

177th year

QUARTERLY REPORT

Q4 2019



Quarterly financial statements, Q4 2019

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Key figures - Group

	Q4 2019	Q4 2018	Year 2019	Year 2018
Net interest income	176,0	148,0	641,7	565,1
Net commission income	11,6	11,3	45,1	45,9
Net result from financial assets	-2,0	-12,3	19,4	119,3
Other operating income	3,2	4,5	15,3	27,3
Total net income	188,9	151,5	721,5	757,6
Total operating costs	72,0	79,1	277,8	289,1
Profit/loss before losses	116,9	72,4	443,7	468,5
Losses on loans, unused credit and guarantees	7,6	7,6	18,9	17,6
Profit/loss before tax costs	109,4	64,8	424,8	450,9
Tax costs	26,2	16,1	95,5	76,7
Profit/loss after tax	83,2	48,7	329,3	374,2

Key figures	Q4 2019	Q4 2018	Year 2019	Year 2018
Profitability				
Return on equity*	8,46	5,14	8,74	10,81
Net interest income as a % of average total assets	1,64	1,44	1,51	1,45
Profit/loss after tax as a % of average total assets	0,77	0,47	0,77	0,96
Costs as a % of average total assets	0,67	0,77	0,65	0,74
Costs as a % of income (before losses on loans/guarantees)*	38,11	52,21	38,50	38,16
Costs as a % of income (excl. return on financial investments)*	37,71	48,29	39,57	45,29
Balance sheet figures				
Net lending to customers	34.225,3	35.147,4	34.225,3	35.147,4
Lending growth (quarter/12 months)	-1,46	5,75	-2,62	13,48
Deposits	14.791,7	14.899,7	14.791,7	14.899,7
Deposit growth (quarter/12 months)	-1,86	1,92	-0,73	6,64
Average equity	3.681,2	3.513,4	3.564,6	3.354,9
Average total assets	42.697,2	40.688,6	42.504,5	38.986,6
Loss provisions on impaired and non-performing loans				
Losses as a % of net lending to customers (OB)*	0,09	0,09	0,05	0,06
Loss provisions as a % of gross lending to customers*	0,33	0,29	0,33	0,29
Net payment defaults exceeding 90 days as a % of net lending*	0,37	0,35	0,37	0,35
Other net non-performing commitments (group 3) as a % of net lending*	0,02	0,19	0,02	0,19
Financial strength				
CET1 capital ratio incl. 50% of retained earnings (%)	16,73	16,63	16,73	16,39
CET1 capital ratio (%)	17,69	16,39	17,69	16,39
Tier 1 capital ratio (%)	19,49	18,15	19,49	18,15
Capital adequacy ratio (%)	21,25	19,87	21,25	19,87
Risk-weighted volume (calculation basis)	19.450,3	19.959,5	19.450,3	19.959,5
Tier 1 leverage ratio incl. 50% of retained earnings (%)	8,81	8,48	8,81	8,48
Tier 1 leverage ratio (%)	8,81	8,48	8,81	8,48
Liquidity				
Deposit coverage ratio	43,22	42,39	43,22	42,39
LCR (%)	265,11	224,93	265,11	224,93
Branches and full-time equivalents				
No. of branches	28	27	28	27
Full-time equivalents	192	199	192	199
Equity certificates				
Ownership fraction (parent bank) (%)**	32,45	34,40	32,45	34,40
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate*	58,95	58,98	58,95	58,98
Earnings per equity certificate*	1,23	0,75	4,87	6,01
Dividend per equity certificate	3,60	4,60	3,60	4,60
Turnover rate	11,83	18,20	15,17	28,16
Price	54,60	55,60	54,60	55,60

* Defined as alternate performance target

** For ownership fraction at 1 January 2020, see Note 20

For a definition of key figures and a review of alternative performance targets, see p. 41.

Board of Directors' Report

In Q4 2019, Sparebanken Øst achieved a significantly higher profit after tax of NOK 83.2 million compared to NOK 48.7 million after tax in Q4 2018. The profit provides a return on equity of 8.46 per cent, and the quarterly profit per equity certificate was NOK 1.23. Net interest income increased by NOK 28.0 million compared to Q4 2018. Total operating costs declined by NOK 7.1 million compared to Q4 2018. Lending losses are low and stable and amounted to NOK 7.6 million for the quarter. Lending to customers declined by 1.46 per cent for the quarter, and customer deposits declined by 1.86 per cent in the same period.

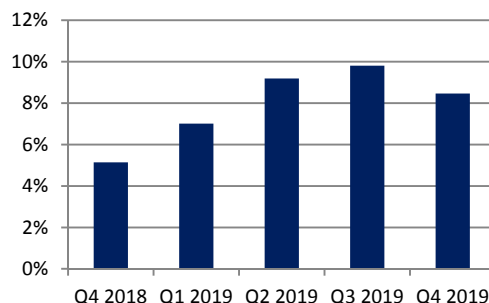
The profit after tax for 2019 is NOK 329.3 million. The profit results in a return on equity of 8.74 per cent, and the profit per equity certificate was NOK 4.87. Net interest income amounted to NOK 641.7 million and increased by NOK 76.6 million compared to the previous year. Total operating costs amounted to NOK 277.8 million and declined by NOK 11.3 million compared to the same period of last year. Lending losses are low and stable and amounted to NOK 18.9 million for 2019. Lending declined over the past 12 months by 2.62 per cent, compared to a high growth rate of 13.48 per cent in 2018. Deposits from customers declined by 0.73 per cent over the past 12 months.

The Board of Directors proposes a cash dividend of NOK 3.60 per equity certificate and a provision for donations to worthwhile public causes of NOK 59.7 million. The proposed dividend for the year for equity certificate holders is based on the bank's earnings, a low credit risk and very solid capital adequacy with a CET1 capital ratio of 17.69 per cent.

Quarterly profit

In Q4 2019, Sparebanken Øst achieved a significantly higher profit after tax of NOK 83.2 million compared to NOK 48.7 million after tax in Q4 2018. Underlying banking operations, for which net interest income increased by NOK 28.0 million, provides a significantly higher contribution to the financial results compared to the same quarter last year.

The Q4 return on equity was 8.46 per cent, compared with 5.14 per cent for the same quarter of 2018. The table below presents the return on equity over the past five quarters.

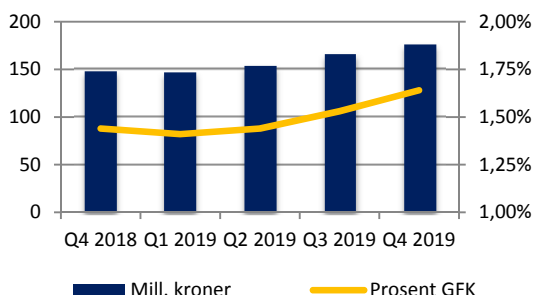


Net interest income

Net interest income increased by NOK 28.0 million to NOK 176.0 million in Q4 2019, compared to NOK 148.0 million in Q4 2018. Net interest income amounted to 1.64 per cent of average total assets in Q4 2019. The comparative figure for the same quarter of 2018 was 1.44 per cent.

The lending portfolios have been repriced on the basis of Norges Bank's changes to the key interest rate. Developments in money market rates and strong competition continued to put pressure on net interest income in Q4 2019, despite the increase in net interest income.

The figure below presents net interest income in NOK millions and as a percentage in the past 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 12.9 million in Q4 2019, compared to NOK 3.5 million in the same quarter of 2018.

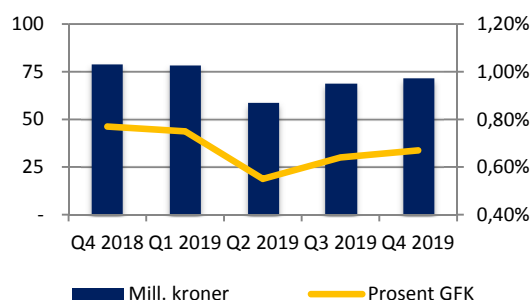
- Net commission income amounted to NOK 11.6 million in the quarter, an increase of NOK 0.3 million compared to the same quarter of last year.
- Net changes in value and losses on financial instruments were negative in the amount of NOK 2.0 million in the quarter, compared to negative amount of NOK 12.3 million in the same period of last year. Positive value changes related to shares and equity rights in Visa Inc. totalled NOK 2.5 million for the quarter, compared to a decline in value of NOK 2.7 million in the same quarter of 2018. The value of the liquidity portfolio dropped by NOK 7.1 million in Q4 2019, compared to decline of NOK 6.5 million in the same quarter of 2018. The positive financial impact of currency, derivatives and fixed-rate lending at fair value was NOK 2.8 million in Q4 2019, compared to a negative impact of NOK 0.7 million in the same quarter of 2018.
- Other operating income amounted to NOK 3.2 million in Q4 2019, compared to NOK 4.5 million in the same quarter of 2018.

Operating costs

Total operating costs declined by NOK 7.1 million and amounted to NOK 72.0 million in Q4 2019, compared to NOK 79.1 million kroner for the same quarter of 2018.

- Payroll costs amounted to NOK 43.3 million in Q4 2019, compared with NOK 47.1 million in the same quarter of last year. The reduction primarily concerns provisions for profit sharing in Q4 2018 and a decrease in the number of FTEs.
- Administrative costs amounted to NOK 14.1 million in Q4 2019, compared to NOK 15.2 million in the same quarter of 2018.
- Depreciation and write-downs amounted to NOK 6.6 million in Q4 2019, compared to NOK 3.7 million for the same period last year. Requirements for capitalisation of leases from and including 1 January 2019 (IFRS 16) increased amortisation/depreciation by NOK 2.5 million compared to the same period last year. Similarly, costs for the rental of premises, under other operating costs, decreased by NOK 2.6 million.
- Other operating costs amounted to NOK 8.0 million in Q4 2019, compared to NOK 13.1 million in the same quarter of 2018.

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



Impairment and non-performing commitments

Impairment losses on loans to customers, unused credits and guarantees amounted to NOK 7.6 million in Q4 2019, roughly equivalent to Q4 2018.

At the end of the quarter, total loss provisions amounted to NOK 112.8 million, equating to 0.33 per cent of gross lending to customers. Individual write-downs amounted to NOK 83.4 million at the end of Q4 2019, compared to NOK 73.1 million at the end of Q4 2018.

Net payment defaults exceeding 90 days in group 3 amounted to 0.37 per cent of net lending at the end of Q4 2019 compared to 0.35 per cent at the end of the same period last year.

Profit for 2019

Sparebanken Øst achieved a profit after tax of NOK 329.3 million in 2019. By comparison, the profit after tax was NOK 374.2 million in 2018. The return on equity in 2019 was 8.74 per cent, compared to 10.81 per cent in 2018. Underlying banking operations generated a higher financial contribution through higher net interest income and lower costs. The reduced profits in 2019 compared to 2018 is primarily explained by reduced financial impacts from shareholdings in Frende Holding AS, Eksportfinans ASA and Vipps AS (owned via Balder Betaling AS), totalling NOK 111.2 million.

Net interest income amounted to NOK 641.7 million in 2019 and increased by NOK 76.6 million compared to 2018. Net interest income amounted to 1.51 per cent of average total assets in 2019. The corresponding figure for 2018 was 1.45 per cent. The lending portfolios have been repriced on the basis of Norges Bank's changes to the key interest rate and market interest-rate trends.

Net commission income amounted to NOK 45.1 million in 2019, representing a decline of NOK 0.8 million compared to 2018.

Dividends received to date this year amount to NOK 28.9 million and apply almost entirely to repayments of equity from Frende Holding AS in the amount of NOK 26.4 million. By comparison,

dividends in the corresponding period last year amounted to NOK 33.0 million, of which NOK 24.3 million concerned the receipt of repaid equity from Eksportfinans ASA and NOK 8.6 million concerned dividends from Frende Holding AS.

Net value changes and gains/losses from financial instruments amounted to a loss of NOK 9.5 million, a decrease of NOK 95.9 million compared to 2018. Positive value changes related to shares and equity rights in Visa Inc. totalled NOK 15.2 million in 2019, compared to a value increase of NOK 6.6 million in 2018. Negative value changes to shares in Frende Holding AS totalled NOK 10.7 million in 2019, compared to a positive value change of NOK 83.3 million in 2018. The overall financial impact on shares in Frende Holding AS, including booked dividends, is positive in the amount of NOK 15.7 million in 2019 compared to NOK 91.9 million in 2018. The liquidity portfolio declined in value by NOK 9.9 million in 2019, compared to a NOK 11.4 million reduction in 2018. A loss of NOK 6.8 million relating the repurchase of bonds issued by the bank was recognised in 2019, while the equivalent figure for 2018 was a loss of NOK 4.1 million. The Vipps merger had a positive financial impact of NOK 10.7 million in 2018.

Other operating income amounted to NOK 15.3 million in 2019, compared to NOK 27.3 million in 2018. The reduction is explained by a gain on the sale of property totalling NOK 11.3 million in 2018.

The Group's total operating costs for 2019 amounted to NOK 277.8 million and declined by NOK 11.3 million compared to the same period of last year. The reduction primarily concerns payroll costs and is primarily explained by reduced provisions for profit sharing and costs relating to the bank's 175th anniversary in 2018.

Impairment losses on loans to customers, unused credits and guarantees amounted to NOK 18.9 million in 2019 compared to NOK 17.6 million in 2018. AS Financiering's losses were NOK 13.5 million in 2019, compared to NOK 14.4 million in 2018.

Proposal for allocation of profit

The profit for the year is allocated on the basis of the parent bank's financial statements. The parent bank's profit after tax was NOK 307.6 million in 2019, compared with NOK 373.9 million in 2018. Dividend from subsidiaries in the amount of NOK 107.9 million was recognised as income in the parent bank in 2019, compared to NOK 119.4 million in 2018.

The share of the parent bank's net profit after tax amounted to NOK 17.9 million in 2019 and is allocated to hybrid capital owners' equity shares. The corresponding share of profit amounted to NOK 11.7 million in 2018. The share of the results comprises fixed income costs on hybrid tier 1 capital, where paid interest is presented as distribution from equity.

The Board of Directors proposes that the parent bank's profit for 2019 be allocated to equity certificate holders and primary capital as stated below.

(NOK million)

Profit for the year for equity certificate holders and primary capital	289.7
Dividend, equity certificate holders	74.6
Charitable donations	59.7
Total dividends	134.3
For equalisation fund	21.4
For primary capital	140, 2
From fund for unrealised gains	-6.2
Total for equity	155.4
Total allocated	289.7

A cash dividend of NOK 3.60 per equity certificate is equivalent to 73.8 per cent of the consolidated profit accruing to the equity certificate holders. A provision for charitable donations of NOK 59.7 million is equivalent to 80.0 per cent of the dividend for the equity certificate holders. The Board of Directors' proposal for dividends lies within the bank's adopted dividend policy.

Total cash dividend and charitable donations amount to NOK 134.3 million, equivalent to 46.4 per cent of the parent bank's profit accruing to equity certificate holders and primary capital.

Balance sheet as at 31.12.2019

Total assets increased by NOK 403.3 million compared with 31.12.2018 and amounted to NOK 42,385.8 million at the end of 2019.

Assets

- Cash and receivables at central banks amounted to NOK 302.5 million as at 31.12.2019, compared to NOK 603.1 million as at 31.12.2018.
- Net lending to financial institutions amounted to NOK 15.9 million as at 31.12.2019, compared to NOK 9.5 million as at 31.12.2018.
- Net lending to customers amounted to NOK 34,225.3 million as at 31.12.2019, compared with NOK 35,147.4 million as at 31.12.2018. This is a reduction of NOK 922.1 million over the past 12 months, corresponding to a lending decline of NOK 2.62 per cent. Very strong competition and strategic choices as a result of regulatory uncertainty about future capital requirements explain the lending trend in 2019. By comparison, lending growth in 2018 was very high at 13.48 per cent. Net lending to retail customers declined by 3.28 per cent in 2019, whereas net lending to business customers increased by 1.46 per cent. Gross lending to retail customers accounted for 85.6 per cent of total lending to customers.
- Holdings of certificates and bonds amounted to NOK 6,755.1 million as at 31.12.2019, compared to NOK 5,173.1 million as at 31.12.2018. Liquidity reserves measured using LCR totalled 265.11 per cent as at 31.12.2019, compared with 224.93 per cent as at 31.12.2018. The bank's liquidity strategy involves a high proportion of securities that are included in the LCR calculation. The maturity structure for market funding significantly affects LCR.

- Stocks and shares amounted to NOK 629.6 million as at 31.12.2019, compared to NOK 606.8 million as at 31.12.2018.

The bank's share in Frende Holding AS constitutes 13.19 per cent, and the shareholding is valued at NOK 307.6 million as at 30.12.2019. The bank owns 4.85 per cent of the shares in Eksportfinans ASA, and the shareholding is valued at NOK 195.0 million as at 30.12.2019.

Balder Betaling AS is owned by several independent banks, and its main purpose is to own these banks' shares in Vipps AS. The bank's shareholding in Vipps AS is 0.70 per cent. The bank's shares in Balder Betaling AS were valued at NOK 30.8 million at 31.12.2019. The valuation is based on the underlying share value in Vipps AS.

The bank owns 6.8 per cent of the shares in Kraft Bank ASA. The shareholding was valued at NOK 23.0 million at 31.12.2019.

The bank owns 'C' shares in Visa Inc. The shareholding was valued at NOK 31.3 million as at 31.12.2019. In addition, the bank has convertible C shares in Visa Inc., owned via Visa Norge Holding 1 AS and VN Norge AS. The rights are valued at NOK 24.2 million as at 31.12.2019.

The bank owns 16.3 per cent of the shares in Norwegian Block Exchange AS (NBX). At 31.12.2019, the shareholding is valued at NOK 15.0 million, which is unchanged from the amount invested in Q3 2019.

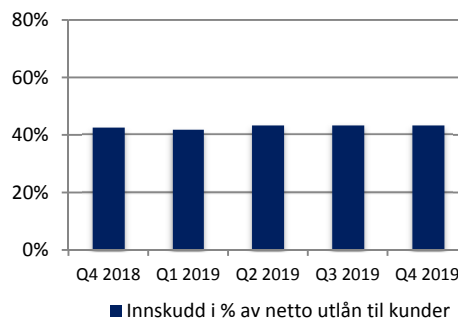
Liabilities

- Deposits from customers amounted to NOK 14,791.7 million as at 31.12.2019, compared with NOK 14,899.7 million as at 31.12.2018. This is a reduction of NOK 108.0 million over the past 12 months, equivalent to 0.73 per cent. The loan-to-deposit ratio in the Group at the end of 2019 was 43.22 per cent, compared to 42.39 per cent at the end of 2018.

Securitised debt amounted to NOK 22,261.7 million as at 31.12.2019, compared to NOK 21,970.8 million at 31.12.2018. The degree of stable and long-term financing measured by NSFR is 117.04 per cent as at 31.12.2019, against 118.59 per cent as at 31.12.2018. The average maturity for market funding is 3.16 years as at 31.12.2019, compared with 3.27 years as at 31.12.2018.

- Other long-term borrowing amounted to NOK 300.6 million at the end of 2019, compared to NOK 300.4 million as at 31.12.2018.
- Short-term deposits (defined as deposits with a remaining term to maturity of less than one year) amounted to NOK 2,640.0 million.

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



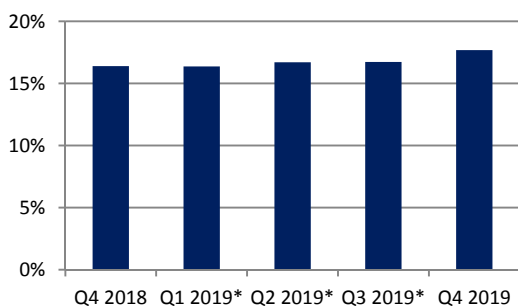
Capital adequacy

- The capital adequacy ratio measured as CET1 capital amounted to 17.69 per cent at the end of 2019 compared to 16.39 per cent at the end of 2018. The increase is explained by good earnings, reduced lending volume as well as the introduction of an SMB discount as at 31.12.19. The effect of the SMB discount amounted to 0.34 percentage points.
- The Group is in an ongoing SREP process with the Financial Supervisory Authority of Norway and expects SREP resolutions and a new Pillar 2 requirement by 30 June 2020. Until a new requirement exists, the Pillar 2 requirement adopted in April 2017 of 2.3 per cent applies. The countercyclical buffer

increased by 0.5 percentage points to 2.5 per cent as at 31.12.2019, and the total capital adequacy requirement applicable to Sparebanken Øst is 14.8 per cent as at 31.12.2019. When new Pillar 2 requirements are available, Sparebanken Øst will consider a new target for the minimum CET1 capital ratio. Sparebanken Øst's CET1 capital ratio target is a minimum of 14.75 per cent. The Board of Sparebanken Øst operates on the principle that all requirements and guides must be complied with at all times.

- The net primary capital amounted to NOK 4,132.9 million at the end of 2019, of which the Group's Tier 1 capital amounted to NOK 3,790.3 million. Given a basis for calculation of NOK 19,450.5 million, this corresponds to a capital adequacy ratio of 21.25 per cent, of which 19.49 per cent constitutes the CET1 capital ratio. The bank uses the standardised approach to calculate the minimum primary capital adequacy requirement for credit risk.
- The bank has good financial strength with a tier 1 leverage ratio of 8.81 per cent at the end of 2019, against 8.48 per cent at the end of 2018. The unweighted requirement for tier 1 capital 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 the credit assessments. The Mortgage Regulation provides essential guidance to the bank's lending business to private individuals. The level of risk for lending to customers is measured by classifying customers according to risk. The risk classification has been established as an integral element of the credit process, and the requirement for the annual reclassification of loan commitments is fulfilled.

Credit risk trends are monitored continuously through reports to the bank's executive management and quarterly reports for the bank's Board of Directors.

The bank's geographical coverage provides access to a large market area with flexibility with regard to customers and segments. The bank's loan portfolio is primarily spread across the central Eastern Norway area.

The low proportion of lending to the business market contributes to a generally low concentration risk for the bank. Exposure to commercial property represents a relatively large proportion of the business portfolio, but a limited proportion of the bank's total loan portfolio.

Loans and credits to the retail market are generally only granted against home mortgages. The bank's exposure to lending and credit without associated security is low.

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

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

Market risk

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

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

The interest rate risk is kept within fixed limits and is limited in that assets and liabilities mainly have variable interest rates or are swapped to variable interest rates. Currency risk is reduced by entering into forward contracts or basis swaps. The bank has very little interest rate and currency

risk. Exposure to equity instruments beyond the bank's subsidiaries and strategic investments is limited.

Liquidity risk

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

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

Operational risk

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

Operational risk is monitored through annual reviews of the bank's key processes, established internal controls with annual management confirmation of implemented internal controls, and quarterly reporting of events recorded and risk level assessments for 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 2019.

Rating

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

2019 by Moody's Investors Service. Covered bonds issued by Sparebanken Øst Boligkreditt AS have an AAA rating from Moody's.

Subsidiaries

Sparebanken Øst Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Øst and its purpose is to grant or acquire residential mortgages, commercial mortgages, loans, secured against other real estate assets or public loans, and to finance lending operations primarily by issuing covered bonds. The company has a low loan-to-value (LTV) ratio in the cover pool. The loan-to-deposit ratio was 48.5 per cent at the end of 2019, compared to 46.6 per cent at the end of 2018.

At 31.12.2019, the company's total assets amounted to NOK 15,790.3 million, comprising first priority home mortgages, financed via covered bonds and drawing rights from the parent company. The company's deposited equity amounts to NOK 950.0 million, of which NOK 373.1 million is share capital and NOK 576.9 million is a share premium reserve. The profit after tax was NOK 88.8 million at the end of 2019, compared to NOK 72.9 million for 2018. The company has no employees, but hires services from Sparebanken Øst.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst. Its main product is providing loans for second-hand cars with collateral in the purchased car. The company achieved a profit after tax of NOK 38.3 million at the end of 2019, compared with NOK 35.0 million for 2018. Total assets amounted to NOK 2,150.4 million. At the end of 2019, 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 10.1 million in 2019, compared to NOK 22.4 million in 2018. A profit of NOK 11.3 million from the sale of properties was recognised as income in 2018. The profit after tax was NOK 1.4 million in 2019, compared with NOK 13.3 million in 2018. The company has 2 employees, corresponding to 2 full-time equivalents. The CEO is hired in from

Sparebanken Øst. The property company Tollbugt. 49-51 AS was sold in January 2020 (see further details under 'Events after the balance sheet date'). The property portfolio has been significantly scaled down in recent years. The company will launch additional measures to reduce the cost level and resource situation, adjusted to reduced property activities.

Øst Prosjekt AS is a wholly owned subsidiary of Sparebanken Øst and its primary purpose is to take over projects and undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees. The profit after tax was NOK 0.6 million in 2019, compared to a loss of NOK 0.8 million in 2018. The company has no major ongoing projects.

Øst Inkasso AS is a wholly owned subsidiary of Sparebanken Øst. The purpose of the company is to run debt collection operations and other activities naturally associated with this, including reminder services and long-term monitoring of debt collection portfolios. The company's operating income was NOK 8.5 million, at the same level as in 2018. The loss after tax was NOK 0.2 million, compared to a profit of NOK 0.2 million in 2018. The company has 5 employees, corresponding to 5 full-time equivalents. The company has also hired the managing director from Sparebanken Øst and an employee from AS Financiering.

Frende Forsikring

Frende Holding AS owns Frende Skade AS and Frende Liv AS (Frende Forsikring). The bank has a 13.19 per cent stake in the holding company. Frende is owned by 15 savings banks. Sparebanken Vest is the largest shareholder and Sparebanken Øst is the third largest. The company offers P&C and life insurance products to business and retail customers and has more than 250,000 customers. Frende Forsikring's head office is in Bergen. Frende Holding AS had a profit after tax of NOK 324.2 million for 2019, compared with NOK 24.9 million for 2018.

Frende Skade had a profit after tax of NOK 217.2 million compared to a profit of NOK 1.0 million in 2018. The company has a total premium stock of NOK 2,111 million, an increase from NOK 1,994

million in 2018. The premium stock is distributed across 164,000 customers, and the company's market share was 3.5 per cent at the end of Q3 2019. The claims rate for 2019 was 77.4 per cent compared to 81.5 per cent in 2018, and the company's combined ratio was 96.0 per cent compared to 100.5 per cent in 2018. 2019 was also impacted by a large number of major compensation cases, but with a favourable trend in loss frequency. The financial return in 2019 amounts to NOK 188.1 million before tax compared to NOK 18.1 million in 2018.

Frende Liv had a profit after tax of NOK 122.5 million, compared to a profit of NOK 28.0 million in 2018. The company has a total premium stock, including savings premiums, of NOK 975 million, up from NOK 895 million at the same time last year. The financial return in 2019 amounts to NOK 76.5 million before tax compared to NOK 7.5 million in 2018.

Events after the balance sheet date

The Group has sold the property company Tollbugt. 49-51 AS with the commercial property in Drammen city centre. The property consists of office space and is leased to external tenants as well as to Sparebanken Øst Eiendom AS. The transaction was carried out on 2 January 2020, meaning that in Q1 2020, the Group books a gain of roughly NOK 20 million after tax on the income statement.

Accounting Policies

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

Dividend policy

In June 2019, Sparebanken Øst changed its dividend policy for distributing dividends from the social capital in the form of charitable donations. The extent of charitable donations that Sparebanken Øst aims to issue as dividends has changed from '50 to 75 per cent' to '50 to 100 per cent' measured as a percentage of the dividend awarded to equity certificate holders.

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

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

Macroeconomic trends

2019 was a year marked by political and economic volatility, with moderate global economic growth. The turbulent trade war between the US and China and threats of increased tariffs on European goods have also adversely affected global trade. The eurozone central bank ECB has reinstated support measures, and interest rates are still low in the EU, the UK and Sweden.

The record-long upturn for the US economy continued in 2019. Even with historically low unemployment and good consumer growth, growth in the United States nevertheless levelled off slightly near the end of the year, especially in the manufacturing sector. Along with low inflation, this prompted the US Federal Reserve to abruptly turn away from raising interest rates and make three interest-rate cuts in 2019. At the end of the year, the US negotiated an agreement with China to stop the escalation of the trade war, and this was adopted in January 2020. There is considerable uncertainty about whether this will help stop the negative developments in the conflict. The growth rate in the Chinese economy is well below levels of previous years.

In the Eurozone, the European Central Bank felt compelled to reintroduce measures to keep long interest rates low. Inflation is still low. Trade declines slowed industrial production, particularly the German car industry, which is struggling to transition to lowering its greenhouse gas emissions. Even with slightly lower unemployment, growth is low. After the snap election for Boris Johnson, the turbulent Brexit process ended with the UK formally leaving the EU on 31 March 2020. The UK will remain in the customs union and the single market in 2020, and there is still a lot of work to do before all the necessary agreements are in place. This is why the British economy has been characterised by uncertainty, and it has weakened significantly. The Swedish economy was also characterised by low investment and consumer growth, and unemployment rose slightly. The key interest rate was increased to zero in December.

After production cuts in OPEC, oil prices rose to USD 75/barrel in April, before falling to USD 56 in August. In September, drone strikes against Saudi Arabian oil installations prompted a short-lived price jump, and the price remained above USD 60/barrel for the rest of the year. As expected, higher oil investments continued to spur growth in the Norwegian economy.

Growth in Norway's mainland economy in 2019 is estimated to be around 2.3%, lower than in 2018 and falling towards the end of the year. Consumer growth slowed to a weak 1.6%, and retail sales are showing a falling trend. Parts of the retail industry are struggling significantly. Exports have stayed up, partly due to weakened krone prices. Employment rose by 0.4%, while the unemployment rate rose slightly after bottoming out at 3.5% in Q2 to 3.8% in December. Housing prices increased by 2.5% during the year, while mortgage regulations, raising of interest rates and the introduction of debt registers probably helped curb growth. The market has witnessed high activity, which seems to be more stable and balanced than in previous years.

Inflation was 2.2%, the same as core inflation, close to Norges Bank's inflation target of 2.0%. Lower power prices subdued the effect of increased import prices. The key interest rate was

raised three times during the year, most recently in September. The central bank has indicated that further economic growth at the expected level will not change the key interest rate.

Expectations of lower investment and production indicate weaker growth in the years to come.

The Norwegian authorities have followed up on the past few years of development with a somewhat less expansive fiscal policy. After several years of strong growth in the use of oil money over the state budget, it is right to address the challenges of the Norwegian economy and the state financial challenges that lie ahead by tightening the monetary policy. In 2019, the structural oil-adjusted budget deficit is estimated at 7.8 per cent, with a 2020 budget that is deemed slightly tighter.

Outlook

Sparebanken Øst does most of its business in the East of Norway. Further growth is expected in the Norwegian economy, but it is anticipated that this growth will level off in future. The economic situation remains positive, and we continue to expect low unemployment and stable housing prices going forward. With the prospect of stable money market rates for 2020, borrowing costs are expected to stabilise starting with Q1 2020. Strong competition is expected, and continued pressure on the bank's net interest rate cannot be ruled out. Along with regulatory uncertainty relating to future capital requirements, the competitive situation could affect growth estimates going forward.

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

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

Banking involves risking losses and non-performance, which means that losses on lending and guarantees to customers cannot be ruled out. The low rate of non-performing and impaired commitments and low losses on lending are expected to continue going forward.

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

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

Growth in lending to and deposits from customers will depend on general competition in the banking market, as well as the access to long-term financing. Lending to both retail and business customers is expected to grow and over time lending growth is expected to be on a par with general credit growth. This growth is expected to be distributed relatively evenly across the various distribution channels. Growth in lending to retail customers will primarily come from home mortgages and providing loans for second-hand cars that are secured by security in the purchased car. Growth in lending to business customers will be seen in the Group's defined market areas, of which the main product is repayment loans against mortgages in real estate.

Sparebanken Øst expects to be set requirements for primary capital and qualifying liabilities that

can be written down or converted to equity (MREL) during the course of the second half of 2020. This requirement is expected to create a need to issue senior subordinated debt (Tier 3). The anticipated need to issue subordinated debt could replace parts of existing senior unsecured bonds when these reach maturity and before the requirement is expected to come into force.

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

The Ministry of Finance announced in a press release on 11 December 2019 that it would stipulate changes to banks' capital requirements that would come into effect from the end of 2020. New requirements will not begin to apply to standard banks until the end of 2022. The changes will mean that the system risk-buffer requirement is increased from 3 to 4.5 per cent, and that a floor for the risk weighting of real property loans is being introduced. On 11 December 2019, the Ministry of Finance sent a letter to the Financial Supervisory Authority of Norway on the relationship between general buffer requirements and the Pillar 2 process. The Ministry of Finance writes that the division of labour between the various requirements in Pillar 1 and Pillar 2, including the capital requirement margin, the EBA's guidelines and the conditions emphasised by determining the system risk buffer requirement, should be reviewed before the restructuring of the system risk-buffer requirement comes into force.

The Ministry of Finance states that the review should also include an assessment of the system to determine Pillar 2 requirements, and how the restructuring of the system risk-buffer requirement affects the assessments of which risks are fully or partially covered in Pillar 1. The Ministry requests the Financial Supervisory Authority of Norway to assess these conditions by 2 May 2020. In the bank's view, there is significant uncertainty relating to the framework conditions and future capital adequacy requirements for banks which calculate capital adequacy using the standard method. The Ministry of Finance states that the purpose of the

proposed increase in the system risk buffer is to maintain the total actual capital adequacy requirements of Norwegian banks at a level that is adapted to the risk in the Norwegian economy, while facilitating more equal capital adequacy requirements for Norwegian and foreign financial enterprises with operations in Norway. The Bank is of the opinion that while the regulations aim to maintain the total actual capital adequacy requirement at a level that is adapted to risks in the Norwegian economy, there is widespread uncertainty about how the proposed regulations and, not least regulatory practice, will affect the capital adequacy requirements of individual banks and groups of banks, including banks that use the standard method.

The PSD2 Directive entered into force in Norway from 14 September 2019. In Q4 2020, Sparebanken Øst implemented new solutions that give the bank's customers account information (AISP) and the ability to pay directly from their own accounts in other banks (PISP) through the bank's online and mobile banks. So far, the bank has noted low levels of activity from new third parties and other banks, but it expects this activity to increase gradually over time. The services opened up by PSD2 may impact the competitive situation amongst financial market operators.

Hokksund, 31 December 2019

Drammen, 12 February 2020

Øivind Andersson
Chair

Morten André Yttreide
Deputy Chair

Elly Therese Thoresen
Board member

Cecilie Hagby
Board member

Jorund Rønning Indrelid
Board member

Arne K. Stokke
Board member

Ole-Martin Solberg
Employee representative

Sissel Album Fjeld
Employee representative

Pål Strand
CEO

Income Statement, Group

(Amounts in	Note	Q4 2019	Q4 2018	Year 2019	Year 2018
Interest income from assets valued at amortised cost		313,7	258,6	1.161,4	967,4
Interest income from assets valued at fair value		39,8	23,3	129,5	81,6
Interest costs		177,5	133,9	649,1	483,9
Net interest	15	176,0	148,0	641,7	565,1
Commission income and income from banking services		22,5	23,3	89,9	88,8
Commission costs and costs for banking services		10,9	12,0	44,8	42,9
Dividend		0,0	0,0	28,9	33,0
Net value of	16	-2,0	-12,3	-9,5	86,3
Other operating income		3,2	4,5	15,3	27,3
Net other operating income		12,9	3,5	79,8	192,5
Payroll, etc.		43,3	47,1	162,6	172,0
Administration costs		14,1	15,2	53,6	53,1
Depreciation/write-downs/changes in value for non-financial assets		6,6	3,7	25,7	13,7
Other operating costs		8,0	13,1	35,9	50,3
Total operating	17	72,0	79,1	277,8	289,1
Profit/loss before losses		116,9	72,4	443,7	468,5
Losses on loans	4	7,6	7,6	18,9	17,6
Profit/loss before tax costs		109,4	64,8	424,8	450,9
Tax costs		26,2	16,1	95,5	76,7
Profit/loss after tax		83,2	48,7	329,3	374,2
Hybrid capital owners' share of the result		4,7	3,2	17,9	11,7
Equity certificate holders' and primary capital share of profits		78,5	45,5	311,5	362,5
Profit/loss after tax		83,2	48,7	329,3	374,2
Earnings per equity certificate		1,23	0,75	4,87	6,01
Diluted earnings per equity certificate		1,23	0,75	4,87	6,01

Total income - Group

(Amounts in	Note	Q4 2019	Q4 2018	Year 2019	Year 2018
Profit/loss after tax		83,2	48,7	329,3	374,2
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans		4,1	-5,3	4,1	-5,3
Tax related to items that cannot be reclassified		-1,0	1,3	-1,0	1,3
Comprehensive income		86,3	44,7	332,4	370,2

Balance Sheet – Group

(Amounts in NOK million)	Note	31.12.2019	31.12.2018
Assets			
Cash and receivables from central banks	10,11	302,5	603,1
Lending to and receivables from financial institutions	10,11	15,9	9,5
Loans to and receivables from customers	4,7,8,10,11	34.225,3	35.147,4
Certificates and bonds	10,11	6.755,1	5.173,1
Shares and units	10,11	629,6	606,8
Financial derivatives	10,11,13,14	174,7	222,0
Ownership interests in Group companies		0,0	0,0
Deferred tax asset		0,0	0,0
Investment properties		59,0	59,9
Tangible fixed assets		137,7	134,2
Lease rights		49,5	0,0
Other assets		23,9	19,6
Prepaid non-accrued costs and income earned, but not received		12,6	6,9
Total assets		42.385,8	41.982,5
Liabilities and equity			
Liabilities to financial institutions	10,11	300,6	300,4
Deposits from and liabilities to customers	6,10,11	14.791,7	14.899,7
Liabilities to the state, swap of covered bonds		0,0	0,0
Financial derivatives	10,11,13,14	35,3	30,7
Securities issued	10,11,12	22.261,7	21.970,8
Tax payable			0,0
Other liabilities		298,9	313,4
Accruals and deferred income		33,6	41,2
Provisions for accrued costs and liabilities		67,4	78,4
Deferred tax liability		5,0	3,7
Commitments related to leases		49,9	0,0
Subordinated loan capital	10,11,12	400,4	400,0
Total liabilities		38.244,3	38.038,3
Paid-up equity		595,1	595,1
Hybrid capital		352,4	350,5
Retained earnings		3.194,0	2.998,6
Retained ordinary earnings		0,0	0,0
Total equity		4.141,5	3.944,2
Total liabilities and equity		42.385,8	41.982,5

Changes in Equity - Group

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

The year's proposed dividend to equity certificate holders of NOK 74.6 million remains part of the equalisation fund, and the year's proposed charitable donations from the social capital of NOK 59.7 million remains part of the primary capital until finally adopted by the board of trustees.

(Amounts in NOK million)	Paid-up equity			Hybrid capital: retained earnings			Fund for		Other equity
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	unrealised gains	
30.09.2018									
Equity at 31.12.2017	3.384,3	207,3	387,8	0,0	409,3	1.731,6	38,1	197,6	412,6
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	325,5	0,0	0,0	8,5	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plans	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	325,5	0,0	0,0	8,5	0,0	0,0	0,0	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
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	-11,6	0,0	0,0	-11,6	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	2,9	0,0	0,0	2,9	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-76,0	0,0	0,0	-76,0	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
Equity at 30.09.2018	4.027,7	207,3	387,8	475,5	310,7	1.689,2	38,1	197,6	404,5

Cash Flow Statement - Group

(Amounts in NOK million)		31.12.2019	30.09.2018
Operating activities			
Profit/loss before tax costs		424,8	386,1
Adjusted for:			
Change in net interest income earned and accrued interest costs		-9,2	48,9
Net payment/disbursement of loans to financial institutions			
Net receipts/payments of loans to customers		924,4	-2.257,6
Change in certificates and bonds		-1.581,7	-314,5
Changes in value of equities and units		-4,5	-103,3
Change in other assets in connection with operations		-17,6	74,7
Change in loans from credit institutions		0,1	0,0
Net receipts/disbursement of deposits from customers		-107,0	597,7
Change in other operating liabilities		-71,1	-12,6
Non-cash items included in profit before tax costs		36,2	14,1
Net gain/loss from investing activities		-2,2	-12,6
Net gain/loss from financing activities		-0,1	3,9
Net change in relation to investing activities		6,8	-0,2
Other changes		0,0	0,0
Taxes paid for the period		-86,2	-107,3
Net cash flow from operating activities	A	-487,3	-1.682,7
Investing activities			
Payments on purchases of fixed assets		-19,0	-15,6
Proceeds from sale of fixed assets		0,3	92,1
Net proceeds/costs on the sale/purchase of financial investments		-18,3	-23,1
Net payment/disbursement concerning investments in subsidiaries			
Net cash flow from investing activities	B	-37,0	53,4
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions		0,0	-30,0
Payments on repayment of securities		-3.609,9	-2.529,7
Proceeds on issuance of securities		3.951,7	4.103,8
Payment of dividend		-95,4	-103,7
Net payments on repayment of hybrid capital		-150,5	-76,0
Net receipts on issue of hybrid capital		150,0	200,0
Interest paid on hybrid capital		-15,9	-11,6
Net cash flow from financing activities	C	230,0	1.552,8
Net change in cash and cash equivalents	A+B+C	-294,3	-76,5
Cash and cash equivalents at 01.01		612,6	346,9
Holding of cash and cash equivalents at the end of the period		318,3	270,4

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

Note 1 - Basis for preparation of the financial statements

Accounting Policies

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

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

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

Assessments and use of estimates

The preparation of the consolidated accounts entails that the executive management performs estimates and discretionary assessments and makes assumptions which influence the effect of the application of accounting policies and, consequently, the recognised amounts for assets, liabilities, revenue and costs. For further details, see the Annual Report for 2018, Note 3 - Assessments and use of estimates.

Leases (IFRS 16)

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

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

The change in the accounting policy has resulted in leasing costs, previously recognised as other operating costs, being replaced with interest costs and depreciation in the income statement. The Group's leasing costs, which, pursuant to IAS 17, would have been recognised as other operating costs, decreased by NOK 2.6 million in Q4 2019, and replaced by NOK 0.3 million in interest costs and NOK 2.5 million in depreciation. For the year 2019, other operating costs declined by NOK 10.2 million and were replaced by NOK 1.0 million in interest expenditure and NOK 9.6 million in depreciation. Reference is otherwise made to the Q1 2019 report for a more detailed description of the new accounting principles now that the Group is a lessee.

Presentation of tax deductions on interest from hybrid tier 1 capital

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

The tax deduction for hybrid tier capital totals NOK 1.2 million for Q4 2019 and NOK 4.5 million for 2019 as a whole. Comparative figures have not been restated.

Note 2 - Operating segments

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

Profit/loss

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

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

Balance sheet

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

31.12.2018	Retail market	Corporate market	Finance	AS Finansiering	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

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.

	31.12.2019	31.12.2018
CET1 capital		
Book equity	3.789,1	3.593,7
Deduction items in CET1 capital		
Additional value adjustments (prudent valuation requirement) (AVA)	-8,0	-6,4
Dividends	-134,3	-119,2
Goodwill included in the valuation of significant investments	-149,3	-150,9
Intangible assets	-26,3	-17,8
Deferred tax		
CET1 capital instruments in other financial institutions (not significant)	0,0	0,0
CET1 capital instruments in other financial institutions (significant)	0,0	0,0
Other deductions from CET1 capital	-30,8	-27,7
Total CET1 capital	3.440,3	3.271,8
Other tier 1 capital		
Hybrid tier 1 capital	350,0	350,0
Deductions from other tier 1 capital		
Other tier 1 capital instruments in other financial institutions (not significant)	0,0	0,0
Other tier 1 capital instruments in other financial institutions (significant)	0,0	0,0
Total other tier 1 capital	350,0	350,0
Total tier 1 capital	3.790,3	3.621,8
Tier 2 capital		
Subordinated loans	400,0	400,0
Deductions from tier 2 capital		
Tier 2 capital instruments in other financial institutions (not significant)	0,0	0,0
Tier 2 capital instruments in other financial institutions (significant)	-57,3	-56,0
Total tier 2 capital	342,7	344,0
Net primary capital	4.132,9	3.965,8

Note 3 - Capital adequacy (contd.)

	31.12.2019	31.12.2018
Governments and central banks	0,0	0,0
Local and regional authorities	127,5	67,8
Publicly owned companies	0,0	0,0
Multilateral development banks	0,0	0,0
Institutions	42,8	73,3
Companies	528,8	572,6
Mass market accounts	1.703,3	1.655,3
Accounts secured against property	14.059,2	14.692,0
Accounts due	194,4	159,7
Covered bonds	481,8	383,4
Shares in securities fund	0,0	0,0
Equity positions	664,2	635,1
Other exposures	243,0	238,3
Securitisation	0,0	0,0
Calculation basis for credit and counterparty risk	18.044,9	18.477,4
Calculation basis for currency risk	0,0	0,0
Calculation basis for operational risk	1.363,1	1.294,6
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	42,4	187,5
Deductions from calculation basis	0,0	0,0
Total calculation basis	19.450,3	19.959,5
CET1 capital ratio	17,69 %	16,39 %
Tier 1 capital ratio	19,49 %	18,15 %
Capital adequacy	21,25 %	19,87 %
Buffers		
Capital conservation buffer	486,3	499,0
Countercyclical buffer	486,3	399,2
Systemic risk buffer	583,5	598,8
Buffer for systemically important banks	0,0	0,0
Total buffer requirements	1.556,0	1.497,0
Available buffer capital	2.565,0	2.369,0
Tier 1 leverage ratio	8,81 %	8,48 %

Note 4 - Losses on loans, unused credit and guarantees

Loss costs

	Q4 2019	Q4 2018	31.12.2019	31.12.2018
Change in model-based provisions, group 1	1,1	1,2	0,9	-0,3
Change in model-based provisions, group 2	0,4	1,4	1,0	-0,5
Change in model-based provisions, group 3	-0,8	-0,3	-1,6	0,9
Increase in existing individual write-downs	0,7	0,8	8,7	8,1
New individual write-downs	6,8	5,6	16,3	15,5
Established losses covered by previous individual write-downs	1,2	2,0	9,3	5,2
Reversals of previous individual write-downs	-1,3	-2,3	-14,7	-13,7
Actual losses where no provision for individual write-downs has previously been made	0,8	1,3	4,0	10,0
Recovery of previously identified losses	-1,6	-2,2	-5,6	-8,3
Amortisation costs for the period	0,2	0,2	0,7	0,8
Losses on loans, unused credit and guarantees	7,6	7,6	18,9	17,6
- of which losses on unused credit and guarantees	0,2	0,1	0,1	0,2

Changes in losses and gross exposure

	Expected loss		Expected loss	Total
	Group 1	Group 2	Step 3	
Change in loss provisions				
Opening balance at 01.01.19	18,9	8,0	75,3	102,1
Transferred to group 1	3,7	-2,0	-1,7	0,0
Transferred to group 2	-0,9	2,1	-1,2	0,0
Transferred to group 3	-0,1	-0,6	0,7	0,0
Net change	-4,4	2,3	15,5	13,5
New losses	8,9	1,1	1,9	11,9
Deducted losses	-7,1	-2,1	-6,6	-15,8
Change in risk model/parameters	0,8	0,2	0,0	1,1
Closing balance at 31.12.19	19,8	9,0	84,0	112,8
- of which losses on unused credit and guarantees	0,5	0,1	0,3	0,8
Model-calculated loss provisions	19,8	9,0	0,6	29,4
Individual loss provisions	0,0	0,0	83,4	83,4

Change in gross lending, broken down by group	Expected loss		Expected loss	Total
	Group 1	Group 2	Step 3	
Opening balance at 01.01.19	33.933,1	688,2	260,5	34.881,8
Transferred to group 1	198,5	-174,6	-23,9	0,0
Transferred to group 2	-416,6	446,6	-30,0	0,0
Transferred to group 3	-33,1	-34,7	67,8	0,0
Net change	296,6	-108,7	-34,4	153,5
New loans	17.379,0	164,7	33,9	17.577,6
Deducted lending	-18.438,5	-200,8	-58,5	-18.697,9
Closing balance at 31.12.19	32.919,1	780,7	215,3	33.915,1

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

Note 5 - Non-performing commitments, customers

	31.12.2019	31.12.2018
Payment defaults in excess of 90 days		
	12,4	11,5
	Business	
+	44,5	44,6
	Retail	
+	152,6	140,7
	AS Financiering	
=	209,5	196,8
	Gross payment defaults	
-	83,7	73,6
	Loss provisions	
=	125,8	123,3
	Net payment defaults	
Other non-performing commitments		
	0,3	9,9
	Business	
+	6,2	56,9
	Retail	
+	0,0	0,0
	AS Financiering	
=	6,5	66,9
	Gross other non-performing commitments	
-	0,3	1,7
	Loss provisions	
=	6,1	65,1
	Net other non-performing commitments	
Non-performing commitments		
	12,7	21,5
	Business	
+	50,7	101,5
	Retail	
+	152,6	140,7
	AS Financiering	
=	215,9	263,7
	Gross non-performing commitments	
-	84,0	75,3
	Loss provisions	
=	131,9	188,4
	Net non-performing commitments	

Note 6 - Deposits from customers by sector and industry

	31.12.2019	31.12.2018
Salaried employees	8.388,9	8.580,4
Public administration	543,7	518,1
Agriculture, forestry and fishing, etc.	101,9	116,9
Industry and mining, power and water supply	1.149,9	1.259,5
Building and construction	627,8	570,2
Wholesale and retail trade, hotels and restaurants	442,1	448,4
Transport and communications	219,4	223,8
Business financial services	1.453,5	1.306,9
Other service industries	821,0	826,1
Real estate sales and operation	918,6	915,3
Abroad	124,7	134,1
Total customer deposits	14.791,7	14.899,7

Note 7 - Loans to customers by sector and industry

	31.12.2019	31.12.2018
Salaried employees	29.349,3	30.337,9
Agriculture, forestry and fishing, etc.	97,0	108,2
Industry and mining, power and water supply	80,7	69,2
Building and construction	417,5	417,1
Wholesale and retail trade, hotels and restaurants	133,2	135,6
Transport and communications	34,2	46,7
Business financial services	131,0	192,3
Other service industries	788,5	788,2
Real estate sales and operation	3.264,0	3.117,0
Abroad	42,0	36,6
Gross lending to customers	34.337,2	35.248,8
Loss provisions on loans	-111,9	-101,4
Net lending to customers	34.225,3	35.147,4

Note 8 - Geographical distribution of lending, customers

	31.12.2019	31.12.2018
Drammen	5.190,0	5.127,3
Nedre Eiker	2.399,0	2.458,4
Øvre Eiker	2.127,4	2.171,0
Rest of Buskerud	4.479,3	4.006,0
Oslo	6.656,4	7.087,6
Akershus	5.703,3	6.292,0
Vestfold	2.787,3	2.836,9
Østfold	1.785,4	1.698,0
Rest of Norway	3.167,0	3.535,0
Abroad	42,0	36,6
Gross lending to customers	34.337,2	35.248,8
Loss provisions on loans	-111,9	-101,4
Net lending to customers	34.225,3	35.147,4

Note 9 - Credit risk

The risk classification systems are used for decision-making support, monitoring and reporting. The risk parameters from the classification systems form an integral part of the credit process and follow-up of the business and retail market customer portfolios. The risk classification is based on a weighted calculation of various parameters linked to capacity to service debt, payment history and information from an external credit information provider. The Group's portfolios are based on a risk classification comprising 11 categories from A to K. Risk class A represents the lowest risk and class I represents the highest risk of non-performing customers. Risk classes J and K comprise commitments with objective evidence of non-performance, and these commitments are being specifically monitored.

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

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

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

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

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

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

Note 10 - Classification of financial instruments

31.12.2019	Fair value through profit or loss			Total
	Held for trading	Measured at fair value	Measured at amortised cost*	
Cash and receivables from central banks	0,0	0,0	302,5	302,5
Loans to and receivables from financial institutions	0,0	0,0	15,9	15,9
Loans to and receivables from customers	0,0	422,1	33.803,2	34.225,3
Certificates and bonds	0,0	6.755,1	0,0	6.755,1
Shares and units	0,0	629,6	0,0	629,6
Financial derivatives**	174,7	0,0	0,0	174,7
Certificates and bonds, held to maturity	0,0	0,0	0,0	0,0
Total financial assets	174,7	7.806,8	34.121,6	42.103,1
Liabilities to financial institutions	0,0	0,0	300,6	300,6
Deposits from and liabilities to customers	0,0	0,0	14.791,7	14.791,7
Financial derivatives**	35,3	0,0	0,0	35,3
Securities issued	0,0	0,0	22.261,7	22.261,7
Subordinated loan capital	0,0	0,0	400,4	400,4
Total financial liabilities	35,3	0,0	37.754,4	37.789,7

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

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

* Includes hedged debt

** Includes derivatives for which hedge accounting is used

Note 11 - Financial instruments at fair value

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

Level 1: Observable market prices in active markets.

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

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

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

31.12.2019	Level 1	Level 2	Level 3	Total
Fair value				
Loans to and receivables from customers	0,0	0,0	422,1	422,1
Certificates and bonds	0,0	6.755,1	0,0	6.755,1
Shares and units	31,3	38,0	560,3	629,6
- at fair value through profit or loss	0,0	0,0	0,0	0,0
- recognised at fair value through comprehensive income	0,0	0,0	0,0	0,0
Financial derivatives	0,0	174,7	0,0	174,7
Total assets at fair value	31,3	6.967,8	982,4	7.981,5
Financial derivatives	0,0	35,3	0,0	35,3
Total liabilities at fair value	0,0	35,3	0,0	35,3

	Fixed interest loans	through profit or loss	Total
Movements in level 3 for items valued at fair value			
Balance sheet as at 01.01.19	367,0	562,2	929,2
Net realised gains	0,0	0,0	0,0
Additions	90,5	3,3	93,8
Disposals	33,4	0,0	33,4
Changes in value	-2,0	-5,2	-7,2
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	422,1	560,3	982,4

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

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

Note 12 - Securities issued and subordinated loan capital

Securities issued	31.12.2019	31.12.2018
Bonds, nominal value	22.065,0	21.705,8
Value adjustments (incl. excess/deficit value)	87,2	170,9
Accrued interest	109,5	94,1
Total securities issued	22.261,7	21.970,8

Change for securities issued	31.12.2019	Issued	Due/redeemed	Change in own holdings	Other changes incl. currency	31.12.2018
Bonds, nominal value	8.915,0	1.450,0	2.192,0	0,0	0,0	9.657,0
Covered bonds, nominal value in NOK	13.150,0	2.500,0	508,0	600,0	0,0	11.758,0
Covered bonds, nominal value in SEK (converted to NOK)	0,0	0,0	276,8	0,0	-14,0	290,8
Value adjustments (incl. excess/deficit value)	87,2	0,0	0,0	0,0	-83,7	170,9
Accrued interest	109,5	0,0	0,0	0,0	15,4	94,1
Total securities issued	22.261,7	3.950,0	2.976,8	600,0	-82,3	21.970,8

Change in subordinated loan capital	31.12.2019	Issued	Due/redeemed	wn holding	Change	Other changes incl. currency	31.12.2018
Ordinary subordinated loan capital, nominal value	400,0	0,0	0,0	0,0	0,0	0,0	400,0
Hybrid tier 1 capital loans, nominal value	350,0	0,0	0,0	0,0	0,0	0,0	350,0
Value adjustments (incl. excess/deficit value)	-0,5	0,0	0,0	0,0	0,0	0,2	-0,7
Accrued interest	0,8	0,0	0,0	0,0	0,0	0,1	0,7
Total subordinated loan capital	400,4	0,0	0,0	0,0	0,0	0,3	400,0

Note 13 - Financial derivatives

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

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

31.12.2018	Fair value of hedging instruments			Value adjustment of hedging object
	Contract sum	Assets	Liabilities	Liabilities
Fair value through profit or loss				
Forward exchange contracts	16,9	0,0	0,5	
Interest rate swaps (IRS)	765,0	0,9	8,8	
Total instruments recognised at fair value through profit or loss		0,9	9,3	
Used for hedge accounting				
Currency swap agreements	304,9	0,0	14,6	-14,0
Interest rate swaps (IRS)	7.315,0	221,1	6,8	170,9
Total instruments used for hedge accounting		221,1	21,4	156,9
Total derivatives		222,0	30,7	156,9

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

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

Note 14 - Financial derivatives, offsetting

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

Exposure as at 31.12.2019	Gross amount	Offset	Recognised amount	Amount	Amount	Amount in
				subject to net settlement	Exchanged collateral security	accordance with any net settlement
Financial derivatives, assets	150,4	0,0	150,4	-17,0	-88,6	44,7
Financial derivatives, liabilities	27,6	0,0	27,6	-17,0	-7,9	2,7

Exposure as at 31.12.2018

Financial derivatives, assets	175,6	0,0	175,6	-17,1	-101,8	56,7
Financial derivatives, liabilities	17,6	0,0	17,6	-17,1	0,0	0,5

Note 15 - Net interest income

	Q4 2019	Q4 2018	Year 2019	Year 2018
Interest income from loans to and receivables from financial institutions	1,5	0,7	4,6	2,2
Interest income from loans to customers	315,3	260,4	1.168,0	973,2
Interest income from certificates and bonds	36,7	20,8	118,2	73,6
Other interest income	0,0	0,0	0,0	0,0
Total interest income	353,5	281,9	1.290,8	1.049,0
Interest costs on liabilities to financial institutions	0,5	1,8	6,5	6,6
Interest on deposits from customers	38,0	33,2	144,9	122,8
Interest on securities issued	132,8	93,4	472,8	332,7
Interest on subordinated loan capital	4,9	2,7	13,4	10,3
Norwegian Banks Guarantee Fund levy	1,2	2,8	11,5	11,5
Total interest costs	177,4	133,9	649,1	483,9
Net interest income	176,1	148,0	641,7	565,1

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

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

	Q4 2019	Q4 2018	Year 2019	Year 2018
Net changes in value and gains/losses on certificates and bonds	-9,3	-6,9	-12,7	-17,8
Net changes in value and gains/losses on shares and equity derivatives	2,5	-4,9	4,4	99,6
Net changes in value and gains/losses on fixed-interest loans	-1,0	1,6	-1,9	-0,1
Net changes in value and gains/losses on other financial instruments	5,8	-2,1	0,7	4,6
Net value change and gains/losses on financial instruments	-2,0	-12,3	-9,5	86,3

Note 17 - Operating costs

	Q4 2019	Q4 2018	Year 2019	Year 2018
Payroll costs incl. AGA and Financial Activity Tax	37,0	41,7	142,4	149,3
Pension costs	4,0	3,1	13,3	12,7
Other personnel-related costs	2,3	2,3	6,9	10,0
IT costs	9,9	9,5	37,4	35,1
Other administrative costs	4,3	5,7	16,2	18,0
Depreciation/write-downs/changes in value for non-financial assets	6,6	3,7	25,7	13,7
Operating costs, properties and premises	2,6	7,1	10,3	21,1
Other operating costs	5,4	6,0	25,5	29,2
Total operating costs	72,0	79,1	277,8	289,1

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

Guarantee liability	31.12.2019	31.12.2018
Payment guarantees	14,0	23,6
Contract guarantees	42,6	51,6
Loan guarantees	20,5	17,5
Other guarantee liabilities	10,5	13,6
Total guarantees to customers	87,6	106,3

Pledges of security	31.12.2019	31.12.2018
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	410,0	711,0
Total pledges of security	410,0	711,0

Pledged in the swap arrangement	0,0	0,0
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The parent bank has issued a revolving credit facility vis-à-vis Sparebanken Øst Boligkreditt AS which guarantees timely payment of outstanding covered bonds which expire during the next 12 months, including the coupon rate, principal and derivative contracts entered into for the purpose of hedging outstanding covered bonds. In addition to the revolving credit facility, Sparebanken Øst Boligkreditt AS has a NOK 3.0 billion credit line from the parent bank. The parent bank's holdings of outstanding covered bonds had a face value of NOK 600.0 million at 31.12.19 (NOK 0.0 million at 31.12.18) and are not included in the table below.

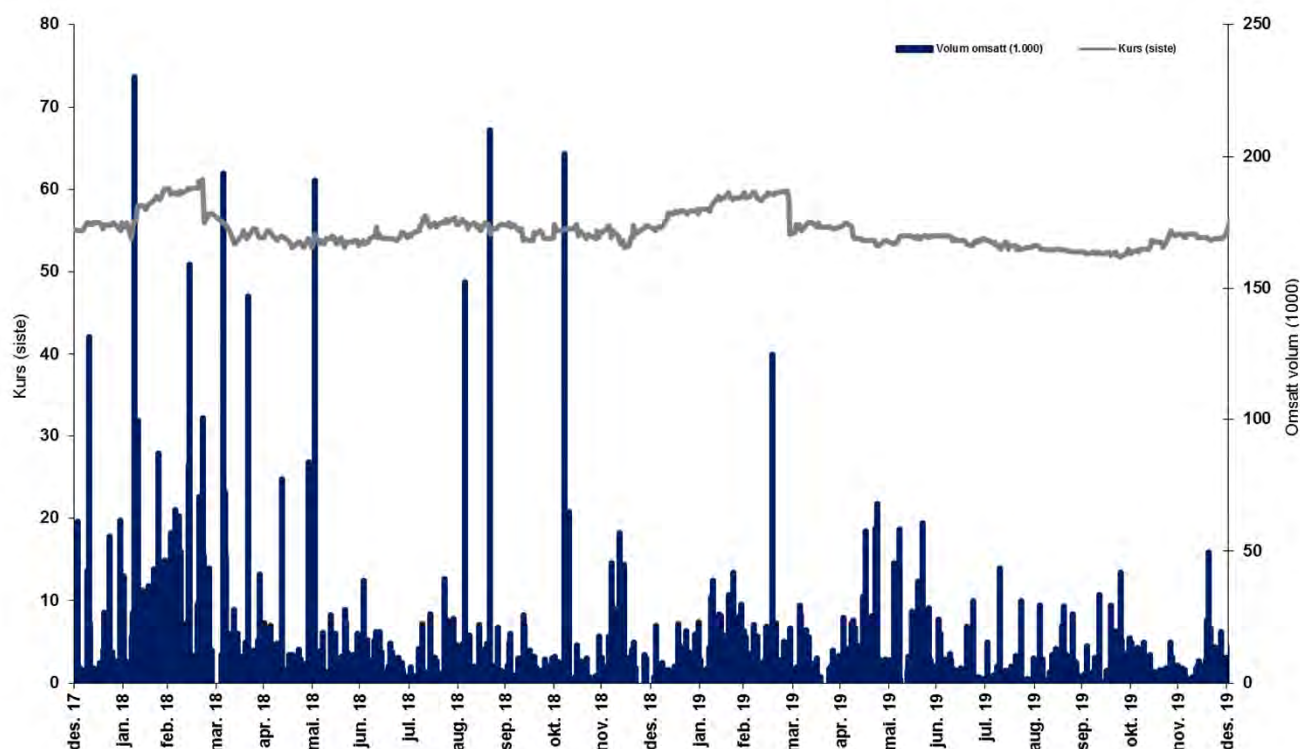
Preferential rights	31.12.2019	31.12.2018
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nominal value)*	13.750,0	12.048,8
Total, preferential rights	13.750,0	12.048,8

Note 19 - Events after the balance sheet date

The Group has sold the property company Tollbugt. 49-51 AS with the commercial property in Drammen city centre. The property consists of office space and is leased to external tenants as well as to Sparebanken Øst Eiendom AS. The transaction was carried out on 2 January 2020 and means that in Q1 2020, the Group books a gain of roughly NOK 20 million after tax on the income statement.

Note 20 - Equity certificates

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders at 31.12.2019

Name	Number	%	Name	Number	%
1 MP Pensjon	1.667.815	8,04 %	11 Storetind AS	220.503	1,06 %
2 Cape Invest AS	1.405.705	6,78 %	12 Profond AS	177.425	0,86 %
3 Directmarketing Invest AS	999.500	4,82 %	13 Tindra Eiendom AS	169.663	0,82 %
4 Eika securities fund, dividend	969.949	4,68 %	14 Morgan Stanley & Co. Inte	153.607	0,74 %
5 Hansen, Asbjørn Rudolf	500.000	2,41 %	15 Johansen, Kjell Petter	152.000	0,73 %
6 Foretaks konsulenter AS	310.128	1,50 %	16 Løkke, Helge Arnfinn	148.433	0,72 %
7 Jag Holding AS	303.897	1,47 %	17 Seriana AS	130.931	0,63 %
8 Wenaasgruppen AS	273.000	1,32 %	18 Nordnet Livsforsikring AS	123.903	0,60 %
9 AS Andersen Eiendomselskap	238.900	1,15 %	19 Teigen, Hellik	120.400	0,58 %
10 Skandinaviska Enskilda Banken	232.649	1,12 %	20 Julius Johannessen & Sønner	120.200	0,58 %

Ownership fraction, parent bank

	01.01.2020	01.01.2019
Equity certificate capital	207,3	207,3
Share premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	331,1	308,8
Share of Fund for Unrealised Gains	87,1	92,1
Total numerator (A)	1013,3	996,0
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3.227,6	3.069,5
Total denominator (B)	3.227,6	3.069,5
Ownership fraction (A/B) in %	31,40	32,45

Income statement

(Amounts in NOK million)	Q4 2019	Q4 2018	Year 2019	Year 2018
Interest income	210,7	172,5	764,2	635,1
Auxiliary line for interest income		0,0	0,0	0,0
Interest costs	104,1	85,0	388,1	307,9
Net interest income	106,6	87,5	376,2	327,2
Commission income and income from banking services	27,9	28,0	111,3	106,1
Commission costs and costs for banking services	5,2	5,2	20,6	17,5
Dividend	107,9	119,4	136,8	152,4
Net changes in value and gains/losses on financial instruments	-2,7	-11,9	-5,2	91,7
Other operating income	1,7	1,1	7,7	4,7
Net other operating income	129,7	131,4	230,0	337,4
Payroll, etc.	37,7	40,1	140,4	148,0
Administration costs	11,1	12,7	42,8	43,8
Depreciation/write-downs/changes in value for non-financial assets	6,5	2,8	25,0	9,5
Other operating costs	6,4	9,8	28,6	41,1
Total operating costs	61,6	65,4	236,9	242,4
Profit/loss before losses	174,7	153,5	369,2	422,2
Losses on loans, unused credit and guarantees	4,4	2,7	4,9	2,9
Profit/loss before tax costs	170,2	150,8	364,4	419,3
Tax costs	15,2	9,9	56,8	45,4
Profit/loss after tax	155,0	140,9	307,6	373,9
Hybrid capital owners' share of the result	4,7	3,2	17,9	11,7
Equity certificate holders' and primary capital share of profits	150,3	137,7	289,7	362,2
Profit/loss after tax	155,0	140,9	307,6	373,9
Earnings per equity certificate	2,35	2,28	4,54	6,01
Diluted earnings per equity certificate	2,35	2,28	4,54	6,01

Other comprehensive income - parent bank

(Amounts in NOK million)	Q4 2019	Q4 2018	Year 2019	Year 2018
Profit/loss after tax	155,0	140,9	307,6	373,9
Items that will not be reclassified to the income statement				
Actuarial gains and losses on defined-benefit plans	3,7	-5,9	3,7	-5,9
Tax related to items that cannot be reclassified	-0,9	1,4	-0,9	1,4
Items that may later be reclassified to the income statement				
Lending at fair value	-0,1	0,0	-0,2	-0,9
Tax related to items that can be reclassified	0,0	0,0	0,0	0,2
Comprehensive income	157,7	136,4	310,3	368,7

Balance Sheet - Parent Bank

(Amounts in NOK million)	31.12.2019	31.12.2018
Assets		
Cash and receivables from central banks	302,5	603,1
Loans to and receivables from financial institutions	2.273,2	2.155,1
Loans to and receivables from customers	16.982,8	19.716,6
Certificates and bonds	7.197,6	5.012,1
Shares and units	629,6	606,8
Financial derivatives	57,2	80,1
Ownership interests in Group companies	1.321,0	1.240,9
Deferred tax asset	6,8	7,2
Investment properties	0,0	
Tangible fixed assets	89,6	84,4
Lease rights	84,8	0,0
Other assets	10,2	5,2
Prepaid non-accrued costs and income earned, but not received	9,1	8,4
Total assets	28.964,4	29.519,9
Liabilities and equity		
Liabilities to financial institutions	620,2	540,8
Deposits from and liabilities to customers	14.879,5	14.974,3
Liabilities to the state, swap of covered bonds	0,0	
Financial derivatives	35,3	16,1
Securities issued	8.959,6	9.750,8
Other liabilities	178,7	190,0
Accruals and deferred income	25,5	32,6
Provisions for accrued costs and liabilities	65,5	76,2
Deferred tax liability	0,0	0,0
Commitments related to leases	85,5	0,0
Subordinated loan capital	400,4	400,0
Total liabilities	25.250,1	25.980,8
Paid-up equity	595,1	595,1
Hybrid capital	352,4	350,5
Retained earnings	2.766,8	2.593,5
Retained ordinary earnings	0,0	0,0
Total equity	3.714,3	3.539,1
Total liabilities and equity	28.964,4	29.519,9

Changes in equity - parent bank

(Amounts in 2019	Paid-up equity			Hybrid capital		Retained earnings		Fund for income in value	
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	unrealised gains	reclassified income
Equity at 31.	3.539,1	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	0,2
Ordinary reserves	307,6	0,0	0,0	17,9	96,0	199,9	0,0	-6,2	0,0
Change in interest	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1
Changes in fees	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains	2,8	0,0	0,0	0,0	0,9	1,9	0,0	0,0	0,0
Comprehensive	310,3	0,0	0,0	17,9	96,9	201,8	0,0	-6,2	-0,1
Dividend to equity	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0
Dividend to social	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0
Interest paid	-15,9	0,0	0,0	-15,9	0,0	0,0	0,0	0,0	0,0
Redemption	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0
Changes in equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 31.	3.714,3	207,3	387,8	352,4	405,7	2.045,5	38,1	277,5	0,0

The year's proposed dividend to equity certificate holders of NOK 74.6 million remains part of the equalisation fund, and the year's proposed charitable donations from the social capital of NOK 59.7 million remains part of the primary capital until finally adopted by the board of trustees.

(Amounts in 2018	Paid-up equity			Hybrid capital		Retained earnings		Fund for income in value	
	Total equity	Equity certificates	Share premium reserve	Hybrid tier 1 capital	Equalisation fund	Primary capital	Endowment fund	unrealised gains	reclassified income
Equity at 31.	2.971,7	207,3	387,8	0,0	409,3	1.731,6	38,1	197,6	0,0
Implementation	15,5	0,0	0,0	0,0	5,1	9,5	0,0	0,0	0,9
Reclassification	351,7	0,0	0,0	351,7	0,0	0,0	0,0	0,0	0,0
Restated equity	3.338,9	207,3	387,8	351,7	414,4	1.741,1	38,1	197,6	0,9
Ordinary reserves	373,9	0,0	0,0	11,7	95,0	181,2	0,0	86,0	0,0
Change in interest	-0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,7
Changes in fees	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains	-4,5	0,0	0,0	0,0	-1,6	-2,9	0,0	0,0	0,0
Other comprehensive	368,7	0,0	0,0	11,7	93,4	178,3	0,0	86,0	-0,7
Dividend to equity	-103,7	0,0	0,0	0,0	-103,7	0,0	0,0	0,0	0,0
Dividend to social	-51,9	0,0	0,0	0,0	0,0	-51,9	0,0	0,0	0,0
Interest paid	-16,8	0,0	0,0	-16,8	0,0	0,0	0,0	0,0	0,0
Tax effect on	3,9	0,0	0,0	3,9	0,0	0,0	0,0	0,0	0,0
Redemption	-200,0	0,0	0,0	-200,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid	200,0	0,0	0,0	200,0	0,0	0,0	0,0	0,0	0,0
Changes in equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity at 31.	3.539,1	207,3	387,8	350,5	404,1	1.867,5	38,1	283,6	0,2

The year's proposed dividend to equity certificate holders of NOK 95.4 million remains part of the equalisation fund, and the year's proposed charitable donations from the social capital of NOK 23.8 million remains part of the primary capital until finally adopted by the board of trustees.

Cash Flow Statement - Parent Bank

		31.12.2019	31.12.2018
Operating activities			
Profit/loss before tax costs		364,4	419,3
Adjusted for:			
Change in net interest income earned and accrued interest costs		-7,5	0,3
Net payment/disbursement of loans to financial institutions		-111,9	-222,6
Net receipts/payments of loans to customers		2.738,1	-1.046,3
Change in certificates and bonds		-2.182,1	-650,6
Changes in value of equities and units		-4,5	-98,6
Change in other assets in connection with operations		-13,4	-2,3
Net receipts/disbursement of borrowing from financial institutions		79,2	8,5
Net receipts/disbursement of deposits from customers		-93,8	972,3
Change in other operating liabilities		-70,6	-7,9
Non-cash items included in profit before tax costs		25,1	17,4
Net gain/loss from investing activities		-0,1	-1,5
Net gain/loss from financing activities		0,9	2,6
Net change in relation to investing activities		0,0	0,0
Taxes paid for the period		-47,8	-68,0
Net cash flow from operating activities	A	676,1	-677,4
Investing activities			
Payments on purchases of fixed assets		-17,6	-17,9
Proceeds from sale of fixed assets		0,1	0,3
Net proceeds/costs on the sale/purchase of financial investments		-18,3	-23,1
Net payment/disbursement concerning investments in subsidiaries		-80,0	-350,0
Net cash flow from investing activities	B	-115,8	-390,7
Financing activities			
Net incoming/outgoing payments for loans to/from financial institutions		0,0	-30,0
Payments on repayment of securities		-2.192,4	-2.114,4
Proceeds on issuance of securities		1.449,7	3.598,7
Payment of dividend		-95,4	-103,7
Net payments on repayment of hybrid capital		-150,5	-200,0
Net receipts on issue of hybrid capital		150,0	200,0
Interest paid on hybrid capital		-15,9	-16,8
Net cash flow from financing activities	C	-854,5	1.333,8
Net change in cash and cash equivalents	A+B+C	-294,3	265,7
Cash and cash equivalents at 01.01		612,6	346,9
Holding of cash and cash equivalents at the end of the period		318,3	612,6

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

Key Figures, Group

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Profitability					
1. Return on equity*	8,46	9,81	9,19	7,01	5,14
2. Net interest income as a % of average total assets	1,64	1,53	1,44	1,41	1,44
Q3 Profit/loss after tax as a % of average total assets	0,77	0,89	0,81	0,62	0,47
4. Costs as a % of average total assets	0,67	0,64	0,55	0,75	0,77
5. Costs as a % of income (before losses on loans/guarantees)*	38,11	35,85	33,65	47,11	52,21
6. Costs as a % of income (excl. return on financial investments)*	37,71	37,97	34,73	48,65	48,29
Balance sheet figures					
7. Net lending to customers	34.225,3	34.733,3	34.801,6	35.625,1	35.147,4
8. Lending growth (quarter)	-1,46	-0,20	-2,31	1,36	5,75
9. Deposits	14.791,7	15.072,0	15.014,4	14.856,5	14.899,7
10. Deposit growth (quarter)	-1,86	0,38	1,06	-0,29	1,92
11. Average equity	3.681,2	3.662,3	3.576,1	3.504,8	3.513,4
12. Average total assets	42.697,2	42.836,9	42.572,8	42.231,4	40.688,6
Loss provisions on impaired and non-performing loans					
13. Losses as a % of net lending to customers (OB)*	0,09	0,04	0,04	0,05	0,09
14. Loss provisions as a % of gross lending to customers*	0,33	0,30	0,30	0,28	0,29
15. Net payment defaults exceeding 90 days as a % of net lending	0,37	0,36	0,35	0,31	0,35
16. Other net non-performing commitments (group 3) as a % of net lending	0,02	0,13	0,15	0,17	0,19
Financial strength					
17. CET1 capital ratio, including 50% of retained earnings (%)	17,69	16,73	16,71	16,37	16,39
18. CET1 capital ratio (%)	17,69	16,15	16,35	16,22	16,39
19. Tier 1 capital ratio (%)	19,49	17,89	17,63	17,96	18,15
20. Capital adequacy ratio (%)	21,25	19,59	19,35	19,66	19,87
21. Risk-weighted volume (calculation basis)	19.450,3	20.134,9	20.003,5	20.165,2	19.959,5
22. Tier 1 leverage ratio, including 50% of retained earnings (%)	8,81	8,52	8,29	8,46	8,48
23. Tier 1 leverage ratio (%)	8,81	8,26	8,13	8,39	8,48
Liquidity					
24. Deposit coverage ratio	43,22	43,39	43,14	41,70	42,39
25. LCR (%)	265,11	257,83	261,62	207,87	224,93
Branches and full-time equivalents					
26. No. of branches	28	27	27	27	27
27. Full-time equivalents	192	198	198	197	199
Equity certificates					
28. Ownership fraction (parent bank) (%)	32,45	32,45	32,45	32,45	34,40
29. No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
30. Book equity per equity certificate*	58,95	58,03	56,61	55,33	58,98
31. Earnings per equity certificate*	1,23	1,42	1,28	0,95	0,75
32. Dividend per equity certificate	3,60	0,00	0,00	0,00	4,60
33. Turnover rate	11,83	9,97	20,54	18,97	18,20
34. Price	54,60	52,40	54,40	54,60	55,60

* Defined as alternate performance target

Definition of key figures and alternative profit targets

Profitability

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

Balance sheet figures

- | | | |
|---|--|---|
| 7. | Net lending to customers | Gross lending minus loss provisions |
| 8. | Lending growth (quarter/12 months) | Change in net lending as a % of OB net lending. Quarterly figures show growth in the quarter, while other figures show 12-month growth. |
| 9. | Deposits | Customer deposits |
| 10. | Deposit growth (quarter/12 months) | Change in deposits as a % of OB deposits. Quarterly figures show growth in the quarter, while other figures show 12-month growth. |
| 11. | Average equity | (OB equity (adjusted for hybrid capital) less proposed dividends + CB equity (adjusted for hybrid capital) less proposed dividends) / 2. |
| 12. | Average total assets | Average total assets based on quarterly balance sheet figures |
| Loss provisions on impaired and non-performing loans | | |
| 13. | Losses as a % of net lending to customers (OB)* | Losses as % of OB net loans to customers for the period. The key figure indicates the recognised loss in relation to net lending at the beginning of the fiscal period and provides relevant information on the extent of the losses incurred by the Group in relation to its lending volume. |
| 14. | Loss provisions as a % of gross lending to customers* | Total loss provisions, groups 1, 2 and 3, as a % of gross lending. This key figure provides relevant information about credit risk and is deemed useful additional information, besides stated in the loss notes. |
| 15. | Net payment defaults exceeding 90 days as a % of net lending | Net payment defaults exceeding 90 days as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information besides that stated in the loss notes. |
| 16. | Other net non-performing commitments (group 3) as a % of net lending | Net other non-performing commitments as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information, besides stated in the loss notes. |

Financial strength

- | | | |
|-----|---|--|
| 17. | CET1 capital ratio incl. 50% of retained earnings (%) | CET1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of risk-weighted volume (basis for calculation) |
| 18. | CET1 capital ratio (%) | CET1 capital as a % of the risk-weighted volume (basis for calculation) |
| 19. | Tier 1 capital ratio (%) | Tier 1 capital as a % of the risk-weighted volume (basis for calculation) |
| 20. | Capital adequacy ratio (%) | Total primary capital as a % of the risk-weighted volume (basis for calculation) |
| 21. | Risk-weighted volume (calculation basis) | Total credit and counterparty risk, currency risk, operational risk and calculation basis for impaired counterparty credit rating (CVA). |
| 22. | Tier 1 leverage ratio incl. 50% retained earnings (%) | Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of the unweighted basis for calculation. |
| 23. | Tier 1 leverage ratio (%) | Tier 1 capital as a % of unweighted calculation basis |

Liquidity

- | | | |
|-----|------------------------|---|
| 24. | Deposit coverage ratio | Deposits as a % of net lending to customers. |
| 25. | LCR (%) | Liquid assets as a % of net payments in a stress scenario lasting 30 days |

Branches and full-time equivalents

- | | | |
|-----|-----------------------|--|
| 26. | No. of branches | |
| 27. | Full-time equivalents | |

Equity certificates

- | | | |
|-----|--------------------------------------|--|
| 28. | Ownership fraction (parent bank) (%) | Equity certificate holders' share of total equity adjusted for hybrid capital (less proposed dividends) as a % (basis at 1 January, time-weighted at issue). |
| 29. | No. of equity certificates | Total no. of outstanding equity certificates |
| 30. | Book equity per equity certificate* | Equity share capital divided by no. of equity certificates. The calculation includes the year's allocation for dividends. The key figure provides information about the value of the book equity per equity certificate. This makes it possible for the reader to assess the reasonableness of the market price in relation to the equity certificate. |
| 31. | Earnings per equity certificate* | The equity share capital's share of the profit/loss after tax divided by time-weighted average number of equity certificates during the period. |
| 32. | Dividend per equity certificate | Dividend in NOK per equity certificate |
| 33. | Turnover rate | Annualised turnover rate (traded as a % of issued) |
| 34. | Price | The most recently traded price on the Oslo Stock Exchange as at the balance sheet date. |

* Defined as alternate performance target

Balance sheet performance - Group

(Amounts in NOK million)	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018
Assets					
Cash and receivables from central banks	302,5	440,7	437,5	244,9	603,1
Loans to and receivables from financial institutions	15,9	8,5	10,7	10,2	9,5
Loans to and receivables from customers	34.225,3	34.733,3	34.801,6	35.625,1	35.147,4
Certificates and bonds	6.755,1	6.589,7	6.238,4	5.481,4	5.173,1
Shares and units	629,6	627,1	619,3	613,1	606,8
Financial derivatives	174,7	325,8	273,3	223,6	222,0
Ownership interests in Group companies	0,0	0,0	0,0	0,0	0,0
Deferred tax asset	0,0	0,0	0,0	0,0	
Investment properties	59,0	59,3	59,5	59,7	59,9
Tangible fixed assets	137,7	136,8	135,9	135,8	134,2
Lease rights	49,5	50,7	52,9	55,2	0,0
Other assets	23,9	14,9	18,3	15,0	19,6
Prepaid non-accrued costs and income earned, but not received	12,6	21,7	17,8	16,3	6,9
Total assets	42.385,8	43.008,5	42.665,2	42.480,3	41.982,5
Liabilities and equity					
Liabilities to financial institutions	300,6	302,2	300,5	301,8	300,4
Deposits from and liabilities to customers	14.791,7	15.072,0	15.014,4	14.856,5	14.899,7
Liabilities to the state, swap of covered bonds	0,0	0,0	0,0	0,0	0,0
Financial derivatives	35,3	19,5	8,0	12,9	30,7
Securities issued	22.261,7	22.579,6	22.484,7	22.438,0	21.970,8
Tax payable					0,0
Other liabilities	298,9	401,1	319,5	401,7	313,4
Accruals and deferred income	33,6	41,3	35,5	47,5	41,2
Provisions for accrued costs and liabilities	67,4	78,3	78,5	78,4	78,4
Deferred tax liability	5,0	3,5	3,2	2,6	3,7
Commitments related to leases	49,9	51,0	53,2	55,3	0,0
Subordinated loan capital	400,4	400,3	400,2	400,1	400,0
Total liabilities	38.244,3	38.948,6	38.697,7	38.594,7	38.038,3
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	352,4	352,3	350,5	350,5	350,5
Retained earnings	3.194,0	3.112,5	3.022,0	2.940,1	2.998,6
Retained ordinary earnings	0,0	0,0	0,0	0,0	0,0
Total equity	4.141,5	4.059,9	3.967,5	3.885,7	3.944,2
Total liabilities and equity	42.385,8	43.008,5	42.665,2	42.480,3	41.982,5

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