,6	36.758,6	100,0	35.739,2	18,7	769,4	8,6	249,9	78,6

* Group 3 provisions include individually assessed loss write-downs of NOK 77.2 million.

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

IAS 39 up to 31.12.2017

30.09.2017	Gross lending	Guarantee liabilities	Credit 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

30.09.2018	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commit-ments Group 1	Loss provisions Group 1	Commit-ments Group 2	Loss provisions Group 2	Commit-ments Group 2	Loss provisions Group 3*
A	12.944,9	5,5	1.079,6	14.030,0	40,1	14.023,2	0,7	6,8	0,0	0,0	0,0
B	5.808,9	30,0	198,5	6.037,4	17,2	6.014,6	1,1	22,8	0,0	0,0	0,0
C	5.574,9	30,8	135,0	5.740,7	16,4	5.726,1	2,3	14,6	0,0	0,0	0,0
D	5.584,6	34,5	172,3	5.791,4	16,5	5.776,3	4,0	15,1	0,0	0,0	0,0
E	651,4	3,4	35,5	690,3	2,0	616,3	0,7	74,0	0,2	0,0	0,0
F	1.018,3	1,7	3,7	1.023,7	2,9	915,5	1,8	107,9	0,4	0,3	0,1
G	1.163,2	0,0	0,4	1.163,6	3,3	939,2	3,4	224,4	1,7	0,0	0,0
H	156,3	1,2	0,0	157,5	0,4	79,0	0,9	78,5	1,6	0,0	0,0
I	25,1	0,0	0,1	25,2	0,1	23,9	0,8	1,3	0,1	0,0	0,0
J	185,8	1,2	0,1	187,1	0,5	12,7	0,2	22,9	0,6	151,5	4,9
K	209,4	1,5	0,1	211,0	0,6	15,5	0,4	41,8	1,8	153,7	66,5
Unallocated	9,3	0,0	0,1	9,4	0,0	9,4	1,4	0,0	0,2	0,0	0,0
TOTAL	33.332,1	109,8	1.625,4	35.067,3	100,0	34.151,7	17,7	610,1	6,6	305,5	71,5

* Group 3 provisions include individually assessed loss write-downs of NOK 69.0 million.

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

Note 9 - Credit risk (cont.)

31.12.2018	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments	%	Loss provisions		Loss provisions		Commitments Group 2	Loss provisions Group 3*
						Commitments Group 1	Group 1	Commitments Group 2	Group 2		
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.

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

Note 10 - Classification of financial instruments

30.09.2019	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	440,7	440,7
Net loans to and receivables from financial institutions	0,0	0,0	8,5	8,5
Net loans to and receivables from customers	0,0	422,0	34.311,3	34.733,3
Certificates and bonds	0,0	6.589,7	0,0	6.589,7
Shares and units	0,0	627,1	0,0	627,1
Financial derivatives**	325,8	0,0	0,0	325,8
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0
Total financial assets	325,8	7.638,8	34.760,5	42.725,1
Liabilities to financial institutions	0,0	0,0	302,2	302,2
Deposits from and liabilities to customers	0,0	0,0	15.072,0	15.072,0
Financial derivatives**	19,5	0,0	0,0	19,5
Securities issued	0,0	0,0	22.579,6	22.579,6
Subordinated loan capital	0,0	0,0	400,3	400,3
Total financial liabilities	19,5	0,0	38.354,1	38.373,6

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

30.09.2018	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	259,3	259,3
Net loans to and receivables from financial institutions	0,0	0,0	11,1	11,1
Net loans to and receivables from customers	0,0	309,9	32.927,0	33.236,9
Certificates and bonds	0,0	4.828,9	0,0	4.828,9
Shares and units	0,0	611,5	0,0	611,5
Financial derivatives**	227,3	0,0	0,0	227,3
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0
Total financial assets	227,3	5.750,3	33.197,4	39.175,0
Liabilities to financial institutions	0,0	0,0	301,6	301,6
Deposits from and liabilities to customers	0,0	0,0	14.618,8	14.618,8
Financial derivatives**	48,4	0,0	0,0	48,4
Securities issued	0,0	0,0	19.590,5	19.590,5
Subordinated loan capital	0,0	0,0	465,3	465,3
Total financial liabilities	48,4	0,0	34.976,2	35.024,6

* 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.

30.09.2019	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	422,0	422,0
Certificates and bonds	0,0	6.589,7	0,0	6.589,7
Shares and units	30,0	38,0	559,1	627,1
- 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	325,8	0,0	325,8
Total assets at fair value	30,0	6.953,5	981,1	7.964,6
Financial derivatives	0,0	19,5	0,0	19,5
Total liabilities at fair value	0,0	19,5	0,0	19,5

	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	76,8	3,3	80,1
Disposals	20,9	0,0	20,9
Changes in value	-0,9	-6,4	-7,3
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	422,0	559,1	981,1

30.09.2018	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	309,9	309,9
Certificates and bonds	0,0	4.828,9	0,0	4.828,9
Shares and units	23,3	23,0	565,2	611,5
- 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	227,3	0,0	227,3
Total assets at fair value	23,3	5.079,2	875,1	5.977,6
Financial derivatives	0,0	48,4	0,0	48,4
Total liabilities at fair value	0,0	48,4	0,0	48,4

	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	149,8	12,8	162,6
Disposals	96,9	11,4	108,3
Changes in value	1,3	87,0	88,3
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	309,9	565,2	875,1

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	30.09.2019	30.09.2018	31.12.2018
Bonds, nominal value	22.215,0	19.333,5	21.705,8
Value adjustments (incl. excess/deficit value)	183,4	123,1	170,9
Accrued interest	181,2	133,9	94,1
Total securities issued	22.579,6	19.590,5	21.970,8

Change for securities issued	30.09.2019	Issued	Due/ redeemed	Change own holding	Other		31.12.2018
					changes incl. currency		
Bonds, nominal value	9.065,0	950,0	1.542,0	0,0	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	0,0	11.758,0
Covered bonds, nominal value in SEK (converted to	0,0	0,0	276,8	0,0	-14,0		290,8
Value adjustments (incl. excess/deficit value)	183,4	0,0	0,0	0,0	12,5		170,9
Accrued interest	181,2	0,0	0,0	0,0	87,1		94,1
Total securities issued	22.579,6	3.450,0	2.326,8	600,0	85,6		21.970,8

Change in subordinated loan capital	30.09.2019	Issued	Due/ redeemed	Change own holding	Other		31.12.2018
					changes incl. currency		
Ordinary subordinated loan capital, nominal value	400,0	0,0	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	0,0	350,0
Value adjustments (incl. excess/deficit value)	-0,5	0,0	0,0	0,0	0,2		-0,7
Accrued interest	0,8	0,0	0,0	0,0	0,1		0,7
Total subordinated loan capital	400,3	0,0	0,0	0,0	0,3		400,0

Note 13 - Financial derivatives

30.09.2019	Contract sum	Fair value of hedging instruments		Value adjustment of hedging object
		Assets	Liabilities	Liabilities
Fair value through profit or loss				
Forward exchange contracts	25,4	0,0	1,9	
Interest rate swaps (IRS)	795,0	2,6	2,2	
Total instruments recognised at fair value through profit or loss		2,6	4,1	
Used for hedge accounting				
Currency swap agreements	0,0	0,0	0,0	0,0
Interest rate swaps (IRS)	7.565,0	323,2	15,4	171,6
Total instruments used for hedge accounting		323,2	15,4	171,6
Total derivatives		325,8	19,5	171,6

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

30.09.2018	Contract sum	Fair value of hedging instruments		Value adjustment of hedging object
		Assets	Liabilities	Liabilities
Fair value through profit or loss				
Forward exchange contracts	12,4	0,1	0,0	
Interest rate swaps (IRS)	690,0	1,6	7,0	
Total instruments recognised at fair value through profit or loss		1,7	7,0	
Used for hedge accounting				
Currency swap agreements	304,9	0,0	29,8	-29,4
Interest rate swaps (IRS)	5.315,0	225,6	11,6	114,9
Total instruments used for hedge accounting		225,6	41,4	85,5
Total derivatives		227,3	48,4	85,5

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

31.12.2018	Contract sum	Fair value of hedging instruments		Value adjustment of hedging object
		Assets	Liabilities	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	subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Exposure as at 30.09.2019						
Financial derivatives, assets	265,2	0,0	265,2	-12,5	-187,5	65,2
Financial derivatives, liabilities	12,5	0,0	12,5	-12,5	0,0	0,0
Exposure as at 30.09.2018						
Financial derivatives, assets	160,7	0,0	160,7	-35,0	-7,9	117,8
Financial derivatives, liabilities	35,0	0,0	35,0	-35,0	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

	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Interest income from loans to and receivables from financial institutions	1,4	0,6	3,1	1,5	2,2
Interest income from loans to customers	299,4	243,5	852,7	712,8	973,2
Interest income from certificates and bonds	32,6	18,9	81,5	52,8	73,6
Other interest income	0,0	0,0	0,0	0,0	0,0
Total interest income	333,4	263,0	937,3	767,1	1.049,0
Interest costs on liabilities to financial institutions	2,2	1,6	6,0	4,8	6,6
Interest on deposits from customers	36,6	31,5	106,9	89,6	122,8
Interest on securities issued	122,7	84,6	340,0	239,3	332,7
Interest on subordinated loan capital	3,0	2,4	8,5	7,6	10,3
Norwegian Banks Guarantee Fund levy	3,4	3,0	10,3	8,7	11,5
Total interest costs	167,9	123,1	471,6	350,0	483,9
Net interest income	165,6	139,9	465,7	417,1	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

	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Net changes in value and gains/losses on certificates and bonds	-6,7	-7,4	-3,5	-10,9	-17,8
Net changes in value and gains/losses on shares and equity derivatives	-7,2	63,7	2,0	104,5	99,6
Net changes in value and gains/losses on fixed-interest loans	-0,2	-0,9	-0,9	-1,7	-0,1
Net changes in value and gains/losses on other financial instruments	-1,6	0,8	-5,2	6,7	4,6
Net value change and gains/losses on financial instruments	-15,7	56,2	-7,6	98,6	86,3

Note 17 - Operating costs

	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018	Full-year 2018
Payroll costs incl. AGA and Financial Activity Tax	38,0	41,1	105,3	107,6	149,3
Pension costs	3,1	3,3	9,3	9,6	12,7
Other personnel-related costs	0,9	2,1	4,6	7,7	10,0
IT costs	9,1	9,7	27,5	25,6	35,1
Other administrative costs	3,9	3,4	12,0	12,3	18,0
Depreciation/write-downs/changes in value for non-financial assets	6,5	3,6	19,1	10,0	13,7
Operating costs, properties and premises	3,1	4,2	7,8	14,0	21,1
Other operating costs	4,1	6,9	20,1	23,2	29,2
Total operating costs	68,8	74,3	205,8	210,0	289,1

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

Guarantee liability	30.09.2019	#####	#####
Payment guarantees	12,6	25,4	23,6
Contract guarantees	45,8	50,2	51,6
Loan guarantees	19,4	17,5	17,5
Other guarantee liabilities	11,7	16,7	13,6
Total guarantees to customers	89,5	109,8	106,3

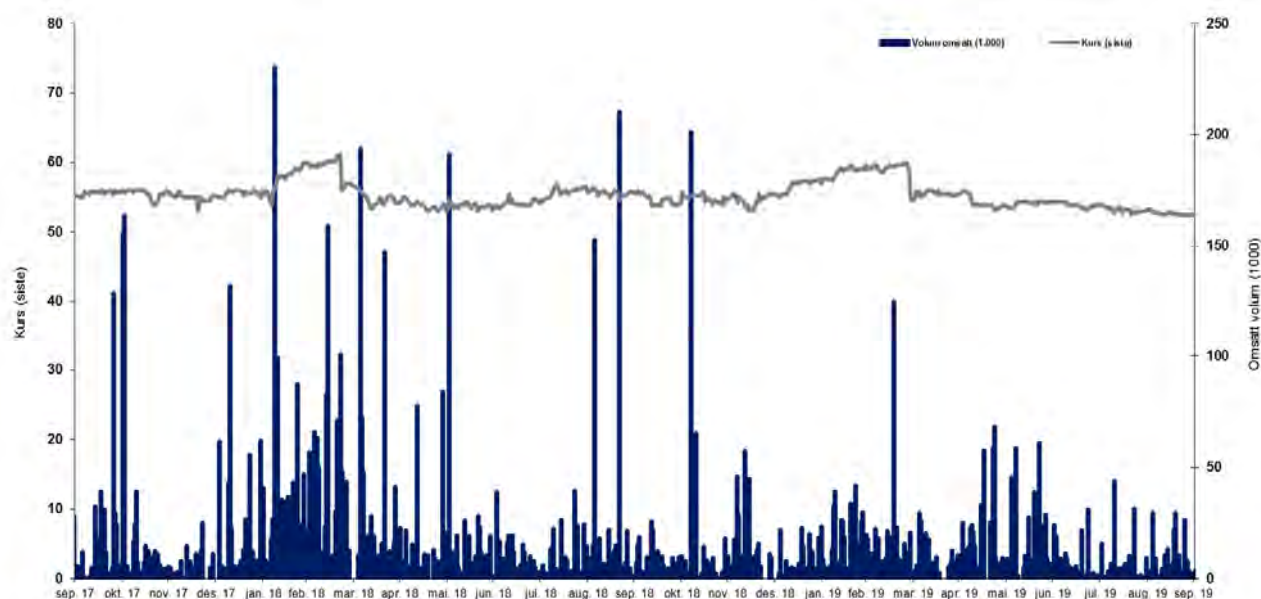
Pledges of security	30.09.2019	#####	#####
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	410,0	711,0	711,0
Total pledges of security	410,0	711,0	711,0

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 30.09.19, NOK 0.0 million at 30.09.18 and NOK 0.0 at 31.12.18 and are not included in the table below.

Preferential rights	30.09.2019	30.09.2018	31.12.2018
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act	13.750,0	11.676,5	12.048,8
Total preferential rights	13.750,0	11.676,5	12.048,8

Note 19 - Equity certificates

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders at 30.09.2019

Name	Number	%	Name	Number	%
1 MP Pensjon	1.667.815	8,04 %	11 Storetind AS	220.650	1,06 %
2 Cape Invest AS	1.405.705	6,78 %	12 Profond AS	177.425	0,86 %
3 Directmarketing Invest AS	999.500	4,82 %	13 Tindra Eiendom AS	169.663	0,82 %
4 Verdipapirfondet Eika dividend	918.982	4,43 %	14 Johansen, Kjell Petter	152.000	0,73 %
5 Hansen, Asbjørn Rudolf	500.000	2,41 %	15 Morgan Stanley & Co. Intern.	148.775	0,72 %
6 Foretaks konsulenter AS	310.128	1,50 %	16 Løkke, Helge Arnfinn	148.433	0,72 %
7 Jag Holding AS	303.897	1,47 %	17 Seriana AS	130.931	0,63 %
8 Wenaasgruppen AS	273.000	1,32 %	18 Juel, Iver Albert	126.290	0,61 %
9 AS Andersen Eiendomselskap	238.900	1,15 %	19 Teigen, Hellik	120.400	0,58 %
10 Skandinaviska Enskilda Banken	231.000	1,11 %	20 Julius Johannessen & Sønner AS	120.200	0,58 %

Ownership fraction, parent bank

	#####	#####
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)	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018
Interest income	195,9	157,8	553,5	462,6
Auxiliary line for interest income	-60,4		60,4	
Interest costs	99,2	77,6	284,0	222,9
Net interest income	96,7	80,2	269,5	239,7
Commission income and income from banking services	29,2	25,7	83,4	78,1
Commission costs and costs for banking services	5,3	4,9	15,4	12,3
Dividend	26,4	24,3	28,9	33,0
Net changes in value and gains/losses on financial instruments	-16,2	56,7	-2,5	103,6
Other operating income	1,7	1,0	6,0	3,6
Net other operating income	35,9	102,8	100,3	206,0
Payroll, etc.	36,2	40,3	102,8	107,9
Administration costs	10,6	11,1	31,7	31,1
Depreciation/write-downs/changes in value for non-financial assets	6,4	2,6	18,5	6,7
Other operating costs	5,8	9,4	22,2	31,3
Total operating costs	59,0	63,4	175,3	177,0
Profit/loss before losses	73,5	119,6	194,6	268,7
Losses on loans, unused credit and guarantees	-0,2	-1,0	0,5	0,2
Profit/loss before tax costs	73,7	120,6	194,1	268,5
Tax costs	13,6	9,5	41,6	35,5
Profit/loss after tax	60,1	111,1	152,6	233,0
Hybrid capital owners' share of the result	5,1	3,0	13,1	8,5
Equity certificate holders' and primary capital share of profits	55,0	108,1	139,4	224,5
Profit/loss after tax	60,1	111,1	152,6	233,0
Earnings per equity certificate	0,86	1,80	2,18	3,73
Diluted earnings per equity certificate	0,86	1,80	2,18	3,73

Other comprehensive income - parent bank

(Amounts in NOK million)	Q3 2019	Q3 2018	Ytd 2019	Ytd 2018
Profit/loss after tax	60,1	111,1	152,6	233,0
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
Tax related to items that cannot be reclassified	0,0	0,0	0,0	0,0
Items that may later be reclassified to the income statement				
Lending at fair value	-0,1	0,0	-0,1	-0,9
Tax related to items that can be reclassified	0,0	0,0	0,0	0,2
Comprehensive income	60,0	111,1	152,5	232,3

Balance Sheet - Parent Bank

(Amounts in NOK million)	30.09.2019	30.09.2018	31.12.2018
Assets			
Cash and receivables from central banks	440,7	259,3	603,1
Loans to and receivables from financial institutions	2.328,4	2.373,7	2.155,1
Loans to and receivables from customers	17.478,9	18.300,7	19.716,6
Certificates and bonds	7.032,5	4.667,8	5.012,1
Shares and units	627,1	611,4	606,8
Financial derivatives	138,8	81,5	80,1
Ownership interests in Group companies	1.241,0	940,9	1.240,9
Deferred tax asset	7,2	4,1	7,2
Investment properties	0,0	0,0	
Tangible fixed assets	88,3	83,8	84,4
Lease rights	86,7	0,0	0,0
Other assets	2,9	5,0	5,2
Prepaid non-accrued costs and income earned, but not received	19,5	11,8	8,4
Total assets	29.492,2	27.340,0	29.519,9
Liabilities and equity			
Liabilities to financial institutions	664,8	571,5	540,8
Deposits from and liabilities to customers	15.159,5	14.704,2	14.974,3
Liabilities to the state, swap of covered bonds	0,0	0,0	
Financial derivatives	19,5	18,5	16,1
Securities issued	9.210,2	7.741,3	9.750,8
Other liabilities	281,6	207,9	190,0
Accruals and deferred income	31,7	33,6	32,6
Provisions for accrued costs and liabilities	76,1	66,8	76,2
Deferred tax liability	0,0	0,0	0,0
Commitments related to leases	87,3	0,0	0,0
Subordinated loan capital	400,3	465,3	400,0
Total liabilities	25.931,0	23.809,1	25.980,8
Paid-up equity	595,1	595,1	595,1
Hybrid capital	352,3	475,5	350,5
Retained earnings	2.613,7	2.460,3	2.593,5
Retained ordinary earnings	0,0	0,0	0,0
Total equity	3.561,1	3.530,9	3.539,1
Total liabilities and equity	29.492,2	27.340,0	29.519,9

Changes in equity - parent bank

(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	Change in value of comprehensive income as reclass.	Other equity	Retained profit
30.09.2019											
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	152,6	0,0	0,0	13,1	0,0	0,0	0,0	0,0	0,0	0,0	139,4
Change in lending at fair value through comprehensive income	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	0,0	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	152,5	0,0	0,0	13,1	0,0	0,0	0,0	0,0	-0,1	0,0	139,4
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	-11,3	0,0	0,0	-11,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0	0,0	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 30.09.2019	3.561,1	207,3	387,8	352,3	308,7	1.843,7	38,1	283,6	0,1	0,0	139,4

(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	Change in value of comprehensive income as reclass.	Other equity	Retained profit
30.09.2018											
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	0,0	0,9	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	233,0	0,0	0,0	8,5	0,0	0,0	0,0	0,0	0,0	0,0	224,5
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	232,3	0,0	0,0	8,5	0,0	0,0	0,0	0,0	-0,7	0,0	224,5
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	-11,6	0,0	0,0	-11,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	2,9	0,0	0,0	2,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-76,0	0,0	0,0	-76,0	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
Equity at 30.09.2018	3.530,9	207,3	387,8	475,5	310,7	1.689,2	38,1	197,6	0,2	0,0	224,5

(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	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	0,0	0,9	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

	30.09.2019	30.09.2018	31.12.2018
Operating activities			
Profit/loss before tax costs	194,1	268,5	419,3
Adjusted for:			
Change in net interest income earned and accrued interest costs	67,3	50,1	0,3
Net payment/disbursement of loans to financial institutions	-174,2	-439,6	-222,6
Net receipts/payments of loans to customers	2.242,8	372,3	-1.046,3
Change in certificates and bonds	-2.017,6	-309,7	-650,6
Changes in value of equities and units	-2,0	-103,2	-98,6
Change in other assets in connection with operations	-10,1	-7,3	-2,3
Net receipts/disbursement of borrowing from financial institutions	119,3	36,4	8,5
Net receipts/disbursement of deposits from customers	116,2	653,9	972,3
Change in other operating liabilities	64,0	18,2	-7,9
Non-cash items included in profit before tax costs	14,4	8,1	17,4
Net gain/loss from investing activities	-0,1	-1,3	-1,5
Net gain/loss from financing activities	0,6	2,6	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	567,2	481,0
Investing activities			
Payments on purchases of fixed assets	-13,1	-14,6	-17,9
Proceeds from sale of fixed assets	0,1	0,2	0,3
Net proceeds/costs on the sale/purchase of financial investments	-18,3	-23,1	-23,1
Net payment/disbursement concerning investments in subsidiaries	0,0	-50,0	-350,0
Net cash flow from investing activities	B	-31,3	-87,5
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions	0,0	-30,0	-30,0
Payments on repayment of securities	-1.542,1	-2.048,6	-2.114,4
Proceeds on issuance of securities	950,0	1.600,0	3.598,7
Payment of dividend	-95,4	-103,7	-103,7
Net payments on repayment of hybrid capital	-150,5	-76,0	-200,0
Net receipts on issue of hybrid capital	150,0	200,0	200,0
Interest paid on hybrid capital	-11,3	-11,6	-16,8
Net cash flow from financing activities	C	-699,3	-469,9
Net change in cash and cash equivalents	A+B+C	-163,4	-76,4
Cash and cash equivalents at 01.01		612,6	346,8
Holding of cash and cash equivalents at the end of the period		449,2	270,4

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

Key Figures – Group

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profitability					
1. Return on equity*	9,81	9,19	7,01	5,14	15,51
2. Net interest income as a % of average total assets	1,53	1,44	1,41	1,44	1,42
Q3 Profit/loss after tax as a % of average total assets	0,89	0,81	0,62	0,47	1,41
4. Costs as a % of average total assets	0,64	0,55	0,75	0,77	0,75
5. Costs as a % of income (before losses on loans/guarantees)*	35,85	33,65	47,11	52,21	31,89
6. Costs as a % of income (excl. return on financial investments)*	37,97	34,73	48,65	48,29	48,72
Balance sheet figures					
7. Net lending to customers	34.733,3	34.801,6	35.625,1	35.147,4	33.236,9
8. Lending growth (quarter)	-0,20	-2,31	1,36	5,75	3,28
9. Deposits	15.072,0	15.014,4	14.856,5	14.899,7	14.618,8
10. Deposit growth (quarter)	0,38	1,06	-0,29	1,92	2,46
11. Average equity	3.662,3	3.576,1	3.504,8	3.513,4	3.484,1
12. Average total assets	42.836,9	42.572,8	42.231,4	40.688,6	39.063,3
Loss provisions on impaired and non-performing loans					
13. Losses as a % of net lending to customers (OB)*	0,04	0,04	0,05	0,09	0,02
14. Loss provisions as a % of gross lending to customers*	0,30	0,29	0,28	0,29	0,29
15. Net impaired and non-performing commitments as a % of net lending*	0,37	0,35	0,32	0,36	0,39
Financial strength					
16. CET1 capital ratio incl. 50% of retained earnings (%)	16,73	16,71	16,37	16,39	16,63
17. CET1 capital ratio (%)	16,15	16,35	16,22	16,39	15,80
18. Tier 1 capital ratio (%)	17,89	17,63	17,96	18,15	17,63
19. Capital adequacy ratio (%)	19,59	19,35	19,66	19,87	19,71
20. Risk-weighted volume (calculation basis)	20.134,9	20.003,5	20.165,2	19.959,5	19.160,2
21. Tier 1 leverage ratio incl. 50% of retained earnings (%)	8,52	8,29	8,46	8,48	8,79
22. Tier 1 leverage ratio (%)	8,26	8,13	8,39	8,48	8,39
Liquidity					
23. Deposit coverage ratio	43,39	43,14	41,70	42,39	43,98
24. LCR (%)	257,83	261,62	207,87	224,93	159,90
Branches and full-time equivalents					
25. No. of branches	27	27	27	27	27
26. Full-time equivalents	198	198	197	199	201
Equity certificates					
27. Ownership fraction (parent bank) (%)	32,45	32,45	32,45	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*	58,03	56,61	55,33	58,98	58,94
30. Earnings per equity certificate*	1,42	1,28	0,95	0,75	2,26
31. Dividend per equity certificate	0,00	0,00	0,00	4,60	0,00
32. Turnover rate	9,97	20,54	18,97	18,20	19,34
33. Price	52,40	54,40	54,60	55,60	55,80

* Defined as alternate performance target

Definition of key figures and alternative profit targets

Profitability

<ol style="list-style-type: none"> 1. Return on equity* 2. Net interest income as a % of average total assets 3. Profit/loss after tax as a % of average total assets 	<p>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.</p> <p>Net interest income as a % of average total assets</p> <p>Profit/loss after tax as a % of average total assets</p>
<ol style="list-style-type: none"> 4. Costs as a % of average total assets 	<p>Payroll, etc., administrative costs, amortisation and other operating costs as % of average total assets</p>
<ol style="list-style-type: none"> 5. Costs as a % of income (before losses on loans/guarantees)* 	<p>Payroll, etc., administrative costs, amortisation and other operating costs as % of net interest income, dividend, net commission income, net value changes and gains/losses on financial instruments and other operating income. The key figure is used to provide information about the ratio between income and costs.</p>
<ol style="list-style-type: none"> 6. Costs as a % of income (excl. return on financial investments)* 	<p>Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, net commission income and other operating income.</p> <p>The key figure is used to provide information about the ratio between income and costs.</p>

Balance sheet figures

<ol style="list-style-type: none"> 7. Net lending to customers 	<p>Gross lending minus loss provisions</p>
<ol style="list-style-type: none"> 8. Lending growth (quarter/12 months) 	<p>Change in net lending as a % of OB net lending. Quarterly figures show growth in the quarter, while other figures show 12-month growth.</p>
<ol style="list-style-type: none"> 9. Deposits 	<p>Customer deposits</p>
<ol style="list-style-type: none"> 10. Deposit growth (quarter/12 months) 	<p>Change in deposits as a % of OB deposits. Quarterly figures show growth in the quarter, while other figures show 12-month growth.</p>
<ol style="list-style-type: none"> 11. Average equity 	<p>(OB equity (adjusted for hybrid capital) less proposed dividends + CB equity (adjusted for hybrid capital) less proposed dividends) / 2</p>
<ol style="list-style-type: none"> 12. Average total assets 	<p>Average total assets based on quarterly balance sheet figures</p>

Loss provisions on impaired and non-performing loans

<ol style="list-style-type: none"> 13. Losses as a % of net lending to customers (OB)* 	<p>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.</p>
<ol style="list-style-type: none"> 14. Loss provisions as a % of gross lending to customers* 	<p>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.</p>
<ol style="list-style-type: none"> 15. Net impaired and non-performing commitments as a % of net lending* 	<p>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.</p>

Financial strength

<ol style="list-style-type: none"> 16. CET1 capital ratio incl. 50% of retained earnings (%) 	<p>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)</p>
<ol style="list-style-type: none"> 17. CET1 capital ratio (%) 	<p>CET1 capital as a % of the risk-weighted volume (calculation basis)</p>
<ol style="list-style-type: none"> 18. Tier 1 capital ratio (%) 	<p>Tier 1 capital as a % of the risk-weighted volume (calculation basis)</p>
<ol style="list-style-type: none"> 19. Capital adequacy ratio (%) 	<p>Total primary capital as a % of the risk-weighted volume (calculation basis)</p>
<ol style="list-style-type: none"> 20. Risk-weighted volume (calculation basis) 	<p>Total credit and counterparty risk, currency risk, operational risk and calculation basis for impaired counterparty credit rating (CVA)</p>
<ol style="list-style-type: none"> 21. Tier 1 leverage ratio incl. 50% retained earnings (%) 	<p>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.</p>
<ol style="list-style-type: none"> 22. Tier 1 leverage ratio (%) 	<p>Tier 1 capital as a % of unweighted calculation basis</p>

Liquidity

<ol style="list-style-type: none"> 23. Deposit coverage ratio 	<p>Deposits as a % of net loans to customers</p>
<ol style="list-style-type: none"> 24. LCR (%) 	<p>Liquid assets as a % of net payments in a stress scenario lasting 30 days</p>

Branches and full-time equivalents

<ol style="list-style-type: none"> 25. No. of branches 	
<ol style="list-style-type: none"> 26. Full-time equivalents 	

Equity certificates

<ol style="list-style-type: none"> 27. Ownership fraction (parent bank) (%) 	<p>Equity certificate holders' share of total equity adjusted for hybrid capital (less proposed dividends) as a % (Basis at 01.01, time-weighted on issue).</p>
<ol style="list-style-type: none"> 28. No. of equity certificates 	<p>Total no. of outstanding equity certificates</p>
<ol style="list-style-type: none"> 29. Book equity per equity certificate* 	<p>Equity share capital divided by no. of equity certificates. The calculation includes the year's allocation for dividends.</p> <p>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.</p>
<ol style="list-style-type: none"> 30. Earnings per equity certificate* 	<p>The equity share capital's share of the profit/loss after tax divided by time-weighted average number of equity certificates during the period.</p>
<ol style="list-style-type: none"> 31. Dividend per equity certificate 	<p>Dividend in NOK per equity certificate</p>
<ol style="list-style-type: none"> 32. Turnover rate 	<p>Annualised turnover rate (traded as a % of issued)</p>
<ol style="list-style-type: none"> 33. Price 	<p>The most recently traded price on the Oslo Stock Exchange as at the balance sheet date.</p>

* Defined as alternate performance target

Financial Performance - Group

(Amounts in NOK million)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Interest income	333,4	309,4	294,4	281,9	263,0
	0,0	0,0	0,0		
Interest costs	167,9	156,1	147,7	133,9	123,1
Net interest income	165,6	153,4	146,8	148,0	139,9
Commission income and income from banking services	23,7	22,6	21,0	23,3	21,2
Commission costs and costs for banking services	11,3	11,2	11,3	12,0	11,5
Dividend	26,4	2,5	0,0	0,0	24,3
Net changes in value and gains/losses on financial instruments	-15,7	2,9	5,2	-12,3	56,2
Other operating income	3,4	4,2	4,5	4,5	2,9
Net other operating income	26,5	21,0	19,4	3,5	93,1
Payroll, etc.	42,1	30,2	47,0	47,1	46,5
Administration costs	13,0	13,1	13,4	15,2	13,1
Depreciation/write-downs/changes in value for non-financial assets	6,5	6,4	6,2	3,7	3,6
Other operating costs	7,2	9,0	11,7	13,1	11,1
Total operating costs	68,8	58,7	78,3	79,1	74,3
Profit/loss before losses	123,2	115,7	87,9	72,4	158,7
Losses on loans, unused credit and guarantees	3,4	3,7	4,2	7,6	1,3
Profit/loss before tax costs	119,8	112,0	83,7	64,8	157,4
Tax costs	24,2	26,0	19,1	16,1	18,2
Profit/loss after tax	95,7	85,9	64,5	48,7	139,2
Hybrid capital owners' share of the result	5,1	4,1	3,9	3,2	3,0
Equity certificate holders' and primary capital share of profits	90,5	81,9	60,6	45,5	136,2
Profit/loss after tax	95,7	85,9	64,5	48,7	139,2
Earnings per equity certificate	1,42	1,28	0,95	0,75	2,26
Diluted earnings per equity certificate	1,42	1,28	0,95	0,75	2,26

Other comprehensive income performance - Group

(Amounts in NOK million)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profit/loss after tax	95,7	85,9	64,5	48,7	139,2
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	-5,3	0,0
Tax related to items that cannot be reclassified	0,0	0,0	0,0	1,3	0,0
Comprehensive income	95,7	85,9	64,5	44,7	139,2

Balance sheet performance - Group

(Amounts in NOK million)	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Assets					
Cash and receivables from central banks	440,7	437,5	244,9	603,1	259,3
Loans to and receivables from financial institutions	8,5	10,7	10,2	9,5	11,1
Loans to and receivables from customers	34.733,3	34.801,6	35.625,1	35.147,4	33.236,9
Certificates and bonds	6.589,7	6.238,4	5.481,4	5.173,1	4.828,9
Shares and units	627,1	619,3	613,1	606,8	611,5
Financial derivatives	325,8	273,3	223,6	222,0	227,3
Ownership interests in Group companies	0,0	0,0	0,0	0,0	0,0
Deferred tax asset	0,0	0,0	0,0		
Investment properties	59,3	59,5	59,7	59,9	60,2
Tangible fixed assets	136,8	135,9	135,8	134,2	133,2
Lease rights	50,7	52,9	55,2	0,0	0,0
Other assets	14,9	18,3	15,0	19,6	15,8
Prepaid non-accrued costs and income earned, but not received	21,7	17,8	16,3	6,9	10,5
Total assets	43.008,5	42.665,2	42.480,3	41.982,5	39.394,7
Liabilities and equity					
Liabilities to financial institutions	302,2	300,5	301,8	300,4	301,6
Deposits from and liabilities to customers	15.072,0	15.014,4	14.856,5	14.899,7	14.618,8
Liabilities to the state, swap of covered bonds	0,0	0,0	0,0	0,0	0,0
Financial derivatives	19,5	8,0	12,9	30,7	48,4
Securities issued	22.579,6	22.484,7	22.438,0	21.970,8	19.590,5
Other liabilities	401,1	319,5	401,7	313,4	220,9
Accruals and deferred income	41,3	35,5	47,5	41,2	42,2
Provisions for accrued costs and liabilities	78,3	78,5	78,4	78,4	69,2
Deferred tax liability	3,5	3,2	2,6	3,7	10,1
Commitments related to leases	51,0	53,2	55,3	0,0	0,0
Subordinated loan capital	400,3	400,2	400,1	400,0	465,3
Total liabilities	38.948,6	38.697,7	38.594,7	38.038,3	35.367,0
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	352,3	350,5	350,5	350,5	475,5
Retained earnings	3.112,5	3.022,0	2.940,1	2.998,6	2.957,1
Retained ordinary earnings	0,0	0,0	0,0	0,0	0,0
Total equity	4.059,9	3.967,5	3.885,7	3.944,2	4.027,7
Total liabilities and equity	43.008,5	42.665,2	42.480,3	41.982,5	39.394,7