QUARTERLY REPORT
Q4 2018

175 SIDEN 1843 SPAREBANKEN ØST

Quarterly financial statements, Q4 2018

Key figures - Group

	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Net interest income	148,0	148,7	565,1	577,2
Net commission income	11,3	12,4	45,9	45,3
Net result from financial assets	-12,3	5,6	119,3	46,8
Other operating income	4,5	6,9	27,3	62,4
Total net income	**151,5**	**173,6**	**757,6**	**731,7**
Total operating costs	**79,1**	**70,2**	**289,1**	**277,4**
Profit/loss before losses	**72,4**	**103,4**	**468,5**	**454,3**
Losses on loans, unused credit and guarantees	7,6	-1,7	17,6	7,2
Profit/loss before tax costs	**64,8**	**105,1**	**450,9**	**447,1**
Tax costs	16,1	25,7	76,7	103,7
Profit/loss after tax	**48,7**	**79,4**	**374,2**	**343,4**

Key figures	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Profitability				
Return on equity	5,14	9,31	10,81	10,59
Net interest income as a % of average total assets	1,44	1,60	1,45	1,58
Profit/loss after tax as a % of average total assets	0,47	0,86	0,96	0,94
Costs as a % of average total assets	0,77	0,76	0,74	0,76
Costs as a % of income (before losses on loans/guarantees)	52,21	40,44	38,16	37,91
Costs as a % of income (excl. return on financial investments)	48,29	41,79	45,29	40,50
Balance sheet figures				
Net lending to customers	35.147,4	30.972,4	35.147,4	30.972,4
Lending growth (quarter/12 months)	5,75	1,80	13,48	4,30
Deposits	14.899,7	13.971,8	14.899,7	13.971,8
Deposit growth (quarter/12 months)	1,92	0,22	6,64	0,61
Average equity	3.513,4	3.268,0	3.354,9	3.140,2
Average total assets	40.688,6	36.780,5	38.986,6	36.497,2
Loss provisions on impaired and non-performing loans				
Losses as a % of net lending to customers (OB)	0,09	-0,02	0,06	0,02
Loss provisions as a % of gross lending to customers	0,29	0,32	0,29	0,32
Net impaired and non-performing commitments as a % of net lending	0,36	0,36	0,36	0,36
Financial strength				
CET1 capital ratio (%)	16,39	17,49	16,39	17,49
Tier 1 capital ratio (%)	18,15	19,44	18,15	19,44
Capital adequacy ratio (%)	19,87	21,39	19,87	21,39
Risk-weighted volume (calculation basis)	19.959,5	17.960,0	19.959,5	17.960,0
Tier 1 leverage ratio (%)	8,48	9,23	8,48	9,23
Liquidity				
Deposit coverage ratio	42,39	45,11	42,39	45,11
LCR (%)	224,93	204,15	224,93	204,15
Branches and full-time equivalents				
No. of branches	27	25	27	25
Full-time equivalents	199	181	199	181
Equity certificates				
Ownership fraction (parent bank) (%)*	34,40	36,21	34,40	36,21
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate	58,98	58,57	58,98	58,57
Earnings per equity certificate	0,75	1,34	6,01	5,81
Dividend per equity certificate	4,60	5,00	4,60	5,00
Turnover rate	18,20	19,66	28,16	19,31
Price	55,60	55,25	55,60	55,25

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

For definition of key figures, see page 43

Board of Directors' Report

Sparebanken Øst achieved a profit after tax of NOK 48.7 million for the fourth quarter of 2018. Income per equity certificate was NOK 0.75, giving a return on equity of 5.14 per cent in the quarter. Net interest income increased by NOK 8.1 million from the previous quarter. Net changes in value and profit/loss on financial instruments are negative, at NOK -12.3 million. Very high levels of customer activity and provision for profit-sharing entailed increased salary and administrative costs in the quarter. The portfolio of net impaired and non-performing commitments remains very low and at the end of the quarter amounted to 0.36 per cent of net lending to customers. Losses on loans to customers are low and amounted to NOK 7.6 million for the quarter. Growth in lending to customers was 5.75 per cent in the quarter, while customer deposits grew by 1.92 per cent in the same period.

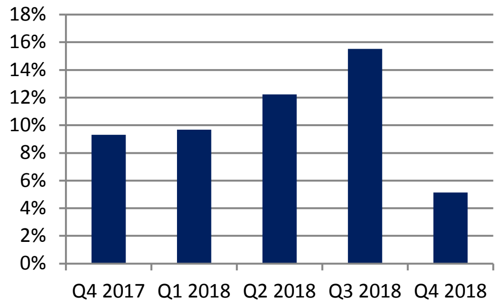
The profit after tax for 2018 is NOK 374.2 million. Earnings per equity certificate were NOK 6.01, which represents a very good return on equity of 10.81 per cent. Net interest income decreased by NOK 12.1 million compared to last year. Net other operating income increased by NOK 38.0 million compared to last year. Costs in 2018 increased by NOK 11.7 million, or 4.2 per cent. Losses on loans to customers amounted to NOK 17.6 million, compared with NOK 7.2 million in 2017. Net lending to customers grew by 13.48 per cent during the last 12 months, while deposits increased by 6.64 per cent in the same period.

The Board of Directors proposes a cash dividend of NOK 4.60 per equity certificate and a provision for dividends on social capital of NOK 23.8 million. The proposed dividend for the year to equity certificate holders is based on the bank's sound earnings, low credit risk and very solid capital adequacy with a CET1 capital ratio of 16.39 per cent.

Results for the quarter

Sparebanken Øst achieved a profit after tax of NOK 48.7 million for Q4 2018. The profit after tax for the fourth quarter of 2017 was NOK 79.4 million.

The return on equity in fourth quarter was 5.14 per cent, compared with 9.31 per cent for the same quarter in 2017. The table below presents the return on equity in the last five quarters.

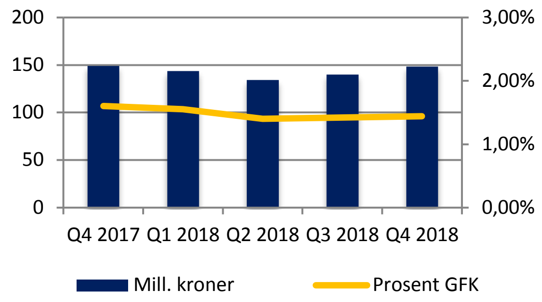


Net interest income

Net interest income amounted to NOK 148.0 million in the fourth quarter of 2018, compared with NOK 148.7 million in the same quarter in 2017. Net interest income increased by NOK 8.1 million from the previous quarter. Net interest income amounted to 1.44 per cent of average total assets in the fourth quarter of 2018. The equivalent figure for the same quarter of 2017 was 1.60 per cent.

Increased money market rates and strong competition contributed to lower net interest income as a percentage of average assets compared to the same period last year.

The figure below presents net interest income in NOK millions and per cent 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 3.5 million in Q4 2018, compared with NOK 24.9 million in the same quarter in 2017.

- Net commission income amounted to NOK 11.3 million in the quarter, a decrease of NOK 1.1 million compared with the same quarter last year. The reduction is mainly due to the costs associated with Vipps AS and Balder Betaling AS.

- Net changes in value and gains/losses on financial instruments came to minus NOK 12.3 million in the quarter, compared to plus NOK 5.5 million in the same period last year. Negative changes in value related to shares and options in Visa Inc. amounted to NOK 2.7 million In the quarter. The value of the shares in Kredittforeningen for Sparebanker was adjusted downwards in the quarter by NOK 2.2 million to NOK 0.7 million. As a result of increased credit spreads in the bond markets, the value of the liquidity portfolio dropped by NOK 6.5 million in the fourth quarter of 2018, compared with a decrease of NOK 1.4 million in the same quarter in 2017. In the fourth quarter, the bank recognised NOK 4.5 million in changes in value and a termination fee on the warranty agreement with Eksportfinans ASA which ended on 31.12.2017.

- Other operating income amounted to NOK 4.5 million in Q4 2018, compared with NOK 6.9 million in Q4 2017.

Operating costs

Total operating costs amounted to NOK 79.1 million in Q4 2018, compared with NOK 70.2 million
in the same quarter in 2017.

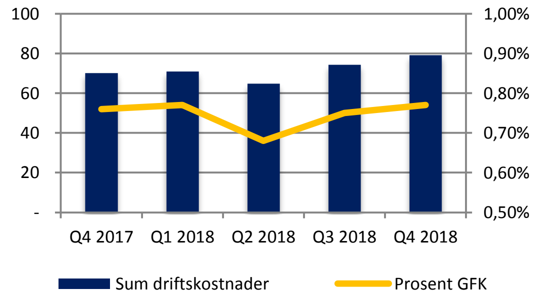
- Payroll costs amounted to NOK 47.1 million in Q4 2018, compared with NOK 38.9 million in the same period last year. The increase in salary costs is mainly due to new hires in 2018, very high customer activity in the quarter, increased provision for profit-sharing and increased pension costs. During the last 12 months the number of FTEs has increased by 18 to 199, equivalent to 9.94 per cent.

- Administrative costs amounted to NOK 15.2 million in the fourth quarter of 2018, compared with NOK 12.8 million in the same quarter in 2017. The increase relates mainly to IT costs and marketing.

- Depreciation and write-downs amounted to NOK 3.7 million, compared with NOK 3.7 million for the same period last year

- Other operating costs amounted to NOK 13.1 million in the fourth quarter of 2018, compared with NOK 14.8 million in the same quarter in 2017.

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



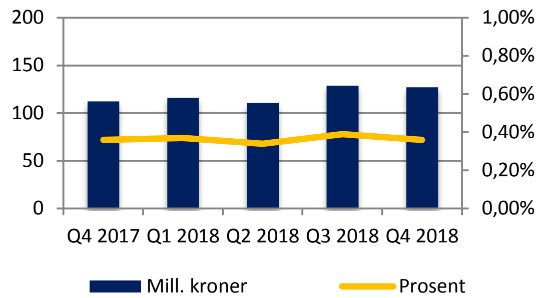
Impaired and non-performing commitments

Net non-performing and impaired commitments were unchanged from Q4 2017 and amounted to 0.36 per cent of net lending at the end of Q4 2018.

Losses on loans to customers amounted to NOK 7.6 million in the fourth quarter of 2018. In comparison, NOK 1.7 million was recognised as income for losses on loans to customers in the fourth quarter of 2017.

At the end of the quarter, total loss provisions amounted to NOK 102.2 million, corresponding to 0.29 per cent of lending to customers. Individual write-downs amounted to NOK 73.1 million at the end of the fourth quarter of 2018, compared with NOK 63.1 million at the end of the same quarter of 2017.

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



Profit for 2018

Sparebanken Øst reported a profit after tax of NOK 374.2 million in 2018, which is an increase of NOK 30.8 million compared with 2017. The return on equity in 2018 was 10.81 per cent, compared with 10.59 per cent in 2017.

Net interest income amounts to NOK 565.1 million in 2018 and shows a decrease of NOK 12.1 million compared with 2017. Net interest income amounted to 1.45 per cent of average total assets in 2018. The corresponding figure for 2017 was 1.58 per cent. Higher money market rates and strong competition contributed to lower net interest income as a percentage of average total assets compared to 2017.

Net commission income amounted to NOK 45.9 million in 2018, which represents an increase of NOK 0.6 million compared with 2017.

Dividends received in 2018 total NOK 33.0 million and are mainly repayments from Eksportfinans ASA totalling NOK 24.3 million and dividends from Frende Holding AS of NOK 8.6 million. In comparison, dividends at the end of 2017 amounted to NOK 16.3 million, NOK 15.8 million of which came from dividends from Frende Holding AS.

Net changes in value and gains/losses on financial instruments amounted to NOK 86.3 million, compared with NOK 30.5 million in the same period last year. In 2018, the bank recognised income of NOK 10.7 million from the merger between Vipps, BankID and BankAxept and a positive change in value in Frende Holding AS of NOK 83.3 million. Positive changes in value related to shares and options in Visa Inc. came to NOK 6.6 million in 2018. As a result of increased credit spreads in the bond markets, the value of the liquidity portfolio dropped by NOK 11.4 million in 2018, compared with an increase of NOK 14.0 million in 2017. In 2017, the bank recognised NOK 8.2 million in changes in value on the bank's shareholdings and NOK 10.0 million in changes in value and a termination fee on the warranty agreement with Eksportfinans ASA which ended on 31.12.2017.

Other operating income amounted to NOK 27.3 million in 2018, compared with NOK 62.4

million in 2017. Profit from the sale of properties amounted to NOK 11.3 million compared to NOK 36.2 million in 2017. The Group's rental income from real estate decreased by NOK 10.7 million in 2018 following the sale of the property portfolio.

The Group's total operating costs for 2018 were NOK 289.1 million, against NOK 277.4 million in 2017, equivalent to 4.22 per cent. The increase is mainly related to payroll-related costs. Payroll costs mainly increased due to new recruitment, increased provisions for profit sharing, increased pension costs and costs in connection with the bank's 175th anniversary. The increase in administration costs of NOK 2.5 million is related to increased IT and marketing costs.

Losses on loans to customers amounted to NOK 17.6 million in 2018, compared with NOK 7.2 million in 2017. AS Financiering's losses were NOK 14,4 million in 2018, compared with NOK 8.8 million in 2017.

Proposal for allocation of profit

The Board of Directors proposes that the parent bank's profit for 2018 be allocated as stated below.

(Amounts in NOK million)

Profit for the year - Parent Bank		**373.9**
To hybrid tier 1 capital		11.7
Profit for the year for equity certificate holders and primary capital		**362.2**
Dividend to equity certificate holders	95.4	
Dividend on social capital	23.8	
Total dividends		**119.2**
From the equalisation fund	-0.4	
To primary capital	157.4	
To the fund for unrealised gains	86.0	
Total to equity		**243.0**
Total allocated		**373.9**

A cash dividend of NOK 4.60 per equity certificate is equivalent to 76.5 per cent of the Group's profit accruing to the equity certificate holders. A provision for the dividend on social capital of NOK 23.8 million is equivalent to 25.0 per cent of the dividend to equity certificate holders.

The total cash dividend and dividend on social capital amount to NOK 119.2 million, which is equivalent to 32.91 per cent of the parent bank's profit accruing to equity certificate holders and primary capital.

The bank has chosen to depart from the dividend policy adopted for social dividends. It is proposed to be distribute a social dividend of only 25.0 percent of the dividend to equity certificate holders. The Board's assessment is that the proposed aggregate dividend is prudent as the Group meets all of the regulatory requirements by a good margin.

Balance sheet as at 31.12.2018

Total assets increased by NOK 4,988.4 million compared with 31.12.2017 and amounted to NOK 41,982.5 million at the end of 2018.

Assets

- Cash and receivables at central banks amounted to NOK 603.1 million as at 31.12.2018, compared with NOK 341.2 million as at 31.12.2017.
- Net lending to financial institutions amounted to NOK 9.5 million as at 31.12.2018, compared with NOK 5.7 million as at 31.12.2017.
- Net lending to customers amounted to NOK 35,147.4 million as at 31.12.2018, compared with NOK 30,972.4 million as at 31.12.2017. This represents an increase of NOK 4,175.0 million in the last 12 months, or 13.48 per cent. Net lending to retail customers increased by 13.74 per cent, while net lending to business customers increased by 11.87 per cent. Gross lending to retail customers accounted for 86.07 per cent of the total lending to customers.
- Holdings of certificates and bonds amounted to NOK 5,173.1 million as at 31.12.2018, compared with NOK 4,515.1 million as at 31.12.2017.

- Shares and units amounted to NOK 606.8 million as at 31.12.2018, compared with NOK 483.9 million as at 31.12.2017.

  At 31.12.2018, the bank's shares in Frende Holding AS were valued at NOK 318.3 million and its shares in Eksportfinans ASA were valued at NOK 195.0 million.

  The main purpose of Balder Betaling AS is to own shares in Vipps AS, and it is owned by several independent banks. The bank's stake in Vipps AS is currently indirectly owned via Balder Betaling AS and amounts to 0.67 per cent The bank's shares in Balder Betaling AS were valued at NOK 27.7 million at 31.12.2018 The valuation is based only 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 31.12.2018.

  The bank also owns rights to shares in Visa Inc. via Visa Norge Holding 1 AS, which were valued at NOK 9.7 million as at 31.12.2018. The bank's shares in VN Norge AS were valued at NOK 9.0 million at 31.12.2018, based on future cash settlements and rights to shares in Visa Inc.

<u>Liabilities</u>

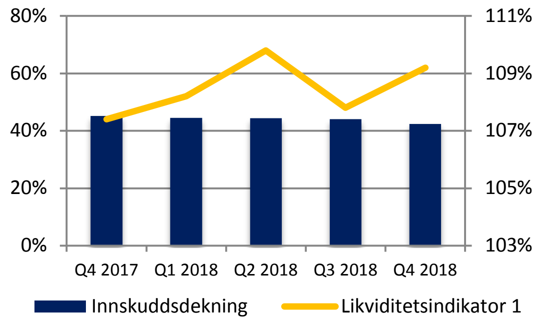
- Deposits from customers amounted to NOK 14,899.7 million as at 31.12.2018, compared with NOK 13,971.8 million as at 31.12.2017. This is an increase of NOK 927.9 million, or 6.64 per cent, in the last 12 months. The deposit-to-loan ratio in the Group at the end of 2018 was 42.39 per cent, compared with 45.11 per cent at the end of 2017.

- Securities issued amounted to NOK 21,970.8 million as at 31.12.2018, compared with NOK 18,228.5 million as at 31.12.2017. The liquidity situation, measured as long-term funding as a percentage of illiquid assets (Liquidity Indicator 1), amounted to 109.2 per cent at the end of 2018, compared with 107.4 per cent at the end of 2017. LCR amounted to 224.93 per cent at the end of 2018, compared with 204.15 per cent as at 31.12.2017. The bank's liquidity strategy involves a high proportion of securities that count towards the LCR calculation. The maturity structure significantly affects LCR.

- Other long-term borrowing amounted to NOK 300.4 million at the end of 2018, compared with NOK 330.1 million as at 31.12.2017.

- Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 2,654.9 million.

The figure below shows the deposit coverage ratio (blue/left) and long-term liquidity as a percentage of illiquid assets (yellow/right) in the last five quarters.



<u>Capital adequacy</u>

- The capital adequacy ratio measured as CET1 capital amounted to 16.39 per cent at the end of 2018 against 17.49 per cent at the end of 2017. The reduction is explained mainly by very high lending growth.

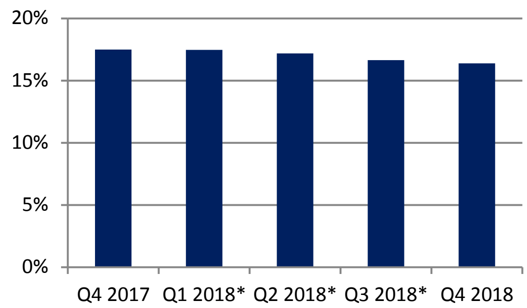
- The Group's Pillar 2 requirement is 2.3 per cent. Given the current level of the countercyclical buffer of 2 per cent, this entails a total CET1 capital ratio of at least 14.3 per cent. Sparebanken Øst's CET1 capital ratio target is a minimum of 14.75 per cent.

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 amounted to NOK 3,965.8 million at the end of 2018, of which the Group's Tier 1 capital amounted to NOK 3,621.8 million. Given a basis for calculation of NOK 19,959.5 million, this corresponds to a capital adequacy ratio of 19.87 per cent, of which 18.15 per cent constitutes the Tier 1 capital ratio. The bank uses the standardised approach to calculate the minimum primary capital requirement for credit risk.

- The bank has good financial strength with a tier 1 leverage ratio of 8.48 percent at the end of 2018, against 9.23 percent at the end of 2017. The requirement for the leverage ratio is 5.00 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 takes a conservative approach to liquidity risk and manages it according to fixed limits. The Group will ensure appropriate liquidity management so that the company at all times has sufficient liquid assets to meet its obligations as they fall due, and illiquid assets are financed on a long term basis. Sparebanken Øst issues covered bonds through the bank's wholly owned mortgage credit company. Covered bonds with long maturities are generally issued, while senior hybrid tier 1 loans are issued with maturities that fit into the existing maturity profile at any time.

Operational risk

Operational risk is monitored through annual reviews of the bank's key processes, established internal controls with annual management confirmation of implemented internal controls, and quarterly reporting of events recorded and risk level assessments to the Board of Directors. The Group has not registered any significant losses due to the failure of internal processes, systems, human error or unforeseen events in 2018.

Rating

Sparebanken Øst has had a 'long-term deposit' and 'issuer' rating of A2 from Moody's Investors Service since October 2017. The bank's counterparty risk assessment (CRA) and long-term counterparty risk rating (CRR) are A1. The prospects for all of the bank's ratings are stable.

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 2018, the loan-to-value ratio (LTV) of the security portfolio was 46.6 per cent, compared with 43.9 per cent at the end of 2017.

As at 31.12.2018, the company's total assets amounted to NOK 14,032.1 million and mainly consist of first priority home mortgages, which are financed via covered bonds and drawing rights on the parent company. The company's 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 result after tax at the end of 2018 was a profit of NOK 72.9 million, compared with NOK 75.2 million for 2017. The company has no employees, but hires services from Sparebanken Øst. Covered bonds issued by Sparebanken Øst Boligkreditt AS have an AAA rating.

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 35.0 million at the end of 2018, compared with NOK 41.7 million for 2017. Total assets amounted to NOK 2,020.5 million. At the end of 2018, the company had 19 employees, corresponding to 19 full-time equivalents.

Sparebanken Øst Eiendom AS is a wholly owned subsidiary of Sparebanken Øst and manages properties belonging to the Sparebanken Øst Group.
Operating income amounted to NOK 22.4 million in 2018, compared with NOK 62.6 million in 2017. A profit of NOK 11.3 million from the sale of properties was recognised as income in 2018, compared to NOK 40.3 million in 2017. The company's rental income from real estate was lower in 2018 as a consequence of the reduced property portfolio. The result after tax was a profit of NOK 13.3 million in 2018, compared with NOK 38.5 million in 2017. At the end of 2018, the company had 2 employees, corresponding to 2 full-time equivalents. The CEO is hired in from Sparebanken Øst.

Øst Prosjekt AS is a wholly owned subsidiary of Sparebanken Øst and its main object is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees. The result after tax was a loss of NOK 0.8 million in 2018, compared to a loss of NOK 4.4 million in 2017. The company has no major ongoing projects at the end of 2018.

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 was NOK 8.5 million, against NOK 9.7 million in 2017. The profit after tax was NOK 0.2 million, compared with NOK 0.7 million for 2017. At the end of 2018, the company had 4 employees, corresponding to 4 full-time equivalents. The company also hired one employee from AS Financiering in 2018.

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 reported a profit before tax of NOK 53.3 million for 2018, compared with NOK 245.2 million for 2017.

Frende Skade had a profit after tax of NOK 1.2 million in 2018, compared to a profit of NOK 145.8 million in 2017. 2018 was characterised by many large fire claims and a high claims rate especially in motor insurance for the first three quarters, but with an improvement in the fourth quarter. The claims rate for the year ended at 81.5 percent against 76.9 per cent in 2017, and the company's combined ratio was 100.4 percent against 96.2 per cent in 2017.

Frende Liv had a profit after tax of NOK 55.9 million in 2018, compared to a profit of NOK 101.2 million in 2017.

Accounting Policies

The interim financial statements are prepared in accordance with IFRS (including IAS 34 Interim Financial Reporting). The interim financial statements have not been audited. IFRS 9 was implemented with effect from 1 January 2018. Refer to Note 1 for discussion and implementation effects.

Dividend policy

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

Sparebanken Øst aims to pay 50 to 75 per cent of the profit allocated to equity certificate holders as dividends according to ownership fractions. Sparebanken Øst also aims to distribute an amount equivalent to 50 to 75 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

After a positive trend in 2017, global economic growth slowed in 2018. Both interest rates and price growth remain low in Norway's most important trading partners. Brexit and the trade war with the USA have made the headlines throughout the year and contributed to falling prices on the world's stock exchanges at the end of 2018.

Propelled by tax cuts, the high growth rate in the USA continued in 2018. Low unemployment and higher inflation have prompted the Fed to make four interest rate increases in 2018. In 2018, President Trump imposed several increases in tariffs on imports from China, and he has threatened to increase tariffs on imports of European cars, among other things. China has responded in kind and has introduced expansive measures to prevent a marked decline in the economy.

In the eurozone, political processes have again produced uncertainty. The Brexit process is still largely unresolved. The new government in Italy finally reached agreement with the EU on the budget deficit, but growth in the country was negative at the end of the year. In Germany, growth has also slowed. Angela Merkel has been a stable factor through her 13 years as Chancellor, but has now announced her retirement in 2021. The ECB has completed new extraordinary securities purchases and says that the base rate will change in the autumn of 2019 at the earliest. Overall, growth has declined somewhat from 2017, but investments and wages are still increasing.

Oil prices rose steadily to top USD 85 per barrel in October, before falling to USD 50 by Christmas and stabilising at a level above USD 60. In Norway, oil investments have increased sharply as expected, and this has resulted in a shortage of labour and pressure on wages in the industry.

The growth in the Norwegian mainland economy ended at 2.2 percent in 2018, slightly lower than expected. This was partly due to a cold winter, dry summer and lower oil prices. Although growth slowed over the year, there has been an increase in production, consumption, export and employment. Registered unemployment has decreased further. After falling in 2017, house prices showed a modest increase in 2018.

Norges Bank's inflation target was lowered in March from 2.5 to 2.0 per cent. The base rate was raised in September from 0.5 to 0.75 per cent. The Norwegian krone was weaker in 2018 than previously anticipated. Inflation has been higher than expected, driven partly by the sharp rise in electricity prices. The central bank has indicated that further economic growth at the expected level will lead to an interest rate increase in March 2019. Covered by a withdrawal from the oil fund, the non-oil deficit in the state budget for 2018 amounted to 2.6 per cent, 0.4 percentage points lower than the fiscal rule.

Outlook

Sparebanken Øst does most of its business in the East of Norway. Economic prospects are still good and house prices are expected to be stable in the years ahead. In themselves, prospects of higher wage growth and lower unemployment point to a growth in house prices. Increased house building, the retention of the Mortgage Regulation and expectations of interest rate increase, are factors that could pull house price growth down. Increased money market rates have led to higher borrowing costs and added pressure on net interest income in 2018. Rising borrowing costs are expected in 2019 and we may expect at least one increase in the base rate from Norges Bank. Continued pressure on the bank's net interest cannot be excluded.

Sparebanken Øst is a cost-efficient bank with a strong focus and a belief that low costs represent a competitive advantage. Costs as a percentage of average total assets are expected to remain low going forward.

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 bank's long-term funding target is 106 per cent of illiquid assets. 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.

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. The bank expects growth in lending to both retail and business customers. 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. Incorporation of the Capital Requirements Directive (CRD IV) into Norwegian law could impact the competitive situation between banks with operations in Norway. However, the Financial Supervisory Authority says that solvency in Norwegian banking industry must be maintained and that available instruments should be used when CRR/CRD IV are introduced. Various capital requirements between banks domiciled in Norway and other countries affect the terms of competition, and thereby the profitability associated with lending for Sparebanken Øst.

Sparebanken Øst expects to be set requirements for primary capital and qualifying liabilities that can be written down or converted to equity (MREL) at the end of 2019 or no later than 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.

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.

Continued intense competition is expected in the banking market, and for Sparebanken Øst this concerns products related to lending, savings, payments and insurance. Implementation of the European Union's PSD2 directive in Norwegian law could affect the competition situation among the players in the financial markets, not least because third parties may be granted access to customer data, subject to customer consent. The bank expects continued pressure on margins for loans to retail and business customers.

<u>Hokksund, 31 December 2018</u>
Drammen, 12 February 2019

Øivind Andersson Chair	Knut Smedsrud Deputy Chair	Morten André Yttreeide Board member
Cecilie Hagby Board member	Elly Therese Thoresen Board member	Kari Solberg Økland Board member
Ole-Martin Solberg Employee representative	Inger Helen Pettersen Employee representative	Pål Strand CEO

Income Statement – Group

(Amounts in NOK million)	Note	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Interest income from assets valued at amortised cost		258,6	239,4	967,4	950,9
Interest income from assets valued at fair value		23,3	14,5	81,6	69,2
Interest costs		133,9	105,2	483,9	442,9
Net interest income	15	**148,0**	**148,7**	**565,1**	**577,2**
Commission income and income from banking services		23,3	22,5	88,8	85,7
Commission costs and costs for banking services		12,0	10,1	42,9	40,4
Dividend		0,0	0,1	33,0	16,3
Net value changes and gains/losses on financ	16	-12,3	5,5	86,3	30,5
Other operating income		4,5	6,9	27,3	62,4
Net other operating income		**3,5**	**24,9**	**192,5**	**154,5**
Payroll, etc.		47,1	38,9	172,0	156,6
Administration costs		15,2	12,8	53,1	50,6
Depreciation/write-downs/value change for non-financial assets		3,7	3,7	13,7	17,9
Other operating costs		13,1	14,8	50,3	52,3
Total operating costs	17	**79,1**	**70,2**	**289,1**	**277,4**
Profit/loss before losses		**72,4**	**103,4**	**468,5**	**454,3**
Losses on loans, unused credit and guarante	4	7,6	-1,7	17,6	7,2
Profit/loss before tax costs		**64,8**	**105,1**	**450,9**	**447,1**
Tax costs		16,1	25,7	76,7	103,7
Profit/loss after tax		**48,7**	**79,4**	**374,2**	**343,4**
Hybrid capital owners' share of the result		3,2	2,7	11,7	11,0
Equity certificate holders' and primary capital share of profits		45,5	76,7	362,5	332,4
Profit/loss after tax		**48,7**	**79,4**	**374,2**	**343,4**
Earnings per equity certificate		0,75	1,34	6,01	5,81
Diluted earnings per equity certificate		0,75	1,34	6,01	5,81

Total income - Group

(Amounts in NOK million)	Note	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Profit/loss after tax		**48,7**	**79,4**	**374,2**	**343,4**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans		-5,3	-30,3	-5,3	-30,3
Tax related to items that cannot be reclassified		1,3	7,6	1,3	7,6
Items that may later be reclassified to the income statement					
Changes in fair value of investments available for sale (IAS 39 up to 31.12.2017)		0,0	23,7	0,0	23,7
Tax related to items that may be reclassified		0,0	-0,8	0,0	-0,8
Total comprehensive income		**44,7**	**79,6**	**370,2**	**343,6**

Balance Sheet – Group

(Amounts in NOK million)	Note	31.12.2018	31.12.2017
Assets			
Cash and receivables from central banks	10,11	603,1	341,2
Lending to and receivables from financial institutions	10,11	9,5	5,7
Loans to and receivables from customers	4,7,8,10,11	35.147,4	30.972,4
Certificates and bonds	10,11	5.173,1	4.515,1
Shares and units	10,11	606,8	483,9
- measured at fair value through profit or loss		0,0	0,0
- measured as available for sale with change in equity		0,0	0
- measured at cost		0,0	0,0
Financial derivatives	10,11,13,14	222,0	297,9
Certificates and bonds, held to maturity (IAS 39 up to 31.12.2017)	10,11	0,0	0,0
Ownership interests in Group companies		0,0	0,0
Deferred tax asset		0,0	0,0
Investment properties		59,9	134,6
Tangible fixed assets		134,2	133,9
Other assets		19,6	103,2
Prepaid non-accrued costs and income earned, but not received		6,9	6,2
Total assets		**41.982,5**	**36.994,1**
Liabilities and equity			
Liabilities to financial institutions	10,11	300,4	330,1
Deposits from and liabilities to customers	6,10,11	14.899,7	13.971,8
Liabilities to the state, swap of covered bonds		0,0	0,0
Financial derivatives	10,11,13,14	30,7	25,5
Securities issued	10,11,12	21.970,8	18.228,5
Other liabilities		313,4	235,0
Accruals and deferred income		41,2	37,8
Provisions for accrued costs and liabilities		78,4	68,6
Deferred tax liability		3,7	8,9
Subordinated loan capital	10,11,12	400,0	351,9
Total liabilities		**38.038,3**	**33.258,1**
Paid-up equity		595,1	595,1
Hybrid capital		350,5	351,7
Retained earnings		2.998,6	2.789,2
Retained ordinary earnings		0,0	0,0
Total equity		**3.944,2**	**3.736,0**
Total liabilities and equity		**41.982,5**	**36.994,1**

Changes in Equity - Group

(Amounts in NOK million) 2018	Total equity	Paid-up equity: Equity certificates	Share premium reserve	Hybrid capital: Hybrid tier 1 capital	Retained earnings: Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity
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**
Implementation effect of IFRS 9	6,6	0,0	0,0	0,0	5,1	9,5	0,0	0,0	-8,1
Reclassification of hybrid tier 1 capital	351,7	0,0	0,0	351,7	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**
Ordinary result	374,2	0,0	0,0	11,7	95,0	181,2	0,0	86,0	0,3
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
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
Other comprehensive income	**370,2**	**0,0**	**0,0**	**11,7**	**93,4**	**178,3**	**0,0**	**86,0**	**0,8**
Dividend to equity certificate holders 2017 - adopted	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-51,9	0,0	0,0	0,0	0,0	-51,9	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
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
Redemption of hybrid capital	-200,0	0,0	0,0	-200,0	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
Changes in endowment fund	0,0	0,0	0,0	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**

The proposed dividend for the year to the equity certificate holders of NOK 95.4 million is included as part of the equalisation fund and the proposed dividend for the year to social capital of NOK 23.8 million as part of the primary capital until they are finally approved by the Board of Trustees

30.09.2017	Total equity	Paid-up equity: Equity certificates	Share premium reserve	Hybrid capital: Hybrid tier 1 capital	Retained earnings: Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity
Equity at 31.12.2016	**3.384,3**	**207,3**	**387,8**	**0,0**	**409,3**	**1.731,6**	**38,1**	**197,6**	**412,6**
Implementation effect IFRS 9	6,6	0,0	0,0	0,0	5,1	9,5	0,0	0,0	-8,1
Reclassification of hybrid tier 1 capital	351,7	0,0	0,0	351,7	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2017	**3.742,6**	**207,3**	**387,8**	**351,7**	**414,4**	**1.741,1**	**38,1**	**197,6**	**404,5**
Ordinary result	374,2	0,0	0,0	11,7	95,0	181,2	0,0	86,0	0,3
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
Comprehensive income	**370,2**	**0,0**	**0,0**	**11,7**	**93,4**	**178,3**	**0,0**	**86,0**	**0,8**
Dividend to equity certificate holders 2017 - adopted	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0
Dividend to social capital 2017 - adopted	-51,9	0,0	0,0	0,0	0,0	-51,9	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
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
Redemption hybrid capital	-200,0			-200,0					
Issued hybrid capital	200,0			200,0					
Changes in endowment fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 30.09.2017	**3.944,2**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**405,3**

2017	Total equity	Paid-up equity: Equity certificates	Share premium reserve	Hybrid capital: Hybrid tier 1 capital	Retained earnings: Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity
Equity at 31.12.2016	**3.176,1**	**207,3**	**387,8**	**0,0**	**379,0**	**1.573,7**	**38,1**	**174,7**	**415,5**
Reclassification of hybrid tier 1 capital	351,9	0,0	0,0	351,9	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2017	**3.528,0**	**207,3**	**387,8**	**351,9**	**379,0**	**1.573,7**	**38,1**	**174,7**	**415,5**
Profit for the year	343,4	0,0	0,0	11,0	121,1	213,3	0,0	0,0	-2,0
Changes in fair value of investments in JV/AC	22,9	0,0	0,0	0,0	0,0	0,0	0,0	22,9	0,0
Actuarial gains and losses on defined-benefit plans	-22,7	0,0	0,0	0,0	-7,9	-13,9	0,0	0,0	-0,9
Comprehensive income	**343,6**	**0,0**	**0,0**	**11,0**	**113,2**	**199,4**	**0,0**	**22,9**	**-2,9**
Dividend to equity certificate holders 2016 - adopted	-82,9	0,0	0,0	0,0	-82,9	0,0	0,0	0,0	0,0
Dividend to social capital 2016 - adopted	-41,5	0,0	0,0	0,0	0,0	-41,5	0,0	0,0	0,0
Interest paid on hybrid capital	-14,8	0,0	0,0	-14,8	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	3,6	0,0	0,0	3,6	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
Equity at 31.12.2017	**3.736,0**	**207,3**	**387,8**	**351,7**	**409,3**	**1.731,6**	**38,1**	**197,6**	**412,6**

The proposed dividend for the year to the equity certificate holders of NOK 103.7 million is included as part of the equalisation fund and the proposed dividend for the year to social capital of NOK 51.9 million as part of the primary capital until they are finally approved by the Board of Trustees

Cash Flow Statement - Group

(Amounts in NOK million)		31.12.2018
Operating activities		
Profit/loss before tax costs		450,9
Adjusted for:		
Change in net interest income earned and accrued interest costs		1,3
Net payment/disbursement of loans to financial institutions		0,0
Net receipts/payments of loans to customers		-4.172,7
Change in certificates and bonds		-655,2
Change in value of equities and units		-98,6
Change in other assets in connection with operations		76,3
Net receipts/disbursement of borrowing from financial institutions		0,0
Net receipts/disbursement of deposits from customers		926,9
Change in other operating liabilities		63,5
Non-cash items included in profit before tax costs		27,3
Net gain/loss from investing activities		-12,6
Net gain/loss from financing activities		4,1
Net change in relation to investing activities		0,0
Other changes		-0,8
Taxes paid for the period		-107,6
Net cash flow from operating activities	**A**	**-3.497,2**
Investing activities		
Payments on purchases of fixed assets		-20,0
Proceeds from sale of fixed assets		92,1
Net proceeds/costs on the sale/purchase of financial investments		-23,1
Net payment/disbursement concerning investments in subsidiaries		0,0
Net cash flow from investing activities	**B**	**49,0**
Financing activities		
Net incoming/outgoing payments for loans to/from financial institutions		-30,0
Payments on repayment of securities		-2.638,0
Proceeds on issuance of securities		6.502,4
Payment of dividend		-103,7
Net payments on repayment of hybrid capital		-200,0
Net receipts on issue of hybrid capital		200,0
Interest paid on hybrid capital		-16,8
Net cash flow from financing activities	**C**	**3.713,9**
Net change in cash and cash equivalents	**A+B+C**	265,7
Cash and cash equivalents at 01.01		346,9
Holding of cash and cash equivalents at the end of the period		**612,6**

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

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 2017, with the exception of IFRS 9 which has replaced IAS 39 with effect from 01.01.2018, and the presentation of hybrid tier 1 capital. Accounting policies arising from these changes are described below. Refer also to the interim report for Q2 2018 and the annual report for 2017 for notes and tables showing the effect of implementing IFRS 9.

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 2017, Note 3 - Assessments and use of estimates.

Presentation of hybrid tier 1 capital

Sparebanken Øst changed its presentation of hybrid tier 1 capital from 01.01.2018; for further details, please refer to the interim report for Q1 2018. The change means that hybrid tier 1 capital issues have been reclassified from debt to equity and that profit after tax increases because the interest on hybrid tier 1 capital is no longer presented as interest costs but as allocations from equity. Interest costs on hybrid tier 1 capital in the fourth quarter of 2018 amounted to NOK 4.3 million, and NOK 3.2 million after tax. For 2018, the interest costs come to NOK 15.6 million, and NOK 11.7 million after tax. Comparative figures have been recalculated, and the interest costs in Q4 2017 were reduced by NOK 3.6 million and profits after tax increased by NOK 2.7 million. The interest costs for 2017 were reduced by NOK 14.7 million and the profit after tax increased by NOK 11.0 million.

Equity and the share of profits falling to equity certificate holders and primary capital are not affected by the change in presentation.

Accounting Principles for Financial Instruments (IFRS 9)

Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the instrument's contractual conditions.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to receive the cash flow are transferred. Financial liabilities are derecognised when the liability ends, or when the liability stated in the contract is fulfilled, cancelled or expires.

Classification

The Group's financial instruments covered by IFRS 9 are classified on initial recognition in one of the following categories:

Financial assets:

- Amortised cost
- Fair value with changes through profit or loss

Financial liabilities:

- Amortised cost
- Fair value with changes through profit or loss

Financial assets valued at amortised cost:

The Group's loans and receivables, except for fixed-interest loans, are measured at amortised cost. The classification is based on the Group's business model, where the purpose is to hold the instruments to receive contractual cash flows. The income is calculated by the effective interest method, whereby the effective rate is determined by discounting contractual cash flows within the expected term. Amortised cost is the present value of cash flows discounted by the effective interest rate.

Fixed interest loans, certificates and bonds:

Fixed interest loans are recognised and measured at fair value through profit and loss to avoid accounting discrepancies when interest-bearing derivatives are used to reduce interest rate risk. The Group's holding of certificates and bonds constitutes the Group's liquidity portfolio, which is managed and measured at fair value. The Group's holdings of certificates and bonds are classified at fair value with changes through profit and loss.

Note 1 - Basis for preparation of the financial statements (contd.)

Equity instruments:
The Group has classified shares and units in the 'fair value' category with changes in value reported through profit/loss.

Borrowing and other financial liabilities:
The Group measures financial liabilities, apart from derivatives, at amortised cost. Financial liabilities are measured at amortised cost where the differences between the amount received less transaction costs and the redemption value are accrued over the loan term, using the effective interest method. Holdings of own bonds are posted as reductions of liabilities.

Derivatives:
Financial derivatives are contracts that are signed to neutralise an already relevant interest and/or foreign currency risk the Group has taken on. Derivatives include foreign currency and interest instruments. Financial derivatives are recognised at fair value with changes in value through profit or loss. The derivative is recognised as an asset if the fair value is positive and as a liability if the fair value is negative.

Hedge accounting:
The Group mainly makes use of financial derivatives to reduce interest and/or currency risks.

The Group employs fair value hedging for fixed rate borrowing and currency borrowing. In a fair value hedge the company seeks to hedge against exposure to changes in the value of recognised assets or liabilities. Bond debt at fixed interest rates constitutes an interest risk. Bond debt in foreign currency constitutes both an interest and a currency risk. Hedge accounting is applied to financial derivatives used to hedge the fair value of recognised liabilities where the criteria are met. Changes in the fair value of financial derivatives classified as and meeting the requirements of fair value hedging are recognised in the income statement together with any change in the fair value of the hedged liability which can be ascribed to the hedged risk.

Measurement of expected loss:
Expected losses are calculated on financial assets which are debt instruments measured at amortised cost or at fair value with changes in value through comprehensive income. Expected losses are calculated and loss provisions posted regardless of whether there is objective evidence of impairment on the balance-sheet date. The Group calculates expected losses on total commitments consisting of lending, unused credit and guarantees. The Group breaks commitments down into three groups in calculating the expected loss.

Group 1: Commitments that do not have a substantial increase in credit risk, after initial recognition, measured on the basis of the change in risk class, are included in group 1. For commitments in group 1, an expected 12-month loss is calculated on the basis of the commitment's exposure.

Group 2: Commitments with a substantial increase in credit risk, after initial recognition, measured on the basis of the change in risk class, including commitments with default exceeding 30 days, are included in group 2. For commitments in group 2, a lifetime expected loss is calculated on the basis of the commitment's exposure and expected duration.

Group 3: Commitments with a significant increase in credit risk, where there is objective evidence of impairment, or where the default exceeds 90 days, are included in group 3. The provision for this group consists of both individually assessed write-downs and model-calculated expected losses. For commitments for which there is no individual impairment assessment, a lifetime expected loss is calculated on the basis of the commitment's exposure, the segment parameter for expected losses, and expected duration.

Estimated expected losses are based on the following principles:
Based on the Group's risk classification system, the per-risk class is subject to a probability of default is calculated for each risk class in order to calculate the expected loss. The Group's commitments are classified into segments for which we determine the expected 'loss given default'. The segments are determined by the product, security and other criteria, so each segment contains loans with virtually the same risk profile. The expected loss is calculated by multiplying the probability of default (PD) * expected loss given default (LGD) * exposure at default (EAD). The expected exposure is based among other things on the expected term of the commitments. In calculating the expected loss, a probability-weighted calculation is made of expected macroeconomic developments, based on macroeconomic prospects and observed credit losses.

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 treasury. There are also other subsidiaries, as well as a non-reportable segment with items that are not allocated to other segments.

Profit/loss

31.12.2018	Retail market	Corporate market	Finance	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**

31.12.2017	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	335,5	108,7	-26,1	123,0	-4,1	39,2	1,0	577,2
Other operating income	63,2	10,2	20,3	-23,7	62,6	33,8	-11,9	154,5
Operating costs	58,1	16,5	0,0	34,7	13,7	159,7	-5,3	277,4
Profit/loss before losses	**340,6**	**102,4**	**-5,8**	**64,6**	**44,8**	**-86,7**	**-5,6**	**454,3**
Losses on loans, unused credit and guarantees	-0,2	-1,4	0,0	8,8	0,0	0,0	0,0	7,2
Profit/loss before tax costs	**340,8**	**103,8**	**-5,8**	**55,8**	**44,8**	**-86,7**	**-5,6**	**447,1**
Tax costs	0,0	0,0	0,0	14,1	6,3	84,7	-1,4	103,7
Profit/loss after tax	**340,8**	**103,8**	**-5,8**	**41,7**	**38,5**	**-171,4**	**-4,2**	**343,4**

Balance sheet

31.12.2018	Retail market	Corporate market	Finance	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**

31.12.2017	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Loans to and receivables from customers	24.467,6	4.214,0	0,0	1.894,6	0,0	497,0	-100,8	30.972,4
Other assets	7,0	0,0	4.682,5	27,2	232,4	2.965,0	-1.892,4	6.021,7
Total assets	**24.474,6**	**4.214,0**	**4.682,5**	**1.921,8**	**232,4**	**3.462,0**	**-1.993,2**	**36.994,1**
Deposits from and liabilities to customers	9.377,8	2.854,7	1.646,0	12,7	0,0	117,9	-37,3	13.971,8
Other liabilities/offsetting	15.096,8	1.359,3	3.036,5	1.667,5	149,2	-253,2	-1.769,8	19.286,3
Equity	0,0	0,0	0,0	241,6	83,2	3.597,3	-186,1	3.736,0
Total liabilities and equity	**24.474,6**	**4.214,0**	**4.682,5**	**1.921,8**	**232,4**	**3.462,0**	**-1.993,2**	**36.994,1**

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

	31.12.2018	31.1
CET1 capital		
Book equity	3.593,7	3
Deduction items in CET1 capital		
Additional value adjustments (prudent valuation requirement) (AVA)	-6,4	
Dividends	-119,2	
Goodwill included in the valuation of significant investments	-150,9	
Intangible assets	-17,8	
Deferred tax	0,0	
CET1 capital instruments in other financial institutions (not significant)	0,0	
CET1 capital instruments in other financial institutions (significant)	0,0	
Other deductions from CET1 capital	-27,7	
Total CET1 capital	**3.271,8**	**3**
Other tier 1 capital		
Hybrid tier 1 capital	350,0	
Deductions from other tier 1 capital		
Other tier 1 capital instruments in other financial institutions (not significant)	0,0	
Other tier 1 capital instruments in other financial institutions (significant)	0,0	
Total other tier 1 capital	**350,0**	
Total tier 1 capital	**3.621,8**	**3**
Tier 2 capital		
Subordinated loans	400,0	
Deductions from tier 2 capital		
Tier 2 capital instruments in other financial institutions (not significant)	0,0	
Tier 2 capital instruments in other financial institutions (significant)	-56,0	
Total tier 2 capital	**344,0**	
Net primary capital	**3.965,8**	**3**

Note 3 - Capital adequacy (contd.)

	31.12.2018	31.1
Governments and central banks	0,0	
Local and regional authorities	67,8	
Publicly owned companies	0,0	
Multilateral development banks	0,0	
Institutions	73,3	
Companies	572,6	
Mass market accounts	1.655,3	1
Accounts secured against property	14.692,0	12
Accounts due	159,7	
Covered bonds	383,4	
Shares in securities fund	0,0	
Equity positions	635,1	
Other exposures	238,3	
Securitisation	0,0	
Calculation basis for credit and counterparty risk	**18.477,4**	**16**
Calculation basis for currency risk	**0,0**	
Calculation basis for operational risk	**1.294,6**	**1**
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	**187,5**	
Deductions from calculation basis	**0,0**	
Total calculation basis	**19.959,5**	**17**
CET1 capital ratio	16,39 %	1
Tier 1 capital ratio	18,15 %	1
Capital adequacy	19,87 %	2
Buffers		
Capital conservation buffer	499,0	
Countercyclical buffer	399,2	
Systemic risk buffer	598,8	
Buffer for systemically important banks	0,0	
Total buffer requirements	**1.497,0**	**1**
Available buffer capital	**2.369,0**	**2**
Tier 1 leverage ratio	8,48 %	

Note 4 - Losses on loans, unused credit and guarantees

IFRS 9 from 01.01.2018			**Q4 2018**	**31.12.2018**
	Loss provisions	Q1 2018		
	Loss provisions at start of period	92,1	95,9	92,1
+	Change in provisions, group 1	-0,6	1,2	-0,3
+	Change in provisions, group 2	-0,3	1,4	-0,5
+	Change in provisions, group 3	**2,8**	3,7	10,9
=	**Loss provisions at end of period**	94	**102,2**	**102,2**
	Loss costs for the period			
+	Change in provisions, group 1	-0,6	1,2	-0,3
+	Change in provisions, group 2	-0,3	1,4	-0,5
+	Change in provisions, group 3*	2,8	3,7	10,9
+	Actual losses for the period	2,9	3,3	15,1
-	Recovery of previously identified losses d	2,8	2,2	8,3
+	Amortisation cost of write-downs during t	0,1	0,2	0,7
=	**Losses on loans, unused credit and guara**	**2,1**	**7,6**	**17,6**

IAS 39 up to 31.12.2017		**Q4 2017**	**31.12.2017**
	Individual write-downs		
	Individual write-downs at the start of the period	62,4	67,3
-	Actual losses for the period, where there have previously been individual write-downs	1,2	8,3
+	Increased individual write-downs for the period	1,5	4,5
+	New individual write-downs for the period	1,7	9,6
-	Reversed individual write-downs for the period	1,3	10,0
=	**Individual write-downs at the end of the period**	**63,1**	**63,1**
	Collective write-downs of loans		
	Collective write-downs of loans at the start of the period	40,3	40,3
+/-	Change in collective write-downs of loans for the period	-5,5	-5,5
=	**Collective write-downs of loans at the end of the period**	**34,8**	**34,8**
	Loss costs for the period		
	Change in individual write-downs for the period	0,7	-4,2
+/-	Change in collective write-downs of loans for the period	-5,5	-5,5
+	Actual losses for the period, where there have previously been individual write-downs	1,2	22,0
+	Actual losses for the period, where there have previously not been individual write-downs	3,5	9,5
-	Recovery of previously identified losses during the period	1,6	15,3
+/-	Amortised cost of write-downs during the period	0,0	0,7
=	**Losses on loans and guarantees**	**-1,7**	**7,2**

Note 5 - Non-performing and impaired commitments, customers

		31.12.2018	31.12.2017
	Non-performing commitments (over 90 days)		
	Business	13,3	17,6
+	Retail	187,2	156,2
=	Gross non-performing commitments	200,5	173,8
-	Loss provisions	73,6	63,1
=	**Net non-performing commitments**	**126,9**	**110,7**
	Impaired (not non-performing) commitments		
	Business	0,0	1,3
+	Retail	0,0	0,1
=	Gross impaired commitments	0,0	1,4
-	Loss provisions	0,0	0,0
=	**Net impaired commitments**	**0,0**	**1,4**
	Non-performing and impaired commitments		
	Business	13,3	18,9
+	Retail	187,2	156,3
=	Gross non-performing and impaired commitments	200,5	175,2
-	Loss provisions	73,6	63,1
=	**Net non-performing and impaired commitments**	**126,9**	**112,1**

Note 6 - Deposits from customers by sector and industry

	31.12.2018	31.12.2017
Salaried employees	8.580,4	8.400,5
Public administration	518,1	470,5
Agriculture, forestry and fishing, etc.	116,9	123,3
Industry and mining, power and water supply	1.259,5	1.109,5
Building and construction	570,2	516,7
Wholesale and retail trade, hotels and restaurants	448,4	425,0
Transport and communications	223,8	212,1
Business financial services	1.306,9	1.148,1
Other service industries	826,1	705,7
Real estate sales and operation	915,3	765,0
Abroad	134,1	95,4
Total customer deposits	**14.899,7**	**13.971,8**

Note 7 - Loans to customers by sector and industry

	31.12.2018	31.12.2017
Salaried employees	30.337,9	26.659,1
Agriculture, forestry and fishing, etc.	108,2	104,6
Industry and mining, power and water supply	69,2	82,4
Building and construction	417,1	292,1
Wholesale and retail trade, hotels and restaurants	135,6	154,7
Transport and communications	46,7	47,7
Business financial services	192,3	193,1
Other service industries	788,2	780,6
Real estate sales and operation	3.117,0	2.726,2
Abroad	36,6	29,8
Gross lending to customers	**35.248,8**	**31.070,3**
Loss provisions on loans	-101,4	-97,9
Net lending to customers	**35.147,4**	**30.972,4**

Note 8 - Geographical distribution of lending, customers

	31.12.2018	31.12.2017
Drammen	5.127,3	4.644,7
Nedre Eiker	2.458,4	2.434,4
Øvre Eiker	2.171,0	2.089,1
Rest of Buskerud	4.006,0	3.105,5
Oslo	7.087,6	5.980,6
Akershus	6.292,0	5.696,6
Vestfold	2.836,9	2.762,7
Østfold	1.698,0	1.587,0
Rest of Norway	3.535,0	2.739,9
Abroad	36,6	29,8
Gross lending to customers	**35.248,8**	**31.070,3**
Loss provisions on loans	-101,4	-97,9
Net lending to customers	**35.147,4**	**30.972,4**

Note 9 - Credit risk

The risk classification systems are used for decision-making support, monitoring and reporting. The risk parameters from the classification systems form an integral part of the credit process and follow-up of the business and retail market customer portfolios. The risk classification is based on a weighted calculation of various parameters linked to capacity to service debt, payment history and information from an external credit information provider.
The parent bank and Sparebanken Øst Boligkreditt AS's portfolios are based on a risk classification consisting of 11 categories from A to K. Risk class A represents the lowest risk and risk class K represents the highest risk. In the Group, risk classes J and K consist of commitments where there is objective evidence of impairment and the commitments are being specifically monitored.

IFRS 9 from 01.01.2018						Total commitment per group			
31.12.2018	**Gross lending**	**Guarantee liabilities**	**Credit facilities**	**Total Commitments**	**%**	**Stage 1**	**Stage 2**	**Stage 3***	**Total loss provisions**
A	13.636,3	9,4	1.115,9	14.761,6	39,9	14.751,9	9,7	0,0	14.761,6
B	6.428,3	24,9	223,1	6.676,3	18,0	6.667,6	8,7	0,0	6.676,3
C	6.160,6	17,9	158,9	6.337,4	17,1	6.308,2	29,2	0,0	6.337,4
D	5.434,9	44,5	145,8	5.625,2	15,2	5.611,0	14,2	0,0	5.625,2
E	837,2	5,4	33,5	876,1	2,4	763,4	112,7	0,0	876,1
F	1.040,7	1,1	2,9	1.044,7	2,8	927,1	117,6	0,0	1.044,7
G	1.140,8	0,0	0,7	1.141,5	3,1	912,4	229,1	0,0	1.141,5
H	273,6	0,0	0,1	273,7	0,7	100,1	173,6	0,0	273,7
I	27,0	0,0	0,0	27,0	0,1	23,3	3,7	0,0	27,0
J	101,9	0,9	0,0	102,8	0,3	1,5	0,0	101,3	102,8
K	159,0	2,2	0,0	161,2	0,4	2,6	0,0	158,6	161,2
Unallocated	8,5	0,0	0,0	8,5	0,0	8,5	0,0	0,0	8,5
Total	**35.248,8**	**106,3**	**1.680,9**	**37.036,0**	**100,0**	**36.077,6**	**698,5**	**259,9**	**37.036,0**
Loss provisions				**102,2**		**19,0**	**8,0**	**75,2**	

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

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**

31.12.2017	Gross loans	Guarantee liabilities	Credit facilities	Commitments	%	Individual write-downs
A	11.290,6	3,8	1.040,8	12.335,2	37,7	0,0
B	5.641,7	22,4	201,6	5.865,7	17,9	0,0
C	5.398,7	39,2	128,0	5.565,9	17,0	0,0
D	5.785,3	41,7	119,6	5.946,6	18,2	0,0
E	1.431,7	2,2	22,8	1.456,7	4,5	0,0
F	682,9	2,5	5,5	690,9	2,1	0,0
G	296,5	0,0	2,7	299,2	0,9	0,0
H	120,9	2,0	0,4	123,3	0,4	0,0
I	83,4	0,0	0,3	83,7	0,3	0,0
J	237,9	1,3	0,1	239,3	0,7	30,9
K	99,6	1,5	0,0	101,1	0,3	32,2
Unallocated	1,1	0,0	0,0	1,1	0,0	0,0
Total	**31.070,3**	**116,6**	**1.521,7**	**32.708,6**	**100,0**	**63,1**

Note 10 - Classification of financial assets and liabilities

IFRS 9 from 01.01.2018	Fair value through profit or loss			
31.12.2018	Held for trading	At fair value	Amortised cost*	Total
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

IAS 39 up to 31.12.2017	Fair value through profit or loss				
31.12.2017	Held for trading	Designated at fair value	Available for sale	Amortised cost*	Total
Cash and receivables from central banks	0,0	0,0	0,0	341,2	341,2
Net loans to and receivables from financial institutions	0,0	0,0	0,0	5,7	5,7
Net loans to and receivables from customers	0,0	0,0	0,0	30.972,4	30.972,4
Certificates and bonds	4.461,0	54,1	0,0	0,0	4.515,1
Shares and units	17,8	0,0	466,1	0,0	483,9
Financial derivatives**	297,9	0,0	0,0	0,0	297,9
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0	0,0
Total financial assets	**4.776,7**	**54,1**	**466,1**	**31.319,3**	**36.616,2**
Liabilities to financial institutions	0,0	0,0	0,0	330,1	330,1
Deposits from and liabilities to customers	0,0	0,0	0,0	13.971,8	13.971,8
Financial derivatives**	25,5	0,0	0,0	0,0	25,5
Securities issued	0,0	0,0	0,0	18.228,5	18.228,5
Subordinated loan capital	0,0	0,0	0,0	351,9	351,9
Total financial liabilities	**25,5**	**0,0**	**0,0**	**32.882,3**	**32.907,8**

* Includes hedged debt
** Includes derivatives for which hedge accounting is used

Note 11 - Financial assets and liabilities

The bank uses the following appreciation hierarchy to determine the fair value of financial instruments:
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 2017 for further details of individual accounting items.

IFRS 9 from 01.01.2018

31.12.2018	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and receivables from central banks	603,1	0,0	0,0	603,1	603,1
Net loans to and receivables from financial institutions	0,0	0,0	9,5	9,5	9,5
Net loans to and receivables from customers	0,0	0,0	34.780,4	34.780,4	34.780,4
Certificates and bonds	0,0	0,0	0,0	0,0	0,0
Total assets at amortised cost	**603,1**	**0,0**	**34.789,9**	**35.393,0**	**35.393,0**
Liabilities to financial institutions	0,0	300,4	0,0	300,4	300,4
Deposits from and liabilities to customers	0,0	14.899,7	0,0	14.899,7	14.899,7
Securities issued	0,0	22.081,2	0,0	22.081,2	21.970,8
Subordinated loan capital	0,0	394,2	0,0	394,2	400,0
Total liabilities at amortised cost	**0,0**	**37.675,5**	**0,0**	**37.675,5**	**37.570,9**
Fair value					
Loans to and receivables from customers	0,0	0,0	367,0	367,0	367,0
Certificates and bonds	0,0	5.173,1	0,0	5.173,1	5.173,1
Shares and units	21,6	23,0	562,2	606,8	606,8
- at fair value through profit or loss	0,0	0,0	0,0	0,0	0,0
- recognised at fair value through comprehensive income	0,0	0,0	0,0	0,0	0,0
Financial derivatives	0,0	222,0	0,0	222,0	222,0
Total assets at fair value	**21,6**	**5.418,1**	**929,2**	**6.368,9**	**6.368,9**
Financial derivatives	0,0	30,7	0,0	30,7	30,7
Total liabilities at fair value	**0,0**	**30,7**	**0,0**	**30,7**	**30,7**

Movements in level 3 for items valued at fair value	Fixed interest loans	Shares through profit or loss	Total
Balance sheet as at 01.01.2018	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 11 - Financial assets and liabilities (cont.)

31.12.2017	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and receivables from central banks	341,2	0,0	0,0	341,2	341,2
Net loans to and receivables from financial institutions	0,0	0,0	5,7	5,7	5,7
Net loans to and receivables from customers	0,0	0,0	30.973,3	30.973,3	30.972,4
Certificates and bonds	0,0	0,0	0,0	0,0	0,0
Total assets at amortised cost	**341,2**	**0,0**	**30.979,0**	**31.320,2**	**31.319,3**
Liabilities to financial institutions	0,0	330,1	0,0	330,1	330,1
Deposits from and liabilities to customers	0,0	13.971,8	0,0	13.971,8	13.971,8
Securities issued	0,0	18.396,0	0,0	18.396,0	18.228,5
Subordinated loan capital	0,0	353,8	0,0	353,8	351,9
Total liabilities at amortised cost	**0,0**	**33.051,7**	**0,0**	**33.051,7**	**32.882,3**
Fair value					
Certificates and bonds	0,0	4.545,1	0,0	4.515,1	4.515,1
Shares and units					
- at fair value through profit or loss	17,8	0,0	0,0	17,8	17,8
- available for sale	0,0	0,0	466,1	466,1	466,1
Financial derivatives	0,0	297,9	0,0	297,9	297,9
Total assets at fair value	**17,8**	**4.843,0**	**466,1**	**5.296,9**	**5.296,9**
Financial derivatives	0,0	25,5	0	25,5	25,5
Total liabilities at fair value	**0,0**	**25,5**	**0,0**	**25,5**	**25,5**

Movements in level 3 for items valued at fair value	31.12.2017
Balance sheet as at 31.12.2016	445,7
Net realised gains	2,4
Purchase of shares	9,3
Disposals	15,1
Changes in value	23,7
Transferred from levels 1 and 2	0,0
Balance sheet at end of period	**466,1**

Note 12 - Securities issued and subordinated loan capital

Securities issued	31.12.2018	31.12.2017
Bonds, nominal value	21.705,8	17.899,2
Value adjustments (incl. excess/deficit value)	170,9	232,3
Accrued interest	94,1	97,0
Total securities issued	**21.970,8**	**18.228,5**

Change for securities issued	31.12.2018	Issued	Due/redeemed	Change in own holdings	Other changes incl. currency	31.12.2017
Bonds, nominal value	9.657,0	3.200,0	1.762,0	0,0	0,0	8.219,0
Covered bonds, nominal value in NOK	11.758,0	2.900,0	523,0	0,0	0,0	9.381,0
Covered bonds, nominal value in SEK ((	290,8	0,0	0,0	0,0	-8,4	299,2
Value adjustments (incl. excess/deficit	170,9	0,0	0,0	0,0	-61,4	232,3
Accrued interest	94,1	0,0	0,0	0,0	-2,9	97,0
Total securities issued	**21.970,8**	**6.100,0**	**2.285,0**	**0,0**	**-72,7**	**18.228,5**

Change in subordinated loan capital	31.12.2018	Issued	Due/redeemed	Change in own holdings	Other changes incl. currency	31.12.2017
Ordinary subordinated loan capital, no	400,0	400,0	350,0	0,0	0,0	350,0
Value adjustments (incl. excess/deficit	-0,7	0,0	0,0	0,0	-0,4	-0,3
Accrued interest	0,7	0,0	0,0	0,0	-1,5	2,2
Total subordinated loan capital	**400,0**	**400,0**	**350,0**	**0,0**	**-1,9**	**351,9**

Note 13 - Financial derivatives

31.12.2018

Fair value through profit or loss	Contract sum	Assets	Liabilities
Currency instruments			
Forward exchange contracts	16,9	0,0	0,5
Currency swap agreements	0,0	0,0	0,0
Total currency instruments	**16,9**	**0,0**	**0,5**
Interest rate instruments			
Interest rate swaps	765,0	0,9	8,8
Interest rate swaps (FRA)	0,0	0,0	0,0
Standardised interest rate swaps (futures)	0,0	0,0	0,0
Total interest instruments	**765,0**	**0,9**	**8,8**

Used for hedge accounting	Contract sum	Assets	Liabilities
Currency instruments			
Forward exchange contracts	0,0	0,0	0,0
Currency swap agreements	304,9	0,0	14,6
Total currency instruments	**304,9**	**0,0**	**14,6**
Interest rate instruments			
Interest rate swaps	7.315,0	221,1	6,8
Interest rate swaps (FRA)	0,0	0,0	0,0
Standardised interest rate swaps (futures)	0,0	0,0	0,0
Total interest instruments	**7.315,0**	**221,1**	**6,8**
Total derivatives		**222,0**	**30,7**

31.12.2017

Fair value through profit or loss	Contract sum	Assets	Liabilities
Currency instruments			
Forward exchange contracts	12,4	0,1	0,0
Currency swap agreements	0,0	0,0	0,0
Total currency instruments	**12,4**	**0,1**	**0,0**
Interest rate instruments			
Interest rate swaps	590,0	0,1	15,3
Interest rate swaps (FRA)	0,0	0,0	0,0
Standardised interest rate swaps (futures)	0,0	0,0	0,0
Total interest instruments	**590,0**	**0,1**	**15,3**
Guarantee to Eksportfinans ASA	72,7	2,8	0,0
Total other derivatives	**72,7**	**2,8**	**0,0**

Note 13 - Financial derivatives (contd.)

Used for hedge accounting	Contract sum	Assets	Liabilities
Currency instruments			
Forward exchange contracts	0,0	0,0	0,0
Currency swap agreements	304,9	0,0	6,1
Total currency instruments	**304,9**	**0,0**	**6,1**
Interest rate instruments			
Interest rate swaps	5.615,0	297,7	4,1
Interest rate swaps (FRA)	0,0	0,0	0,0
Standardised interest rate swaps (futures)	0,0	0,0	0,0
Total interest instruments	**5.615,0**	**297,7**	**4,1**
Total derivatives		**297,9**	**25,5**

Note 14 - Financial derivatives - offsetting

The Group's netting rights comply with the general rules in Norwegian legislation. ISDA agreements which give the parties netting rights in the event of default have been entered into with financial institutions. Additional agreements have also been entered into concerning the provision of security (CSA). In accordance with the set-off disclosure requirement, there has been no offsetting of amounts recognised on the balance sheet.

Exposure as at 31.12.2018	Gross amount	Offset	Recognised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
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
Exposure as at 30.09.2017						
Financial derivatives, assets	193,3	0,0	193,3	-12,6	0,0	180,7
Financial derivatives, liabilities	12,6	0,0	12,6	-12,6	0,0	0,0
Exposure as at 31.12.2017						
Financial derivatives, assets	181,5	0,0	181,5	-6,1	-12,3	163,1
Financial derivatives, liabilities	6,1	0,0	6,1	-6,1	0,0	0,0

Note 15 - Net interest income

	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Interest income from loans to and receivables from financial institutions	0,7	0,5	2,2	1,7
Interest income from loans to customers	260,4	239,0	973,2	949,2
Interest income from certificates and bonds	20,8	14,4	73,6	69,2
Other interest income	0,0	0,0	0,0	0,0
Total interest income	**281,9**	**253,9**	**1.049,0**	**1.020,1**
Interest costs on liabilities to financial institutions	1,8	1,0	6,6	3,3
Interest on deposits from customers	33,2	28,6	122,8	116,5
Interest on securities issued	93,4	70,0	332,7	300,6
Interest on subordinated loan capital	2,7	2,7	10,3	11,1
Norwegian Banks Guarantee Fund levy	2,8	2,9	11,5	11,4
Total interest costs	**133,9**	**105,2**	**483,9**	**442,9**
Net interest income	**148,0**	**148,7**	**565,1**	**577,2**

*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

	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Net changes in value and gains/losses on certificates and bonds	-6,9	-2,7	-17,8	9,7
Net changes in value and gains/losses on shares and equity derivatives	-4,9	1,9	99,6	8,2
Net changes in value and gains/losses on fixed-interest loans	1,6	0,0	-0,1	0,0
Net changes in value and gains/losses on other financial instruments	-2,1	6,3	4,6	12,6
Net changes in value and gains/losses on financial instruments at fair value	**-12,3**	**5,5**	**86,3**	**30,5**

Note 17 - Operating costs

	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Payroll costs incl. AGA and Financial Activity Tax	41,7	36,6	149,3	139,7
Pension costs	3,1	0,0	12,7	9,7
Other personnel-related costs	2,3	2,3	10,0	7,2
IT costs	9,5	8,3	35,1	34,3
Other administrative costs	5,7	4,5	18,0	16,3
Depreciation/write-downs/changes in value for non-financial assets	3,7	3,7	13,7	17,9
Operating costs, properties and premises	7,1	6,4	21,1	20,7
Other operating costs	6,0	8,4	29,2	31,6
Total operating costs	**79,1**	**70,2**	**289,1**	**277,4**

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

Guarantee liability	**31.12.2018**	**31.12.2017**
Payment guarantees	23,6	30,9
Contract guarantees	51,6	52,8
Loan guarantees	17,5	17,3
Other guarantee liabilities	13,6	15,6
Total guarantees to customers	**106,3**	**116,6**

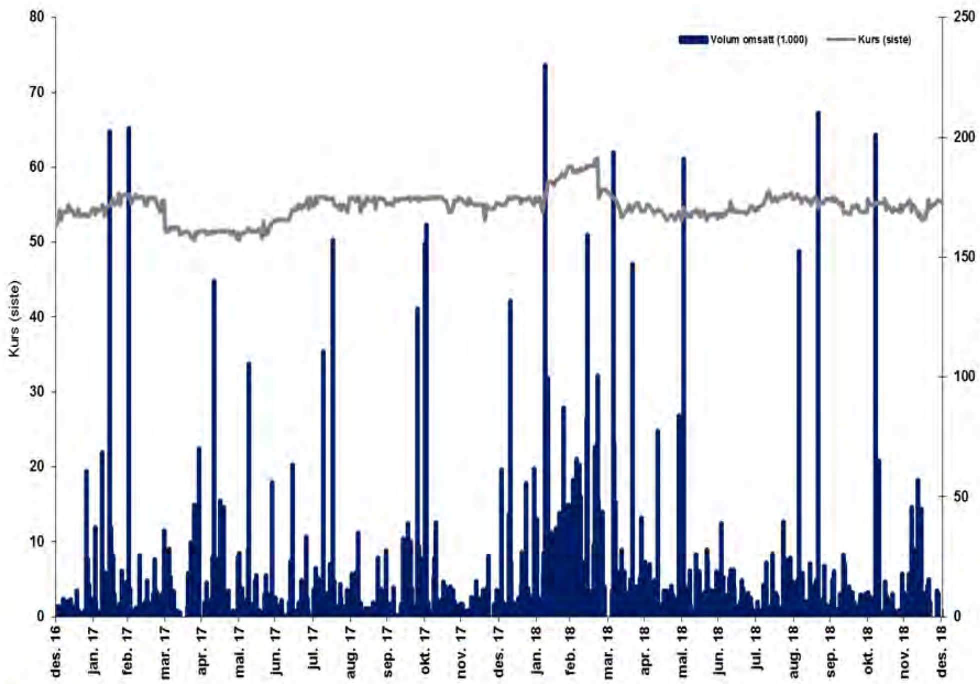
Pledges of security	**31.12.2018**	**31.12.2017**
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	711,0	561,0
Total pledges of security	**711,0**	**561,0**

In connection with the rating process for Sparebanken Øst Boligkreditt AS, the bank has issued a guarantee for all covered bond commitments in the mortgage credit company. The commitment amounts to MNOK 12.048,8 as of 31.12.18 and MNOK 9.680,2 as of 31.12.17

Preferential rights	**31.12.2018**	**31.12.2017**
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nomi	12.048,8	9.680,2
Total preferential rights	**12.048,8**	**9.680,2**

Note 19 - Equity certificates

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders as at 31.12.2018

	Name	Number	%		Name	Number	%
1	MP Pensjon	1.667.815	8,04 %	11	Profond AS	200.163	0,97 %
2	Cape Invest AS	1.370.000	6,61 %	12	DnB NOR Markets	160.000	0,77 %
3	Directmarketing Ir	999.500	4,82 %	13	Johansen, Kjell Petter	152.000	0,73 %
4	Verdipapirfondet	811.943	3,92 %	14	Atlas Absolutt	151.325	0,73 %
5	Hansen, Asbjørn F	500.000	2,41 %	15	Løkke, Helge Arnfinn	148.433	0,72 %
6	Jag Holding AS	400.000	1,93 %	16	Juel, Iver Albert	131.306	0,63 %
7	Foretakskonsulent	385.100	1,86 %	17	Seriana AS	130.931	0,63 %
8	Storetind AS	285.000	1,37 %	18	Morgan Stanley & Co. Ir	123.592	0,60 %
9	Wenaasgruppen A	273.000	1,32 %	19	Teigen, Hellik	120.400	0,58 %
10	AS Andersen Eien	270.972	1,31 %	20	Ødegård, Helge	105.885	0,51 %

Ownership fraction, parent bank

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

Income Statement - Parent Bank

(Amounts in NOK million)	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Interest income	172,5	156,7	635,1	637,8
Interest costs	85,0	71,5	307,9	302,7
Net interest income	**87,5**	**85,2**	**327,2**	**335,1**
Commission income and income from banking services	28,0	26,1	106,1	99,6
Commission costs and costs for banking services	5,2	3,7	17,5	14,4
Dividend	119,4	148,2	152,4	164,4
Net changes in value and gains/losses on financial instruments	-11,9	5,5	91,7	41,3
Other operating income	1,1	1,0	4,7	4,9
Net other operating income	**131,4**	**177,1**	**337,4**	**295,8**
Payroll, etc.	40,1	31,6	148,0	130,1
Administration costs	12,7	10,0	43,8	41,1
Depreciation/write-downs/changes in value for non-financial assets	2,8	2,4	9,5	11,3
Other operating costs	9,8	10,7	41,1	43,5
Total operating costs	**65,4**	**54,7**	**242,4**	**226,0**
Profit/loss before losses	**153,5**	**207,6**	**422,2**	**404,9**
Losses on loans, unused credit and guarantees	2,7	-4,9	2,9	-1,6
Profit/loss before tax costs	**150,8**	**212,5**	**419,3**	**406,5**
Tax costs	9,9	16,4	45,4	61,1
Profit/loss after tax	**140,9**	**196,1**	**373,9**	**345,4**

Hybrid capital owners' share of the result	3,2	2,7	11,7	11,0
Equity certificate holders' and primary capital share of profits	137,7	193,4	362,2	334,4
Profit/loss after tax	**140,9**	**196,1**	**373,9**	**345,4**

Earnings per equity certificate	2,28	3,38	6,01	5,84
Diluted earnings per equity certificate	2,28	3,38	6,01	5,84

Other comprehensive income - parent bank

(Amounts in NOK million)	Q4 2018	Q4 2017	Full-year 2018	Full-year 2017
Profit/loss after tax	**140,9**	**196,1**	**373,9**	**345,4**
Items that will not be reclassified to the income statement				
Actuarial gains and losses on defined-benefit plans	-5,9	-29,0	-5,9	-29,0
Tax related to items that cannot be reclassified	1,4	7,3	1,4	7,3
Items that may later be reclassified to the income statement				
Lending at fair value	0,0	0,0	-0,9	0,0
Changes in fair value of investments available for sale (IAS 39 up to 31.12.2017)	0,0	23,7	0,0	23,7
Tax related to items that can be reclassified	0,0	-0,8	0,2	-0,8
Comprehensive income	**136,4**	**197,3**	**368,7**	**346,6**

Balance Sheet - Parent Bank

(Amounts in NOK million)	31.12.2018	31.12.2017
Assets		
Cash and receivables from central banks	603,1	341,2
Loans to and receivables from financial institutions	2.155,1	1.929,3
Loans to and receivables from customers	19.716,6	18.653,6
Certificates and bonds	5.012,1	4.358,8
Shares and units	606,8	483,9
Financial derivatives	80,1	128,0
Certificates and bonds, held to maturity (IAS 39 up to 31.12.2017)	0,0	0,0
Ownership interests in Group companies	1.240,9	890,9
Deferred tax asset	7,2	9,2
Tangible fixed assets	84,4	76,0
Other assets	5,2	10,9
Prepaid non-accrued costs and income earned, but not received	8,4	7,0
Total assets	**29.519,9**	**26.888,8**
Liabilities and equity		
Liabilities to financial institutions	540,8	562,0
Deposits from and liabilities to customers	14.974,3	14.001,0
Financial derivatives	16,1	19,4
Securities issued	9.750,8	8.357,8
Other liabilities	190,0	178,4
Accruals and deferred income	32,6	28,8
Provisions for accrued costs and liabilities	76,2	66,1
Deferred tax liability	0,0	0,0
Subordinated loan capital	400,0	351,9
Total liabilities	**25.980,8**	**23.565,4**
Paid-up equity	595,1	595,1
Hybrid capital	350,5	351,7
Retained earnings	2.593,5	2.376,6
Retained ordinary earnings	0,0	0,0
Total equity	**3.539,1**	**3.323,4**
Total liabilities and equity	**29.519,9**	**26.888,8**

Changes in equity - parent bank

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

The proposed dividend for the year to the equity certificate holders of NOK 95.4 million is included as part of the equalisation fund and the proposed dividend for the year to social capital of NOK 23.8 million as part of the primary capital until they are finally approved by the Board of Trustees

	Paid-up equity			Hybrid capital	Retained earnings					
2017	**Total equity**	**Equity certificates**	**Share premium reserve**	**Hybrid tier 1 capital**	**Equalisation fund**	**Primary capital**	**Endowment fund**	**Fund for unrealised gains**	**Other equity**	**Retained profit**
Equity at 31.12.2016	**2.760,6**	**207,3**	**387,8**	**0,0**	**379,0**	**1.573,7**	**38,1**	**174,7**	**0,0**	**0,0**
Reclassification of hybrid tier 1 capital	351,9	0,0	0,0	351,9	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2017	**3.112,5**	**207,3**	**387,8**	**351,9**	**379,0**	**1.573,7**	**38,1**	**174,7**	**0,0**	**0,0**
Profit for the year	345,4	0,0	0,0	11,0	121,1	213,3	0,0	0,0	0,0	0,0
Changes in fair value of investments in JV/AC	22,9	0,0	0,0	0,0	0,0	0,0	0,0	22,9	0,0	0,0
Actuarial gains and losses on defined-benefit plans	-21,7	0,0	0,0	0,0	-7,9	-13,9	0,0	0,0	0,0	0,0
Comprehensive income	**346,6**	**0,0**	**0,0**	**11,0**	**113,2**	**199,4**	**0,0**	**22,9**	**0,0**	**0,0**
Dividend to equity certificate holders 2016 - adopted	-82,9	0,0	0,0	0,0	-82,9	0,0	0,0	0,0	0,0	0,0
Dividend to social capital 2016 - adopted	-41,5	0,0	0,0	0,0	0,0	-41,5	0,0	0,0	0,0	0,0
Interest paid on hybrid capital	-14,8	0,0	0,0	-14,8	0,0	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	3,6	0,0	0,0	3,6	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 31.12.2017	**3.323,4**	**207,3**	**387,8**	**351,7**	**409,3**	**1.731,6**	**38,1**	**197,6**	**0,0**	**0,0**

The proposed dividend for the year to the equity certificate holders of NOK 103.7 million is included as part of the equalisation fund and the proposed dividend for the year to social capital of NOK 51.9 million as part of the primary capital until they are finally approved by the Board of Trustees

Cash Flow Statement - Parent Bank

		31.12.2018	31.12.2017
Operating activities			
Profit/loss before tax costs		419,3	406,5
Adjusted for:			
Change in net interest income earned and accrued interest costs		0,3	4,7
Net payment/disbursement of loans to financial institutions		-222,6	-193,0
Net receipts/payments of loans to customers		-1.046,3	509,2
Change in certificates and bonds		-650,6	-229,6
Changes in value of equities and units		-98,6	-3,4
Change in other assets in connection with operations		-2,3	10,9
Net receipts/disbursement of borrowing from financial institutions		8,5	-3,7
Net receipts/disbursement of deposits from customers		972,3	104,2
Change in other operating liabilities		-7,9	-14,4
Non-cash items included in profit before tax costs		17,4	1,9
Net gain/loss from investing activities		-1,5	-3,4
Net gain/loss from financing activities		2,6	1,1
Net change in relation to investing activities		0,0	0,0
Taxes paid for the period		-68,0	-50,2
Net cash flow from operating activities	**A**	**-677,4**	**540,8**
Investing activities			
Payments on purchases of fixed assets		-17,9	-14,7
Proceeds from sale of fixed assets		0,3	0,2
Net proceeds/costs on the sale/purchase of financial investments		-23,1	206,5
Net payment/disbursement concerning investments in subsidiaries		-350,0	-2,4
Net cash flow from investing activities	**B**	**-390,7**	**189,6**
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions		-30,0	240,0
Payments on repayment of securities		-2.114,4	-2.246,4
Proceeds on issuance of securities		3.598,7	1.399,3
Payment of dividend		-103,7	-82,9
Net payments on repayment of hybrid capital		-200,0	0,0
Net receipts on issue of hybrid capital		200,0	0,0
Interest paid on hybrid capital		-16,8	-14,9
Net cash flow from financing activities	**C**	**1.333,8**	**-704,9**
Net change in cash and cash equivalents	**A+B+C**	265,7	25,5
Cash and cash equivalents at 01.01		346,9	321,4
Holding of cash and cash equivalents at the end of the period		**612,6**	**346,9**

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

Key Figures – Group

		Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
	Profitability					
1.	Return on equity	5,14	15,51	12,24	9,67	9,31
2.	Net interest income as a % of average total assets	1,44	1,42	1,40	1,55	1,60
Q3	Profit/loss after tax as a % of average total assets	0,47	1,41	1,11	0,87	0,86
4.	Costs as a % of average total assets	0,77	0,75	0,68	0,77	0,76
5.	Costs as a % of income (before losses on loans/guarantees)	52,21	31,89	32,86	40,31	40,44
6.	Costs as a % of income (excl. return on financial investments)	48,29	48,72	43,70	40,82	41,79
	Balance sheet figures					
7.	Net lending to customers	35.147,4	33.236,9	32.181,4	31.371,6	30.972,4
8.	Lending growth (quarter)	5,75	3,28	2,58	1,29	1,80
9.	Deposits	14.899,7	14.618,8	14.268,2	13.940,9	13.971,8
10.	Deposit growth (quarter)	1,92	2,46	2,35	-0,22	0,22
11.	Average equity	3.513,4	3.484,1	3.364,7	3.274,3	3.268,0
12.	Average total assets	40.688,6	39.063,3	38.280,8	37.411,9	36.780,5
	Loss provisions on impaired and non-performing loans					
13.	Losses as a % of net loans to customers (OB)	0,09	0,02	0,08	0,03	-0,02
14.	Loss provisions as a % of gross lending to customers	0,29	0,29	0,30	0,30	0,32
15.	Net impaired and non-performing commitments as a % of net loa	0,36	0,39	0,34	0,37	0,36
	Financial strength					
16.	CET1 capital ratio incl. 50% of retained earnings (%)	16,39	16,63	17,17	17,46	17,49
17.	CET1 capital ratio (%)	16,39	15,80	16,69	17,25	17,49
18.	Tier 1 capital ratio (%)	18,15	17,63	18,57	19,16	19,44
19.	Capital adequacy ratio (%)	19,87	19,71	20,44	21,62	21,39
20.	Risk-weighted volume (calculation basis)	19.959,5	19.160,2	18.640,8	18.294,3	17.960,0
21.	Tier 1 leverage ratio incl. 50% of retained profit	8,48	8,79	8,97	9,17	9,23
22.	Tier 1 leverage ratio (%)	8,48	8,39	8,75	9,07	9,23
	Liquidity					
23.	Deposit coverage ratio	42,39	43,98	44,34	44,44	45,11
24.	LCR (%)	224,93	159,90	257,14	217,55	204,15
	Branches and full-time equivalents					
25.	No. of branches	27	27	27	27	25
26.	Full-time equivalents	199	201	200	194	181
	Equity certificates					
27.	Ownership fraction (parent bank) (%)	34,40	34,40	34,40	34,40	36,21
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	58,98	58,94	56,68	54,98	58,57
30.	Earnings per equity certificate	0,75	2,26	1,70	1,30	1,34
31.	Dividend per equity certificate	4,60	0,00	0,00	0,00	5,00
32.	Turnover rate	18,20	19,34	29,33	46,24	19,66
33.	Price	55,60	55,80	53,20	57,00	55,25

Description of key figures

	Profitability	
1.	Return on equity	Profit/loss attributable to equity certificates and primary capital as % of avg. equity adjusted for hybrid capital
2.	Net interest income as a % of average total assets	Net interest income as a % of average total assets
3.	Profit/loss after tax as a % of average total assets	Profit/loss after tax as a % of average total assets
4.	Costs as a % of average total assets	Payroll, etc., administrative costs, amortisation and other operating costs as a % of average total assets
5.	Costs as a % of income (before losses on loans/guarantees)	Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, dividends, net commission income, net value changes and gains/losses on financial instruments and other operating income
6.	Costs as a % of income (excl. return on financial investments)	Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, net commission income and other operating income
	Balance sheet figures	
7.	Net lending to customers	Gross lending minus loss provisions
8.	Lending growth (quarter/12 months)	Change in net lending as a % of OB net lending. Quarterly figures show the growth in the quarter, while other figures show the 12-month growth.
9.	Deposits	Customer deposits
10.	Deposit growth (quarter/12 months)	Change in deposits as a % of OB deposits. Quarterly figures show the growth in the quarter, while other figures show the 12-month growth.
11.	Average equity	(OB equity (adjusted for hybrid capital) minus proposed dividends + CB equity (adjusted for hybrid capital) minus proposed dividends)/2
12.	Average total assets	Average total assets based on quarterly balance sheet figures
	Loss provisions on impaired and non-performing loans	
13.	Losses as a % of net loans to customers (OB)	Losses as % of OB net loans to customers for the period
14.	Loss provisions as a % of gross lending to customers	Total loss provisions for groups 1, 2 and 3 as a % of gross lending
15.	Net impaired and non-performing commitments as a % of net loans	Net impaired and non-performing commitments as % of net loans to customers
	Financial strength	
16.	CET1 capital ratio incl. 50% of retained earnings (%)	CET1 capital incl. 50% of equity certificate holders' and primary capital share of retained profit as a % of risk-weighted volume (calc. basis)
17.	CET1 capital ratio (%)	CET1 capital as a % of the risk-weighted volume (calculation basis)
18.	Tier 1 capital ratio (%)	Tier 1 capital as a % of the risk-weighted volume (calculation basis)
19.	Capital adequacy ratio (%)	Total primary capital as a % of the risk-weighted volume (calculation basis)
20.	Risk-weighted volume (calculation basis)	Total credit and counterparty risk, currency risk, operational risk and calculation basis for impaired counterparty credit rating (CVA)
21.	Tier 1 leverage ratio incl. 50% retained earnings (%)	Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of retained profit as a % of unweighted calculation basis
22.	Tier 1 leverage ratio (%)	Tier 1 capital as a % of unweighted calculation basis
	Liquidity	
23.	Deposit coverage ratio	Deposits as a % of net loans to customers
24.	LCR (%)	Liquid assets as a % of net payments in a stress scenario lasting 30 days
	Branches and full-time equivalents	
25.	No. of branches	
26.	Full-time equivalents	
	Equity certificates	
27.	Ownership fraction (parent bank) (%)	Equity certificate holders' share of total equity adjusted for hybrid capital (minus proposed dividends) in % (Basis at 01.01, time-weighted on issue).
28.	No. of equity certificates	Total no. of outstanding equity certificates
29.	Book equity per equity certificate	Equity share capital divided by no. of equity certificates. The year's allocation for dividends is included in the calculation.
30.	Earnings per equity certificate	Equity share capital's share of the Group's profit/loss after tax per outstanding equity certificates as at 31.12
31.	Dividend per equity certificate	Dividend in NOK per equity certificate
32.	Turnover rate	Annualised turnover rate (traded as a % of issued)
33.	Price	Last traded

Financial Performance - Group

(Amounts in NOK million)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Interest income	281,9	263,0	254,0	250,1	253,9
Interest costs	133,9	123,1	120,1	106,8	105,2
Net interest income	**148,0**	**139,9**	**133,9**	**143,3**	**148,7**
Commission income and income from banking services	23,3	21,2	21,6	22,7	22,5
Commission costs and costs for banking services	12,0	11,5	10,0	9,4	10,1
Dividend	0,0	24,3	8,7	0,0	0,1
Net changes in value and gains/losses on financial instruments	-12,3	56,2	40,2	2,2	5,5
Other operating income	4,5	2,9	2,8	17,1	6,9
Net other operating income	**3,5**	**93,1**	**63,3**	**32,6**	**24,9**
Payroll, etc.	47,1	46,5	36,3	42,1	38,9
Administration costs	15,2	13,1	11,7	13,1	12,8
Depreciation/write-downs/changes in value for non-financial assets	3,7	3,6	3,1	3,3	3,7
Other operating costs	13,1	11,1	13,7	12,4	14,8
Total operating costs	**79,1**	**74,3**	**64,8**	**70,9**	**70,2**
Profit/loss before losses	**72,4**	**158,7**	**132,4**	**105,0**	**103,4**
Losses on loans, unused credit and guarantees	7,6	1,3	6,6	2,1	-1,7
Profit/loss before tax costs	**64,8**	**157,4**	**125,8**	**102,9**	**105,1**
Tax costs	16,1	18,2	20,2	22,2	25,7
Profit/loss after tax	**48,7**	**139,2**	**105,6**	**80,7**	**79,4**
Hybrid capital owners' share of the result	3,2	3,0	2,9	2,6	2,7
Equity certificate holders' and primary capital share of profits	45,5	136,2	102,7	78,1	76,7
Profit/loss after tax	**48,7**	**139,2**	**105,6**	**80,7**	**79,4**
Earnings per equity certificate	0,75	2,26	1,70	1,30	1,34
Diluted earnings per equity certificate	0,75	2,26	1,70	1,30	1,34

Other comprehensive income performance - Group

(Amounts in NOK million)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Profit/loss after tax	**48,7**	**139,2**	**105,6**	**80,7**	**79,4**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	-5,3	0,0	0,0	0,0	-30,3
Tax related to items that cannot be reclassified	1,3	0,0	0,0	0,0	7,6
Items that may later be reclassified to the income statement					
Changes in fair value of investments avail for sale (IAS 39 up to 31.12.2017)	0,0	0,0	0,0	0,0	23,7
Tax related to items that may be reclassified	0,0	0,0	0,0	0,0	-0,8
Comprehensive income	**44,7**	**139,2**	**105,6**	**80,7**	**79,6**

Balance sheet performance - Group

(Amounts in NOK million)	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Assets					
Cash and receivables from central banks	603,1	259,3	565,5	285,1	341,2
Loans to and receivables from financial institutions	9,5	11,1	60,9	7,2	5,7
Loans to and receivables from customers	35.147,4	33.236,9	32.181,4	31.371,6	30.972,4
Certificates and bonds	5.173,1	4.828,9	4.813,3	5.070,9	4.515,1
Shares and units	606,8	611,5	547,8	483,4	483,9
- measured at fair value through profit or loss	0,0	0,0	0,0	0,0	0,0
- measured as available for sale with change in equity	0,0	0,0	0,0	0,0	0,0
- measured at cost	0,0	0,0	0,0	0,0	0,0
Financial derivatives	222,0	227,3	257,9	231,1	297,9
Certificates and bonds, held to maturity (IAS 39 up to 31.12.2017)	0,0	0,0	0,0	0,0	0,0
Investment properties	59,9	60,2	60,4	134,0	134,6
Tangible fixed assets	134,2	133,2	128,7	126,8	133,9
Other assets	19,6	15,8	91,7	100,8	103,2
Prepaid non-accrued costs and income earned, but not received	6,9	10,5	24,3	18,8	6,2
Total assets	**41.982,5**	**39.394,7**	**38.731,9**	**37.829,7**	**36.994,1**
Liabilities and equity					
Liabilities to financial institutions	300,4	301,6	300,3	331,2	330,1
Deposits from and liabilities to customers	14.899,7	14.618,8	14.268,2	13.940,9	13.971,8
Liabilities to the state, swap of covered bonds	0,0	0,0	0,0	0,0	0,0
Financial derivatives	30,7	48,4	46,6	49,1	25,5
Securities issued	21.970,8	19.590,5	19.684,0	18.943,4	18.228,5
Tax payable	0,0	0,0	0,0	0,0	0,0
Other liabilities	313,4	220,9	197,3	327,8	235,0
Accruals and deferred income	41,2	42,2	37,7	41,3	37,8
Provisions for accrued costs and liabilities	78,4	69,2	69,2	69,2	68,6
Deferred tax liability	3,7	10,1	9,8	10,4	8,9
Subordinated loan capital	400,0	465,3	351,0	451,4	351,9
Total liabilities	**38.038,3**	**35.367,0**	**34.964,1**	**34.164,7**	**33.258,1**
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	350,5	475,5	351,8	351,7	351,7
Retained earnings	2.998,6	2.957,1	2.820,9	2.718,2	2.789,2
Retained ordinary earnings	0,0	0,0	0,0	0,0	0,0
Total equity	**3.944,2**	**4.027,7**	**3.767,8**	**3.665,0**	**3.736,0**
Total liabilities and equity	**41.982,5**	**39.394,7**	**38.731,9**	**37.829,7**	**36.994,1**

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