172nd. year

ANNUAL REPORT 2014

Sparebanken Øst

CONTENTS

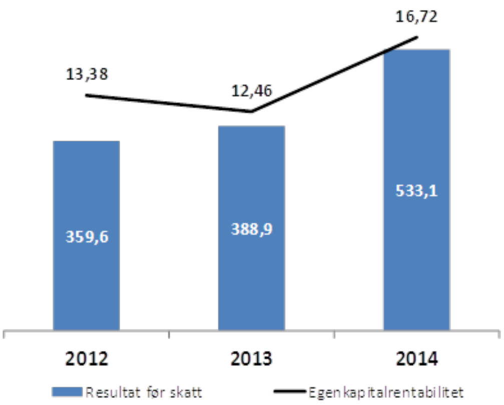
BOARD OF DIRECTORS' REPORT FOR 2014

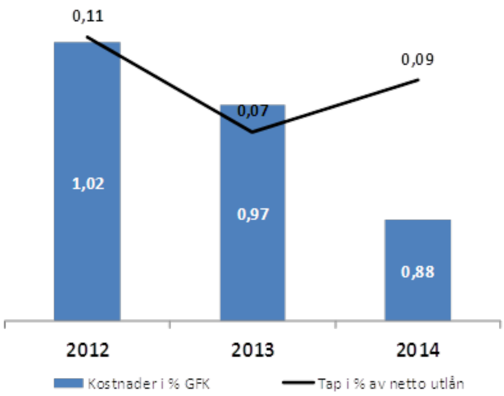
The bank’s 172nd year of operation shows a profit before tax for the group of NOK 533.1 million, an increase of NOK 144.2 million from 2013. The profit from the sale of shares in Nets Holding AS amounted to NOK 134.7 million. In addition to Sparebanken Øst, the Sparebanken Øst group consists of Sparebanken Øst Boligkreditt AS, Sparebanken Øst Eiendom AS, Øst Prosjekt AS and AS Financiering. Sparebanken Øst serves its customers through a traditional, but effective branch network, as well as innovative web concepts.

BUSINESS IN 2014

The group reported a profit before tax of NOK 533.1 million for 2014, compared with NOK 388.9 million for 2013. The improvement is mainly due to increased net interest income and credit commission through growth in lending to customers and the profit on the sale of shares in Nets Holding AS.

The Sparebanken Øst group consists of the parent bank and four wholly-owned subsidiaries. AS Financiering, established in 1930, is a central market participant within used car financing. Sparebanken Øst Eiendom AS with subsidiaries owns, manages and develops properties. Sparebanken Øst Boligkreditt AS securitises mortgages for the bank and thereby achieves lower funding costs for the group. Øst Prosjekt AS’ main object is to take over projects to hedge and realise exposed positions in the parent bank. In 2014, the bank’s subsidiaries have been important contributors to the group’s overall earnings.



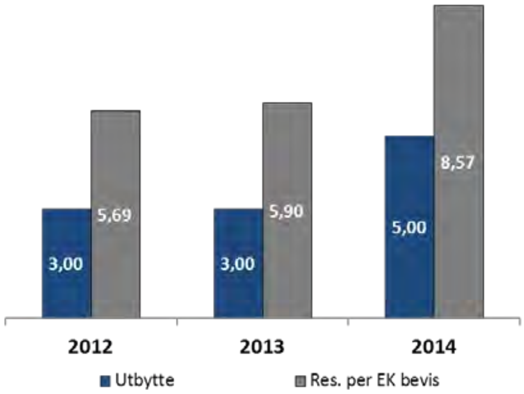


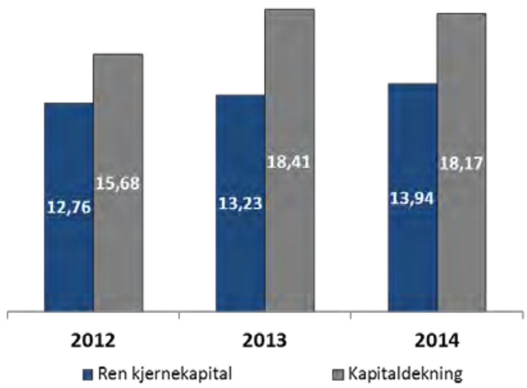
Total assets increased by NOK 3,847.6 million from the beginning of the year and amounted to NOK 35,006.1 million at the end of 2014. Net lending to private customers increased by 14.9 per cent. The bank’s online concepts contribute to growth within all of the bank’s markets. Net lending to business customers declined by 6.3 per cent. A branch in Svelvik was established in 2014. No research or development activities have been carried out in the Sparebanken Øst group in 2014.

The risk picture developed positively in 2014. The credit risk expressed through our risk classification shows a lower proportion of commitments with high risk. An increasing share of private customer commitments contributes to further reduced concentration risk. Compliance controls carried out by the internal auditor and the compliance and control department show a consistently satisfactory process for the assessment of risks, satisfactory formulation of processes and routines, and that compliance with processes and routines is good. No incidents resulting in a risk of significant losses were registered in 2014.

The group is well-capitalised with a core capital which comprised 13.94 per cent at the end of 2014, based on the standard method in the Basel II regulations. The equivalent for 2013 was 13.23 percent. As from 31.12.14 capital adequacy is calculated according to transitional rules, which means that the fund for unrealised gains for items classified as available for sale still cannot be included in CET1 capital. Equity showed a solid return in 2014 with a return on equity of 16.72 per cent for 2014, compared with 12.46 per cent in 2013. As stated, the profit on the sale of shares in Nets Holding AS had a significant impact on earnings in 2014.

The Board of Directors proposes dividend of NOK 5.00 per equity certificate. Earnings per equity certificate after tax for the group are NOK 8.57. Book equity per certificate as at 31.12.14 is NOK 49.81, excluding the proposed dividend. The proposed dividend is within the adopted and communicated dividend policy and comprises 58.3 per cent of the equity certificate owners' share of the annual profit. The allocation of NOK 15.0 million is proposed for donations to worthwhile public causes. The Board of Directors believes that the Board's position on dividends and donations provides a good balance between the bank's various interest groups.





The Board of Directors and Management wish to praise the group's employees for their great efforts in 2014.

STRATEGY AND GOALS

The bank's mission is to be a non-affiliated, independent and locally managed provider of financial services, to enable people in general along with small and medium sized enterprises to exploit their financial resources in the best possible manner. The Board of Directors understands that the bank's strategic degree of freedom is dependent on its financial and competence developments. The bank wishes to safeguard the interests of our customers, employees, investors and society in the best possible way over time. The bank bases its activities on its core values: predictable, homespun and forward-leaning. The values reflect how we wish to be regarded by our interest groups. Sparebanken Øst will furthermore build its business upon the savings bank identity through being society-oriented and having high ethical standards, being a contributor to value creation and sustainable development – not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen – and being development-oriented while remaining rooted in the local community, and maintaining a perspective which is solid, long-term and reliable. The Board of Directors believes that expansion of the bank can best be achieved through organic growth, and considers sustained growth as important to ensuring that the bank can achieve its objectives, and retain its independence. All growth must comply with the conditions established by the bank's three central financial objectives.

The bank’s vision has remained unchanged for many years and expresses the goal to be a leading savings bank in Eastern Norway. The bank’s head office is in Drammen, with its business address in Hokksund in Øvre Eiker municipality. The bank operates in the central, eastern area of Norway, with 22 offices. Within an hour’s drive from Drammen, the bank has a total catchment area of almost 2 million people , which represents around 40 per cent of Norway’s population. Sparebanken Øst wishes to be a small operator in this area, and a major operator in the Nedre Buskerud area. We wish to cover our customers’ requirements for standard financial services products. Our main products are savings, loans, guarantees and payment services. Selected market segments in the national market, including the central area of Eastern Norway, are served via the bank's various online concepts.

Sparebanken Øst is to be a profitable bank, run according to correct business principles. The Board of Directors has set three overall financial goals for the organisation: The bank's CET1 capital ratio target is 14 per cent as from 1 July 2016. The bank's aim regarding liquidity is for non-liquid assets to be financed with long term debt of between 103 per cent and 107 per cent, with the goal of 105 per cent long-term financing over time. The bank's goal for its return on equity has been set at 10 per cent over time.

Sparebanken Øst defines its main market as central area of Eastern Norway. We view the municipalities of Drammen, Nedre Eiker and Øvre Eiker as our local market. All of Norway is regarded as a potential market for the online distribution of banking services to private customers. Sparebanken Øst serves the markets via a combination of the bank's branches, online solutions and external intermediaries. There are 175,000 people resident in our local market, of whom 67,000 in Drammen. The business development in the municipalities is sound, and the business community is thriving. Strong population growth and an increase in commercial enterprise are expected. This means that a large market is available to us.

Sparebanken Øst has selected a tripartite and segmented market model based upon a "house of brands" brand strategy. The model enables the bank to serve all types of customers, both those who wish to interact with the bank face-to-face and those who wish to undertake most of the services themselves. The model also enables us to serve both current and future bank customers. The market model is subject to continuous development, so that we can serve all of our customers in the best possible way.

Sparebanken Øst has established several niche concepts. DinBANK.no is Sparebanken Øst’s online service which was launched in September 2006. DinBANK.no is now established as a very simple, efficient and straightforward banking alternative for self-service customers. DinBANK.no mainly offers loans to customers against property mortgages up to a loan-to-value ratio of 75 per cent. Its customer base is across Norway, with a majority of customers in the counties of Oslo, Akershus and Buskerud. YoungBank.no is designed to offer young people a technical and communication-based banking platform that is matched to this customer group. Topprente.no was established in March 2011. Topprente.no offers highly competitive interest rates on savings and has been established as an effective self-service concept. Topprente.no had 10,500 customers from all over the country as of the end of 2014, predominantly customers in the counties of Oslo, Akershus and Buskerud. Boligkreditt.no was established by Sparebanken Øst Boligkreditt AS in December 2012 as an Internet-based self-service concept, offering home loans against mortgages on owner-occupied properties. Boligkreditt.no offers competitive terms for mortgage loans of over NOK 2 million up to 75 per cent of the property's market value.

In 2014, Sparebanken Øst established green home loans and car loans. We follow the trends for sound environmental and sustainable development and wish to adapt our activities to the development in this area.

Sparebanken Øst wishes to have a market-oriented organisation that offers interesting challenges to responsible and qualified employees. We wish to develop our employees so that they may be in a position to meet future skills and reorganisation requirements. With a good working environment and competitive conditions, Sparebanken Øst must be an attractive employer. The bank is affiliated with the authorisation scheme for financial advisers (AFR). At the beginning of the year the bank had 48 authorised financial advisers. The bank's internal academy arranges the necessary competence development in line with the development in our framework conditions and environment in general.

Banking activities require a certain amount of risk taking, but we wish to take an informed approach that is as measurable as possible in relation to the risks that we take on. This applies specifically to major risk areas such as credit risk, market risk, liquidity risk and operational risk, including ICT risk in particular. We will systematically monitor changes in our risk profile in quarterly reviews and risk reports within all important areas.

MACROECONOMIC DEVELOPMENT

Again in 2014, the growth in the global economy was weaker than estimated, but with considerable variations. The USA and the UK have achieved increased growth and improved employment levels, support measures in the USA are being reduced, and higher interest rates during 2015 are expected. The Eurozone, on the other hand, has continued to disappoint, with low investments and very low growth in prices. This is also the picture in Denmark and Sweden. The euro has weakened strongly against the US dollar, and the ECB has introduced a new round of quantitative easing in order to stimulate growth and prevent deflation. The crisis in the Ukraine has increased uncertainty in Europe and stopped exports to Russia. China and the other emerging economies are affected by the sustained low growth in western countries, and investment and growth rates are decreasing. This has not prevented China from surpassing the USA as the world's largest economy.

Massive economic stimulus packages and money supply increases from the world's central banks are continuing, and risk premiums in the financial markets are low. Key interest rates in developed countries are close to zero, and even negative in some cases. This gives record-low interest rate levels, and the prospects of rising interest rates in Europe have once again been pushed further ahead.

Norway's mainland economy achieved GDP growth of around 2.3 per cent in 2014, which must be considered to be high in global terms. After several years of high growth, driven by record-high oil investments, which are now declining strongly, we now seem to be entering a period of lower growth. The imbalance between production and consumption in the oil market has virtually halved the oil price in dollar terms from its peak last summer and to date. Activity both offshore and in the supply industry are affected and the Norwegian krone has weakened considerably, due to the falling oil prices as well as the lowering of the official interest rate in December. The krone's depreciation and lower oil prices abroad may lead to increased activity in the traditional export industry.

Inflation is also affected by the Norwegian krone's rate and has increased to around Norges Bank's target level.
Lower wage growth is expected in the future, with sustained high savings and moderate growth in household consumption. Unemployment increased somewhat in 2014, and is expected to increase further in 2015.

After falling in 2013, home prices again increased strongly in 2014, with an annual growth rate of around 8 per cent nationally, as well as in Oslo and Drammen. During 2014 lending to households increased by 6.2 per cent, which is rather lower than in previous years. Business credit growth amounted to 3.4 per cent, which is also a reduction. Competition in the credit market increased in 2014, resulting in lower margins. The low level of interest rates is expected to continue, with risk on the downside.

COMMENTS ON THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The annual financial statements have been prepared in accordance with IFRS, International Financial Reporting Standards, approved by the EU.

The Board of Directors hereby confirms that the conditions for the presentation of the financial statements under the going concern assumption are present.

STATEMENT OF INCOME

The group reported a profit before tax of NOK 533.1 million for 2014, compared with NOK 388.9 million for 2013. The result was affected by a gain of NOK 134.7 million on the sale of shares in Nets Holding AS, which was recognised in the ordinary operating profit for 2014. The equivalent accumulated change in value in comprehensive income was reversed. The improvement in result was also due to an increase in net interest income and credit commission, and a gain on the sale of shares in Frende Holding AS.

Profit before tax as a ratio of average total assets was 1.59 per cent, compared with 1.29 per cent in 2013.

The result after tax was a profit of NOK 428.7 million in 2014, compared to a profit of NOK 282.7 million in 2013. Tax expenses were low as a result of the non-tax-liable gain on the sale of shares.

The return on equity after tax for 2014 was 16.72 per cent, compared with 12.46 per cent in 2013.

The result after tax of the parent bank was a profit of NOK 360.6 million in 2014, compared to NOK 223.5 million in 2013. In 2014, the parent bank received dividend from subsidiaries amounting to NOK 60.0 million. This dividend is eliminated in the Group's result. Group contributions from subsidiaries of NOK 71.0 million, net after tax, were recognised by the parent bank in 2013.

Net interest income

Net interest income and credit commission amounted to NOK 606.9 million, showing an increase by NOK 42.4 million compared with 2013. In monetary terms, net interest income and credit commission have remained stable at around NOK 150.0 million per quarter over the last six quarters.

Net interest income and credit commission correspond to 1.81 per cent of the average total assets for 2014. For comparison, net interest income and credit commission corresponded to 1.87 per cent for 2013.

Hedge fund fees totalling NOK 10.4 million were charged in 2014, compared to NOK 9.0 million in 2013.

Operating revenues

Dividends received on equity instruments amounted to NOK 7.3 million and were related mainly to dividend from Nets Holding AS. Dividends received on equity instruments were NOK 5.7 million lower than for the previous year. The decline is mainly due to dividend from Nordito Property AS in 2013.

Commission income and income from banking services amounted to NOK 81.6 million, which is an increase by NOK 1.2 million compared with the previous year. Commission income is derived from traditional banking services.

Commission costs and costs of banking services amounted to NOK 43.7 million, having increased by NOK 3.1 million from 2013. This increase is mainly attributable to agency fees.

Net value changes and gains/losses on financial assets provided recognised income of NOK 160.2 million in 2014. The book profit on the sale of the bank's holding in Nets Holding AS amounted to NOK 134.7 million and is recognised in the ordinary operating profit, while the gain on the sale of shares in Frende Holding AS was NOK 11.7 million. Recognised net income relating to the guarantee to Eksportfinans ASA was NOK 10.2 million. For comparison, the income recognised on net value changes and gains/losses on financial assets in 2013 totalled NOK 26.4 million. Of this amount, net income of NOK 6.3 million related to the Eksportfinans ASA guarantee

Other operating income amounted to NOK 40.5 million, which is a decrease by NOK 14.7 million compared to 2013. The decline is related mainly to gains on the sale of real estate in Sparebanken Øst Eiendom AS in 2013.

Operating costs
Total operating expenses amounted to NOK 296.1 million, which corresponds to 0.88 per cent of the average total assets. For comparison, total operating expenses amounted to NOK 293.8 million in 2013, equivalent to 0.97 per cent of the average total assets.

Payroll and general administrative costs amounted to NOK 217.5 million in 2014, compared with NOK 220.9 million in 2013. The number of active FTEs in the group at the end of 2014 was 225, compared to 233 at the end of 2013. The number of active FTEs in the parent bank at the end of 2014 was 195, compared to 202 at the end of 2013.

Depreciation and amortisation amounted to NOK 19.8 million in 2014, compared to NOK 17.9 million in 2013. The increase is related mainly to a new portfolio of IT systems in the bank.

Other operating costs amounted to NOK 58.8 million in 2014, compared to NOK 55.0 million in 2013. In 2014, NOK 4.0 million was allocated for premises no longer used by the bank in its activities.

Losses on loans and guarantees
The group's recorded losses on loans and guarantees amounted to NOK 23.6 million in 2014, compared to NOK 16.2 million in 2013. The parent bank's figures for the previous year were affected by reversals of previous losses.

Individual write-downs on loans and guarantees to customers amounted to NOK 94.3 million at the end of 2014, compared to NOK 98.0 million at the end of 2013.

Write-downs on groups of loans to customers amounted to NOK 43.4 million at the end of 2014, and were unchanged from the beginning of the year.

Gross defaults and non-performing loans amounted to NOK 423.8 million at the end of 2014, compared to NOK 500.2 million at the end of 2013. Net defaults and non-performing loans amounted to NOK 329.5 million, having decreased by NOK 72.7 million compared to the end of 2013.

Allocation of the annual profit

The Board of Directors proposes that the annual profit of the parent bank be allocated as shown below: A dividend of NOK 5.00 per equity certificate is proposed.

(Figures in NOK million)	***2014***
Equity certificate dividend	103.7
Transferred to equalisation fund	45.8
Transferred to primary capital	196.1
Endowments	15.0
Profit for the year	**360.6**

The Cohesion Fund (excluding dividends) presently amounts to NOK 262.6 million, which is equivalent to NOK 12.67 per equity certificate.

BALANCE SHEET

Total assets increased by NOK 3,847.6 million from the beginning of the year and amounted to NOK 35,006.1 million at the end of 2014.

Cash and receivables at central banks increased by NOK 124.0 million from the beginning of the year, and amounted to NOK 481.5 million as at 31.12.14.

Net loans to credit institutions declined by NOK 1.1 million from the beginning of the year, and amounted to NOK 7.5 million as at 31.12.14.

Net loans to customers amounted to NOK 28,697.8 million, which represents an increase by NOK 2,926,2 million during the last 12 months, equivalent to 11.4 per cent. Net lending to private customers increased by 14.9 per cent, while net lending to business customers declined by 6.3 per cent.

Gross loans to private customers made up 85.6 per cent of total loans to customers.

Holdings of certificates and bonds increased by NOK 589.5 million from the beginning of the year and amounted to NOK 4,109.8 million at the end of 2014. These holdings consist exclusively of the liquidity portfolio and amount to NOK 4,016.2 million in nominal terms.

The bank's shares in Frende Holding AS and Eksportfinans ASA are classified as "available for sale".

The valuation of the shares in Frende Holding AS is based on the price at the last transaction and was NOK 200.8 million at the end of 2014. An equivalent valuation per share was used as the basis as at 31.12.13.

The holding of shares in Eksportfinans ASA is recognised in the balance sheet at NOK 208.3 million. As at the end of 2014 there were no circumstances indicating any changes in the valuation of these shares.

Deposits from customers amounted to NOK 13,397.0 million as at 31.12.14, having increased by NOK 850.2 million over the past 12 months, equivalent to 6.8 per cent. At the end of 2014 the deposit-to-loan ratio was 46.68 per cent and lies at the same level as at the end of 2013.

The deposit-to-loan ratio in the parent bank at the end of 2014 was 70.68 per cent, compared to 73.90 per cent at the end of 2013.

Liabilities arising from the issuance of securities amounted to NOK 17,549.9 million, which is an increase by NOK 3,393.7 million since the beginning of the year.

Other long-term loan agreements amounted to NOK 210.5 million at the end of 2014, showing a reduction by NOK 565.1 million since the beginning of the year.

Short-term deposits (defined as deposits with a remaining maturity of less than 1 year) amounted to NOK 2,555.5 million as at 31.12.14.

SUBSIDIARIES

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst. The company was established on 14 April 2009 with the object of granting or acquiring home mortgage loans, property mortgage loans, loans secured by liens on other registered assets or public loans, and of financing lending activities, mainly by issuing covered bonds. At the end of 2014, the loan to value ratio (LTV) of the security portfolio was 46.3 per cent. For comparison, the equivalent figure was 47.0 per cent at the end of 2013.

At the end of 2014, the company’s total assets amounted to NOK 8.955.1 million and mainly consisted of first priority mortgages on homes, which are financed via covered bonds and drawing rights on the parent company. The company's paid-up equity is NOK 650.0 million, of which NOK 319.8 million is share capital and NOK 330.2 million makes up the share premium account. The result after tax is a profit of NOK 87.6 million in 2014, compared to NOK 81.7 million in 2013. The company has no employees, but procures services from Sparebanken Øst. Covered bonds issued by Sparebanken Øst Boligkreditt AS have been rated AAA by Moody's since Q1 2011.

AS Financiering is a wholly owned financing subsidiary of Sparebanken Øst. Its main product is financing of second-hand cars. The company achieved a profit after tax of NOK 32.5 million, compared to NOK 32.7 million in 2013. Total assets amounted to NOK 1,661.5 million. At the end of 2014 the company had 26 employees, corresponding to 25 FTEs.

Sparebanken Øst Eiendom AS' main object is standard property operations, including purchase, sale, rental and development of real estate, as well as the purchase and sale of fixtures and fittings within various business areas. Operating income amounted to NOK 44.0 million in 2014 compared to NOK 58.1 million in 2013. This decrease was primarily due to the profit on the sale of real estate in 2013. The result after tax was a profit of NOK 7.0 million in 2014, compared to a profit of NOK 15.5 million in 2013. The company has 6 employees. The share capital amounts to NOK 35.1 million

Øst Prosjekt AS' main object is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees and the share capital amounts to NOK 12.0 million. The result after tax is a loss of NOK 0.1 million in 2014. The company achieved equivalent results in 2013.

RATING

Sparebanken Øst has a Baa1 rating from Moody's, with a "negative outlook". As part of Moody's assessment of the new EU crisis management directive, the bank was among 82 European banks for which the outlook was changed to negative as of 30.05.14.

Credit risk
Sparebanken Øst has drawn up a credit risk strategy that concerns various types of credit risk relating to lending, credits and guarantees granted to customers in the private and business markets, as well as the counterparty risk on securities.

The credit strategy is intended to help to ensure that the bank's credit-granting activities are in line with the regulatory frameworks and guidelines that derive from the bank's overall business concept and strategic plans, including that the activities are responsible with regard to the bank's ability and willingness to undertake risk. The strategy will furthermore contribute to ensuring that the bank's established credit portfolio is of a quality and structure that can ensure the bank's profitability in the short and long term, and that the bank's credit risk is handled in accordance with statutory and regulatory requirements, circulars from the authorities and other regulatory provisions.

The principles in the strategy document are included in the bank's credit manuals, as well as the bank's established instructions.

Within the private and business markets, the ability and willingness to pay are key aspects of credit assessment. The risk on lending to customers is measured via customer risk classification. Risk classification is established as an integral element of the credit process.

The development in credit risk is monitored on an ongoing basis via quarterly reports to the Management and the Board of Directors.

The bank's geographical catchment area offers both the private and business departments a large market area with flexibility in terms of customers and markets.

Geographically, the bank's lending portfolio to private customers and business enterprises is spread across the central Eastern Norway area. The local market, defined as the municipalities of Øvre Eiker, Nedre Eiker and Drammen, accounts for approximately 30 per cent of the group's loan portfolio, while the portfolio for the areas/counties close to where the bank has offices comprises around 58 per cent. The portfolio otherwise has a broad spread, and predominantly relates to the bank's online banking concepts.

The low proportion of lending to business customers contributes to a low concentration risk for the bank. The lending activities in the business market are not deemed to be particularly exposed to individual companies (cornerstone industries) or unilateral economic development in the region. Exposure to property and property development accounts for a relatively large share of the business portfolio, but measured as a share of the group's total lending portfolio this exposure accounts for a limited share of the total lending portfolio. Real estate is a cyclical industry that is particularly vulnerable in periods of economic downturn. Commitments are, however, considered to be well-secured, often also with additional collateral.

Loans and credit facilities extended to the private market primarily concern commitments against mortgages on real estate within appropriate loan-to-value ratios. The bank has low exposure to loans/credit facilities without related collateral.

Placement in interest-bearing securities for liquidity purposes is linked to the financial strategy adopted by the Board of Directors. The adopted strategy specifies risk tolerance, allocation of asset classes, frameworks and mandates. In addition, a significant element of the portfolio must be suitable for use as collateral for a borrowing facility at Norges Bank. On placing funds in certificates and bonds, risk is assessed on the basis of the liquidity of the securities, the issuer's rating and other counterparty-specific factors. Interest-bearing securities are generally booked at market value so that changes in risk are continuously reflected in the accounts. Disregarding unrealised value changes, there have been no credit losses on the securities portfolio in 2014.

Market risk
Interest risk is kept within fixed limits and is limited since assets and liabilities have variable interest rates or have been changed to variable interest rate terms. The credit spread risk, or the risk of margin changes on fixed-income securities, is managed so that the loss on a given change in the credit spread does not exceed a fixed level. Currency risk is hedged through the use of forward trades or basis swaps. There is also minimal exposure to equity instruments beyond the bank's subsidiaries and strategic investments.

Liquidity risk
The bank maintains a conservative attitude towards liquidity risk in which a long-term, proactive view in relation to future maturity is a fundamental factor. The bank has its own framework for liquidity buffers that provide a robust liquidity position. This means that the bank must at all times have sufficient liquidity to manage 12 months' normal operation without the injection of new funds. The liquidity prognosis for the bank shows adequate liquidity as at the end of 2014, which is in line with the target for 12-month operations. Deposits are a key source of financing for the banks. After the financial crisis, the competition for deposits has intensified. Adjustments to the range of products available to our customers has led to an increased influx of deposits. Topprente.no has made a particular contribution to increasing the bank’s deposit cover, which has been stable in 2014.

Sparebanken Øst Boligkreditt AS is an integrated element of the group’s financing structure and provides opportunities to issue covered bonds (OMF). This further strengthens the Group’s funding situation.

The Norwegian bond market is the most important funding source for the group. The market for covered bonds has become a central part of the Norwegian securities market. Covered bonds provide security to investors in the form of preferential rights to low-risk home loans. The market is attractive for Norwegian institutional investors because the supply of Norwegian government debt is low, but foreign players also invest in such bonds. Through the issuance of covered bonds, the group secures access to external capital, often with a somewhat longer maturity than senior unsecured bonds. Emphasis is therefore on a strategy to issue covered bonds.

Operational risk
Operational risk is subject to management and control via annual reviews of the bank’s key processes, established internal control with semi-annual confirmation from managers of the internal control performed, and quarterly reporting of registered incidents and the assessed risk level to the Board of Directors. The Group has not registered significant losses due to the failure of internal processes, systems, human error or unforeseen events in 2014.

CAPITAL ADEQUACY
Using ICAAP, the bank's Board of Directors continuously assesses the need for equity. The assessments take place at group level, with assessment of the ongoing development. Growth and planned growth in loans and other assets will therefore always take account of the need for buffer capital. Otherwise significant emphasis is placed on our maintaining appropriate management of commercial operations so that the group can achieve good results and satisfactory returns on invested capital over time. In this way the bank will be attractive to investors and help to ensure the group access to capital when required to strengthen its equity position. The bank does not currently have any plans for new equity issues.

Net subordinate capital amounted to NOK 3,251.2 million at the end of 2014, of which the group's net tier 1 capital amounted to NOK 2,843.3 million. With a calculation basis of NOK 17,891.6 million, this represents a capital adequacy of 18.17 per cent, of which 15.89 per cent is tier 1 capital adequacy. The CET1 capital ratio is 13.94 per cent. The bank applies the standard method in the Basel II rules when calculating the minimum subordinate capital requirement for credit risk. The calculation related to operational risk is performed according to the basis method.

RISK MANAGEMENT AND INTERNAL CONTROL

In accordance with Section 2-9 of the Norwegian Financial Institutions Act, the bank must be organised and operated in a responsible manner. This involves that the bank must have a clear organisational structure, clear division of responsibility, clear and appropriate management and control schemes, and appropriate guidelines and routines for identifying, managing, monitoring and reporting risks that the bank is or may be exposed to.

The bank's Board of Directors and management hold the ultimate responsibility for risk management and internal control. The Board of Directors accepts the general risk strategy and approves principles for follow-up, control and risk frameworks. The Management reports regularly to the Board of Directors on all significant risks, including the actual risk level compared with a set framework.

Risk management must support the bank's development and achievement of objectives, and must ensure financial stability and responsible business operations. This must be achieved via a risk profile that must be characterised by a strong risk culture and a high awareness of risk management. The risk tolerance is quantified within the individual risk areas. The bank must have sufficient capital based on the selected risk profile. The process for risk management and internal control within the bank is described in more detail in the "Risk management and control" section of the "Corporate Governance of Sparebanken Øst" document in this annual report.

CORPORATE SOCIAL RESPONSIBILITY

The bank's overall strategy states that Sparebanken Øst shall be community-oriented and have high ethical standards. This means that the bank has a responsibility within the community beyond creating commercial profits and that high ethical requirements must be set, not only for the bank's employees, but also with regard to customers, suppliers and other stakeholders. The bank has determined ethical guidelines for employees and employee representatives of the bank and its subsidiaries. These rules provide instructions for correct conduct with regard to customers, the authorities, suppliers, competitors and colleagues. The rules are easily accessible on the bank's intranet pages and are subject to annual review with the employees.

Human rights

Basic human rights form the basis for and are regulated through Norwegian legislation. Among other things, this includes the prohibition of discrimination due to sexual orientation, gender identity and gender expression, the prohibition of discrimination due to ethnicity, religion and beliefs, and the prohibition of discrimination due to physical disability. The bank has not implemented any special measures in this area beyond the general control of compliance with legislation and regulations.

Employee rights and social conditions

Central and local agreements with the employee organisations, as well as other legislation and regulations, safeguard employee rights and social conditions with regard to the bank's employees. The agreements are subject to annual negotiations.

Our purchasing routines state that the bank, through its influence as a customer, must influence our suppliers to provide us with ethically responsible products and services. Follow-up measures include ongoing control of the pay and working conditions offered to subsuppliers.

In 2015 the bank will introduce a self-certification form for all suppliers of products and services to the bank, through which the supplier provides confirmation that they do not contribute to any breach of human and employee rights, adverse environmental impacts or corruption.

The external environment

Wherever possible there is consistent use of district heating and otherwise electrical heating is used in most of the bank's buildings, thereby limiting the bank's pollution of the external environment. The bank is not currently considering any further measures in this area. The bank's factor inputs and products have a limited impact on the external environment.

Combating corruption

The ethical rules include due diligence requirements with regard to suspicious transactions from customers. Through our measures against money laundering and the financing of terrorism, we follow up on all suspicious transactions, including possible corrupt payments. Unsettled transactions are reported to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). The money laundering regulations include strict rules for the identification and verification of the customer's identity. Comprehensive internal controls have been established in order to ensure compliance with the money laundering regulations. The result of the controls shows that the quality of the compliance has clearly improved. The scope of the internal controls will be maintained at a high level going forward.

Since the bank solely operates nationally and with customers that generally do the same, these are regarded as satisfactory measures with regard to the follow-up of human rights, employee rights and social conditions, and measures to prevent corruption.

EMPLOYEES, MANAGERS AND THE BOARD OF DIRECTORS

At the end of 2014 the group had 234 employees, equivalent to 225 FTEs The number of FTEs at the parent bank was 195 as at 31.12.14. The average age of employees in the parent bank is 48 years. The proportion of female employees is 62.8 per cent. The percentage of women in management positions increased somewhat in 2014 compared to 2013 and amounted to 31 per cent at the end of the year. The average age of employees in management positions is 45.25 years. When advertising management positions focus is placed on recruiting internally. All employees in the bank are offered the same opportunities in terms of advancement and personal and professional development. The bank's overall strategy includes organisational and employee development targets and stipulates that it must be sought to achieve equal opportunities in every area of the bank. Central and local agreements with employee organisations, as well as other legislation and regulations, ensure equal opportunities A dedicated equal opportunities contact function has been appointed within the bank under the auspices of the employees' organisation. Recruitment instructions are followed in order to ensure equal opportunities when new appointments are made.

Pål Strand is the company's CEO. He has extensive experience from various professional and management roles within the bank and has been a member of the bank's executive management since 2003. In 2014 the executive management group consisted of the following seven persons:

Pål Strand, born 1965
CEO
Bank employee since 1984

Kjell Engen, born 1969
Deputy CEO (finance and internal operations)
Bank employee since 2003

Per Øyvind Mørk, born 1965
Manager – Marketing and communication
Bank employee since 2011

Jan-Roger Vrabel, born 1971
Manager - Private market
Bank employee since 2011

Lars-Runar Groven, born 1966
Manager - Credit
Bank employee since 1992

Kristian Thowsen, born 1974
Manager – Corporate market
Bank employee since 2013

Anne Siri R. Jensen, born 1961
HR manager
Bank employee since 1985

Of the bank's eight Board members, four are women. The Chair is a woman. In 2014 the Board of Directors consisted of: Jorund Rønning Indrelid (Chair), Knut Smedsrud (Vice Chair), Morten A. Yttreeide, Elly Therese Thoresen, Sverre Nedberg, Hanne Margrete Lenes Solem, Roar Norheim Larsen, Inger Helen Pettersen (employee), Sissel Album Fjeld (attending deputy for the employees).

Jorund Rønning Indrelid, born 1959
Managing Director
Board member since 2001
Vice Chair from 2003, Chair from 2009
Former deputy member of the Board and control committee

Knut Smedsrud, born 1960
Lawyer
Board member since 2009
Vice Chair of the Board since 2009
Previous deputy Board member

Elly Therese Thoresen, born 1957
Project manager
Board member since 2012
Previous Board of Trustees member

Sverre Nedberg, born 1956
Master of Business and Economics
Board member since 2006
Previous Board of Trustees member

Morten Andre Yttreeide, born 1967
Managing Director
Board member since 2012
Previous deputy Board member

Hanne Margrete Lenes Solem, born 1966
Group controller
Board member since 2010
Previous deputy Board member

Roar Norheim Larsen, born 1943
Public trustee in Nedre Eiker municipality
Board member since 2007
Previous Board of Trustees member

Inger Helen Pettersen, born 1953
Main employee representative
Employee-elected Board member since 2013
Previous deputy Board member

Board members' participation at board meetings in 2014:

Jorund Rønning Indrelid	13 of 14 meetings
Knut Smedsrud	12 "
Sverre Nedberg	14 "
Elly Therese Thoresen	13 "
Hanne Margrete Lenes Solem	13 "
Morten André Yttreeide	14 "
Roar Norheim Larsen	13 "
Employee representative	
Inger Helen Pettersen	12 of 14 meetings
Deputy employee representative	
Sissel Album Fjeld	13 of 14 meetings

HEALTH, SAFETY AND ENVIRONMENT

The bank ensures that statutory Health, Environment, and Safety (HES) requirements are implemented in a systematic manner, including via established procedures and annual safety inspections. During such visits the working environment is mapped, as is the general working situation at each office. This creates a basis for assessing any improvement measures that should be taken.

Follow-ups in connection with robberies are included in the bank's overall HES work, and are assured through a special follow-up team consisting of a personnel consultant, a chief of security, a main safety representative, a regional safety representative, and representatives from the company's health service. The bank was not a victim of robbery in 2014 No personal injury was registered, nor any accidents of any kind among the employees.

Total sickness absence in 2014 constituted 3.40 per cent of the total working hours, compared with 5.32 per cent in 2013. Sickness absence in 2014 was distributed as 1.59 per cent for men and 4.55 per cent for women.

MEASURES TO PREVENT MONEY LAUNDERING AND THE FINANCING OF TERRORISM

Sparebanken Øst has established procedures and instructions in order to comply with all laws and regulations concerning the prevention of money laundering and the financing of terrorism. We have focused greatly on training and building awareness. Extensive control routines have also been established to detect any deviations. Sparebanken Øst undertakes risk based customer control of all new customers according to the "know you customer" principle. This also involves checking of identity and storing copies of identification documentation. Furthermore, there is continuous follow-up of existing customers and transactions that are carried out. Økokrim (The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) is notified of all suspicious transactions.

In 2014 we reported 69 new customers/incidents of suspicion of money laundering to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). This is an increase compared with 2013, when 48 cases were reported.

During 2014 we implemented ID scanners in all of our branches. We have also assessed which types of proof of identity should be accepted. It was decided that a valid passport must be presented before a customer relationship is established in the branch. When a customer relationship is established via the self-service channels, only BankID is used as proof of identity.

A thorough and comprehensive training programme and ongoing care throughout the organisation, coupled with good systems and procedures, are prerequisites for achieving good quality in this work.

DIVIDEND AND GIFTS POLICY

Sparebanken Øst's financial goal for its activities is to achieve results that provide a good and stable return on the bank's equity and that create value for equity capital owners with competitive returns in the form of dividends and capital appreciation on equity certificates.

The profit for the year will be divided between equity certificate holders and primary capital in accordance with their respective shares of the bank's equity. Sparebanken Øst will endeavour to pay 50-75 per cent of profits allocated to the equity certificate holders as dividends. In a normal year around 10 per cent will be allocated for donation purposes.

When determining the dividend and donations, allowance will be made for the bank's profit evolution, market situation, dividend stability and core capital requirements.

OUTLOOK

On 22 January 2015 the bank signed an agreement on the sale of EngeneKvartalet in Drammen. The profit on the sale of the property will be recognised as income in Q1 2015 as an impact on the result after tax of around NOK 31 million at group level.

The lending market is affected by strong competition for business and private customers. This situation is expected to persist in 2015. Net interest income and credit commission will be affected by this market situation in which lending margins will continue to be subject to intense pressure. Reduced lending margins are generally expected to be compensated to a degree by lower deposit margins.

Lower growth in housing loans is expected in 2015. In recent years, the bank has adopted a cautious approach to the business market. It is expected that the bank will stabilise its loan volume towards business customers in the future. Reduced lending to the business market and lower exposure to shares (Nets Holding AS) will entail a reduced overall risk for the bank compared to previously.

There may be fluctuations in the market value of the guarantee to Eksportfinans ASA and of securities in general. The market value of interest-bearing securities is generally affected by margin trends for individual securities, as well as the general liquidity situation in the market, and may fluctuate over time.

Declining housing prices and weaker growth in the Norwegian economy may result in increased losses in the banking sector in the future.

The bank is adapting to the new capital adequacy rules and closely monitors the development in the market's capital expectations beyond the regulatory requirements. Calculations show that the bank will comply with the expected capital requirements up to and including 2016. The bank's CET1 capital adequacy objective is 14.0 per cent as from 1 July 2016. This capital level ensures the ability to grow, room for manoeuvre in relation to the regulatory requirements, competitiveness in the bond markets and the opportunity for a return on equity in line with the adopted objective.

The bank considers a long-term, robust liquidity situation that provides security for long-term operations to be extremely important. The bank's aim regarding liquidity is for non-liquid assets to be financed with long term debt of between 103 per cent and 107 per cent, with the goal of 105 per cent long-term financing over time. The bank assumes that access to liquidity will be satisfactory in the immediate future.

Reduced risk, increasing pressure on margins and an increased equity ratio will affect the rate of return over time. The bank's goal for its return on equity has been set at 10 per cent over time.

Hokksund, 31 December 2014
Drammen, 12 March 2015

Jorund Rønning Indrelid Chair	Knut Smedsrud Vice Chair	Morten André Yttreeide
Roar Norheim Larsen	Sverre Nedberg	Elly Therese Thoresen
Hanne Margrete Lenes Solem	Inger Helen Pettersen Employee representative	Pål Strand CEO

CORPORATE GOVERNANCE

Savings banks are self-owned foundations. The Norwegian standard for corporate governance is drawn up for limited liability companies owned by shareholders with shares listed on the Norwegian Stock Exchange. The standard applies to savings bank as appropriate. The Board of Trustees is the supreme governing body of Sparebanken Øst. The Board of Trustees corresponds to the general meetings of limited liability companies. The Board of Trustees has 48 members elected from among the owners of equity certificates, employees, depositors and municipal nominees in Drammen, Nedre Eiker and Øvre Eiker. Each trustee may exert the same influence, irrespective of which of the four groups the trustee is elected from.

The Board of Directors and Management of Sparebanken Øst annually assess the corporate governance principles and how they function in the organisation. Sparebanken Øst first submits a report on the corporate governance principles and practice in accordance with section 3-3b of the Norwegian Accounting Act. This is followed by a report with comments on each item of the Norwegian recommendation. The review is based on the latest revised version of the recommendations of 30 October 2014.

Report on corporate governance

The following description is given of how Section 3-3b(2) of the Norwegian Accounting Act is complied with in Sparebanken Øst. The structure refers to the numbering in the section.

1-3. Statement of the corporate governance recommendations and regulations to which Sparebanken Øst is subject or follows

Savings banks are subject to extensive regulations governing the bank's activities. The Norwegian Savings Bank Act and Financing Activities Act play a central role. Sparebanken Øst furthermore adheres to the Norwegian corporate governance recommendations published by the Norwegian Corporate Governance Board (NUES) as appropriate. The recommendations are available at www.nues.no. Any deviations from the recommendations are noted.

4. Description of the main elements of the bank's internal control and risk management systems relating to the financial reporting process

See the section entitled "Risk management and internal control" below.

5. Provisions in the Articles of Association that fully or partly extend or waive provisions in Part 5 of the Norwegian Public Limited Companies Act

Sparebanken Øst is governed by the Norwegian Savings Bank Act and its Articles of Association comply with the requirements of this Act.

6. The composition of managerial bodies and a description of the key elements of applicable instructions and guidelines for the work of the bodies and any committees

See the sections entitled "The Board of Trustees", "Nomination committees", "Corporate assembly and Board of Directors, composition and independence" and "The Board of Directors' assignments" below.

7. Provisions of the Articles of Association governing the appointment and replacement of members of the Board of Directors

See the section entitled “Corporate assembly and Board of Directors, composition and independence” below.

8. Provisions of the Articles of Association and delegation of authority entitling the Board of Directors to make decisions to buy back or issue own shares or own equity certificates
See the section entitled “Company capital and dividends” below.

Corporate governance

Report on corporate governance

The corporate governance of Sparebanken Øst contributes to safeguarding the interests of employees, depositors, equity certificate owners and other external parties in Sparebanken Øst. Corporate governance is the overall responsibility of the Board of Directors and must ensure that bodies and functions work optimally, and that the business activities are managed in an effective and purposeful manner over time.
Management principles at Sparebanken Øst are founded on a declared vision, company mission, the company’s objectives, strategies, and values, see the section entitled “Strategy and objectives” in the Annual Report for 2014, including the bank’s ethical rules as determined by the Board of Directors. The introduction to the rules is as follows:

“Sparebanken Øst and the other savings banks pay a central role in modern society. We are more dependent on trust from all groups than other businesses. Of course trust is not just based on solidity and profitability; but also attitudes and the conduct we as a bank demonstrate. We cannot act independently of our surroundings. We have to be accepted by the market. To achieve this there must be no doubt about our ethical level.

The ethical level in Sparebanken Øst is the employee’s responsibility. It is naturally also the responsibility of the management and the staff representatives. Via their conduct, managers determine the level of the standard, but managers alone cannot ensure a high ethical standard. Everyone contributes to determining the ethical level in the bank. This is our common challenge.

At Sparebanken Øst we require loyalty, integrity and openness among managers and employees. There is scope for disagreement in internal discussions and deliberations, but after a decision has been taken, all employees are expected to loyally stand by the decision.”

Sparebanken Øst must be development-oriented, with a local anchoring, and sound, far-sighted and credible. Sparebanken Øst’s corporate social responsibility is anchored in statutes and guidelines. In the bank’s overall strategy it is clearly stated that Sparebanken Øst is to be community oriented and have high ethical standards. The bank must be a contributor to wealth creation, not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen. Corporate social responsibility also applies to financing the development of the local business community, and the development of the local community via local development and donations to culture, sport and other social activities in the local community. The Board of Trustees is the bank’s highest organ. The composition of the Board of Trustees is stated in the Articles of Association and exhibits clear corporate social responsibility to the local community through its very composition which gives equal representation to customers (elected by investors), the local community (elected by the local municipality) and the employees, in addition to the bank’s equity capital owners. In 2014 the bank donated gifts worth NOK 6.5 million. These donations were made to associations and clubs in sport, culture and social involvement. For a complete overview see the summary after the notes to the financial statements.

Management control is maintained by the bank's chosen agencies and functions ascribed responsibilities. Solid qualifications and competences within the bank's core activities, with an appropriate organisation based on private and business market activities, financial operations, IT operations and special commitments, respectively, form the basis for effective and target-oriented operations at Sparebanken Øst. Furthermore, the bank holds solid internal legal competence. The framework for corporate governance in savings banks is laid down in a comprehensive body of legislation and regulations. The body of regulations consists of special regulations for savings banks that in a number of areas are significantly more comprehensive than general corporate statutory regulations and recommendations directed at limited liability companies in general. The special regulations pertain to supervisory requirements, concessions, nature of business, equity and dividends, composition and responsibility of steering bodies, risk management and control in relation to acquisitions, mergers, etc.
Sparebanken Øst practices a "comply or explain" principle with regard to the Code of Practice (NUES), so that any deviations from NUES are commented on. In this respect we take into account that savings banks are self-governing institutions and that the governance structure and composition of the governing organs differ significantly from limited liability companies.
Presentations, quarterly reports, etc. are available at www.oest.no, under "Investor Relations".
The Articles of Association are available (in Norwegian) on the bank's website, under "Kontakt oss".

The company

Sparebanken Øst's overall activities are presented in the Articles of Association. The object of Sparebanken Øst is to promote savings by accepting deposits from an unlimited circle of depositors and to manage the funds it administers on a sound basis, in accordance with the legislation and regulations applying to savings banks at any given time. The bank may also operate financing activities and in this way offer, manage and provide guarantees for credit and in other ways contribute to the financing of other parties' activities, in accordance with the Financial Activities Act and other provisions applying to financial enterprises at any given time. Furthermore the bank can carry out all normal bank operations and banking services in accordance with the Norwegian Savings Banks Act or stipulations pursuant to this Act.

The bank can own stakes in other financial institutions as well as in companies that run activities with a natural connection to bank and financing enterprises, in accordance with the stipulations in the Norwegian Financial Institutions Act and other laws in effect at any given time. The bank can also own shares in other companies, but may not operate or participate actively as a responsible party in companies that operate activities other than those stated in this section, unless this is temporary and is necessary to secure the bank's claims. Bank activities are executed within the framework specified in the concession for running a savings bank, and according to the provisions of the Norwegian Savings Banks Act, the Norwegian Financial Enterprises Act, and other legislation and regulations applying to savings banks. For a further description of the company's activities, please see the Annual Report for 2014 in this report.

Company capital and dividends

Company capital

The Board of Directors undertakes an ongoing assessment of the capital situation in the light of the company's mission, strategy and required risk profile. Minimum requirements in terms of equity for savings banks are provided by Section 2-9a of the Norwegian Financial Institutions Act. The requirements concerning a capital conservation buffer, systemic risk buffer and countercyclical capital buffer are subject to Section 2-9e of the Norwegian Financial Institutions Act. The group's CET1 capital ratio target is set at 14.0 percent as from 1 July 2016. For further details of the rules regarding capital adequacy, which principles are used as the basis for the assessment of capital requirements, and a further specification of the elements in the bank's capital adequacy, reference is made to the bank's Pillar 3 reporting on risk management, risk exposure and solidity conditions, which is published on the bank's website. The Financial Supervisory Authority of Norway conducts inspections to ensure that the bank is run with secure financial strength in relation to actual risk levels The dividend policy is summarised in the Directors' report. The Board of Trustees has granted the Board of Directors authorisation to acquire and/or pledge security in own equity capital certificates. The authorisation is valid for 18 months as from 27.03.14 and is subject to annual review. The Norwegian Financial Authority has approved the authorisation. For practical reasons, the bank deviates from the NUES recommendation that such authorisations apply for one year.

Capital augmentation

The Board of Trustees has not granted the Board of Directors a general authorisation to augment the bank's capital. If the bank requires increased capital this will be considered as a separate matter at a meeting of the Board of Trustees. Decisions to increase the ownership capital must be approved by the Financial Supervisory Authority of Norway, cf. Section 2b-23(6) of the Norwegian Financial Activities Act.

Equal treatment and transactions with related parties

Equal treatment

Sparebanken Øst has one equity certificate class. The bank's equity capital certificates are listed on the Oslo Børs (stock exchange) in line with the rules associated with financial legislation. All equity capital owners have the same rights. In 2014 no transactions took place between the bank and the equity capital owners and their related parties other than loans, deposits and payment settlement, as well as salaries/fees to employees and staff representatives that are equity capital owners.

Preferential rights

The preferential rights of equity capital owners in the event of capital increases are stated in Section 2b-23(3) of the Norwegian Financial Institutions Act. This states that in the event of an increase in ownership capital the owners of equity capital certificates have preferential rights to subscribe for the new equity capital certificates on a pro rata basis according to their existing ownership of equity capital certificates issued by the institution.

Transactions with related parties

The bank's ethical rules stipulate that Board members and employees have a duty to state whether they directly or indirectly hold significant interests in agreements entered into by the bank (the group). No such notifications were received in 2014.

Free marketability

The bank's equity capital is freely negotiable on the Oslo Stock Exchange. There are no ownership restrictions in the Articles of Association, but nevertheless the rules provided in the Norwegian Financial Institutions Act concerning ownership restrictions and licensing obligations also apply to equity capital owners in Sparebanken Øst.

Board of Trustees

The Board of Trustees shall ensure that the bank acts in line with its purpose in accordance with laws, its Articles of Association and decisions adopted by the Board of Trustees. The Board of Trustees adopts the financial statements and approves the remuneration of the bank's officers, including the Board of Directors, control committee, nomination committee and elected auditor. The Board of Trustees appoints the nomination committee from among the members of the Board of Trustees.

Object

The Board of Trustees makes decisions in all cases submitted by the Board of Directors for the Board of Trustees to reach a decision. The Board of Trustees shall:
- elect the Board of Directors, including the Chair and Vice Chair of the Board of Directors
- elect the control committee,
- adopt the annual report,
- elect the auditor,
- determine the fee to the bank's officers
- make decisions in all cases related to changes to the bank’s business, acquisitions of other companies, or other cases which are of special importance to the bank. However, this does not apply to the acquisition of smaller companies within the bank’s current area of business, or if for other specific reasons the case should be decided by the Board of Directors and thereafter submitted to the Board of Trustees.

Composition

The composition of the Board of Trustees is stated in the Articles of Association. Local corporate social responsibility is exercised via the composition of the Board of Trustees, in which customers (elected by depositors), the local community (municipal representatives), equity certificate owners and the employees are represented. The Board of Trustees consists of a total of 48 members with 36 deputy members. 18 members, of whom nine are depositors and nine are municipal representatives, are elected on a proportional basis from the municipalities of Øvre Eiker, Nedre Eiker and Drammen. Twelve members are elected by the employees, and 18 members are elected by the equity certificate owners. The members of the Board of Trustees are elected for terms of 4 years. The members of the Board of Trustees are elected in accordance with the Norwegian Savings Bank Act and the bank’s Articles of Association. This entails that the position is personal and meetings may not be attended by proxy. NUES’ recommendation on the use of proxies at general meetings thus does not apply to equity capital owners in Sparebanken Øst. In 2014, the Chair of the Board of Trustees was Frank Borgen and the Deputy Chair was Steinar Karlsen.

Meetings

The Board of Trustees holds two fixed meetings each year; an accounts meeting and a nomination meeting. In addition, meetings of the Board of Trustees are convened as deemed necessary by the Chair of the Board of Trustees. The Board of Trustees held only the two of the aforementioned meetings in 2014. Eight days’ notice is required to convene a meeting of the Board of Trustees, in accordance with Section 11(3) of the Norwegian Savings Bank Act. Sparebanken Øst hereby deviates from the NUES recommendation of 21 days’ notice. The bank’s auditor, Board of Directors and any members of the control committee who are not trustees are all invited to the meetings of the Board of Trustees. The Board of Trustees’ meetings are chaired by the Chair of the Board of Trustees, cf. the Articles of Association and the Norwegian Savings Bank Act, and thus comply with the recommendation for the independent chairing of meetings. The bank adheres to

NUES in all aspects related to case documents, reminders, elections and the publication of protocols of the minutes of the meetings of the Board of Trustees.

Control committee

This item is not subject to the recommendation. The control committee conducts inspections of the bank's activities in accordance with Section 13 of the Norwegian Savings Banks Act and the instructions given by the Board of Trustees. The control committee reviews the Board's minutes, numbered letters, cf. section 5-4 of the Norwegian Auditors Act, and the auditor's report, examining the security for selected loans, as well as ensuring that the management of the savings bank's funds is undertaken on a responsible basis. The Board of Directors and the internal auditor are obliged to give the control committee all the information the committee believes necessary in order to undertake its duties. The control committee makes reports to the Board of Trustees concerning the annual accounts and the annual report, and concerning the adoption of the annual accounts. If the control committee obtains knowledge of significant omissions, errors or discrepancies of great significance or scope, or if it believes that the bank has suffered major losses, the committee is obliged to immediately raise the matter to the Financial Supervisory Authority of Norway. The control committee is elected by and from among the members of the Board of Trustees. In 2014 the control committee consisted of the following persons:

Øivind Andersson, Chair
Sjur Kortgaard
Eli Kristin Nordsiden
Randi H. Sandli

Management secretary Nina Sem Røren is the secretary of the control committee.

Nomination committees

The bank's Articles of Association state that the nomination of members of the Board of Trustees and the Board of Directors must take place according to the recommendation of a nomination committee. There are 3 nomination committees in Sparebanken Øst:

1) Nomination committee for the Board of Trustees and the Board of Directors
2) Nomination committee for investor representatives
3) Nomination committee for equity certificate holders

The employees' representatives on the Board of Directors and the Board of Trustees are elected by and from among the employees, in accordance with Regulation no. 9386 of 23.12.1977. The nomination committee for the Board of Trustees has representatives from all groups that are represented on the Board of Trustees, which also includes equity certificate holders. It must be ensured that due consideration is made of independence and legal competence in the relationship between the nomination committee and those appointed, and it is also emphasised that the various nomination committees must maintain their independence from the Board of Directors of the bank. The various nomination committees must also ensure that access to the required competence is available with regard to the tasks faced by the nomination committee.

The nomination committee for the Board of Trustees and the Board of Directors is elected by and from among the members of the Board of Trustees.

The composition of the nomination committee is detailed in the bank's Articles of Association. NUES' recommendations in this respect are followed for as long as they are sanctioned by the Articles of Association. The recommendations of the nomination committee with regard to the Board of Trustees are described in accordance with NUES. The nomination committee has drawn up separate guidelines which have been approved by the Board of Trustees. In 2014 the nomination committee for the Board of Trustees and Board of Directors consisted of the following persons:

Kåre J. Grøtta
Thomas F. Halvorsen
Thor-Kristian Lien
Bent Inge Bye
Anne Siri Rhoden Jensen (employee)

The bank fulfils the requirement that a majority of the members of the nomination committee are independent of the Board of Directors and other managerial employees. The bank's Articles of Association require that all members of the nomination committee are members of the Board of Trustees. NUES' recommendation that at least one member should not be a member of the corporate assembly, board of representatives (Board of Trustees) or the Board of Directors, is therefore not relevant. NUES recommends that managerial employees should not be members of the nomination committee. The Norwegian Savings Bank Act and the bank's Articles of Association do not stipulate any requirements concerning impartiality. NUES' recommendation is therefore not relevant in this respect in terms of employee representatives on the nomination committee. In 2014 the nomination committee held separate meetings with both the Chair of the Board and the bank's CEO.

Corporate assembly and Board of Directors, composition and independence

Sparebanken Øst does not have a corporate assembly.

Composition of the Board of Directors

The Board of Directors consists of seven external members and one representative with voting rights elected by the employees. The deputy representative elected by the employees also attends meetings. The CEO is required to attend meetings, but does not hold voting rights.

The composition of the Board of Directors and the Board members' backgrounds and participation in Board meetings in 2014 are described in the presentation of the Board of Directors in the Annual Report for 2014. Detailed information concerning each Board member can be found (in Norwegian) at www.oest.no/kontakt oss/styret og ledelse.
The deputy representative elected by the employees also attends Board meetings.
The CEO and Deputy CEO have attended all Board meetings.

Election of the Board of Directors

The election of Board members takes place on the basis of the deliberations of a nomination committee appointed by the Board of Trustees. The nomination committee prepares a recommendation to the Board of Trustees.

Board members are nominated for two years at a time. The Board of Trustees nominates the Chair and Vice-Chair. The competence and working experience of the Board members are presented to the Board of Trustees in connection with the nomination process.

Independence

The Board of Directors must act independently and the members of the Board that are not employee representatives must be assessed to be independent of the bank's significant business relations and the bank's day-to-day management. None of the bank's managerial employees are members of the Board of Directors. The composition of the Board of Directors constitutes a diversity in which competence and abilities form the basis for the performance of the necessary work of the Board. The instructions for the Board of Directors state that the Board acts as one unit. However, each individual Board member is responsible for the decisions made and transactions undertaken by the Board.

Board members' holdings of own equity certificates

The Board members holding equity certificates in Sparebanken Øst as of 31.12.14 are stated in Note 56.

The work of the Board of Directors

The duties of the Board

The Board of Directors' supreme objective is to ensure the responsible administration of the bank's funds. The Board of Directors determines plans and budgets for the bank's operations in line with the bank's goals and strategies. The Board of Directors supervises the day-to-day management and stays updated on the bank's activities on an ongoing basis. The Board of Directors is assigned to establish the bank's rules and regulations for appropriations.
The Board of Directors is responsible for ensuring that the bank has, at any given time, the equity sufficient for the risks and scope of the bank's activities. The Board of Directors has delegated parts of the management responsibility to the administration through various delegation resolutions. These resolutions are given for different lengths of time. The Board of Directors also has established procedures and rules for the internal auditor, who undertakes operational audits in line with current standards for such audits. The bank's internal auditor is KPMG.

Duty of secrecy

All elected representatives at Sparebanken Øst are subject to the same rules of secrecy, ethics, and legal competence as apply to the bank's employees in general. Independence between the bank's different managing and controlling bodies is a central criterion for the responsible management of the activities. Among the elected representatives at Sparebanken Øst there exist – according to the Board of Directors' assessment – no close personal relationships that could influence the individual elected representatives' independence and decision-making powers.

Instructions for the Board of Directors

The Board of Directors' responsibilities and working tasks are established by the Norwegian Savings Bank Act, the Norwegian Financial Institutions Act and the Articles of Association. The Board of Directors has drawn up its own separate set of instructions, which are subject to regular review. The instructions were last reviewed on 07.05.13. These instructions describe which responsibilities the Board of Directors has, which cases the Board of Directors will consider, and which rules apply to the consideration of cases. The Board of Directors determines the instructions for the CEO, who is responsible for the day-to-day operations and management of the bank. The instructions for the

Board of Directors and instructions for the CEO stipulate the division of responsibilities and tasks between the Board of Directors and the CEO.

Financial reporting

The Board of Directors receives monthly financial reports in which the bank's economic and financial status are commented on. The monthly reports are the basis for internal management and communication concerning the status of the bank. The Board of Directors receives periodic reports that present the bank's compliance with the delegated authorisations, as well as quarterly reports presenting the development in the bank's total risk overview.

Annual plan

The Board of Directors prepares an annual plan for its work. The annual plan includes a meeting plan for the year, details of fixed tasks at specific meetings and a financial calendar. The Board of Directors completes a self-evaluation process each year. This evaluation includes the competence of the Board members, the composition of the Board of Directors and the way in which the Board of Directors functions both as a group and individually. This self-evaluation is made available to the nomination committee of the Board of Trustees.

Committees of the Board of Directors

Remuneration committee

In accordance with Section 2-18 of the Norwegian Financial Institutions Act and regulation F01.12.2010 no. 1507 a remuneration committee has been established for the bank. The purpose of the remuneration committee is to prepare guidelines for the Board of Directors for the remuneration of managerial employees. They must also ensure that the company at all times has and practices guidelines and a framework for the remuneration scheme that are in accordance with the rules for the remuneration schemes of financial institutions, securities companies and securities funds' management companies. The committee executes its duties according to the guidelines determined by the Board of Directors. The committee nominates its chair. Its members are nominated by the Board of Directors. In 2014 the remuneration committee consisted of the following persons:

Hanne Margrete Lenes Solem, Chair
Sverre Nedberg
Knut Smedsrud, from 27.05.14, Jorund Rønning Indrelid
Inger Helen Pettersen, employee representative on the Board of Directors

HR Manager Anne Siri Rhoden Jensen is the secretary for the committee. The Board of Directors has approved the Remuneration Guidelines for Sparebanken Øst.

Audit committee

In accordance with Section 17c of the Norwegian Savings Bank Act the bank has established an audit committee according to the guidelines provided by the Act. The members are elected by the Board of Directors and serve for one year at a time. The chair of the committee is appointed by the Board of Directors. The main tasks of the audit committee are to prepare the Board of Directors' follow-up work on accounts and reporting and to monitor systems for risk management and internal control, as well as internal audit work. It also assesses and monitors the auditor's independence.

The committee executes its duties according to the instructions determined by the Boar of Directors. The audit committee holds to six to seven meetings per year. In 2014 the audit committee consisted of the following persons:

Sverre Nedberg, Chair
Knut Smedsrud, from 27.05. 14, Elly Therese Thoresen
Hanne Margrete Lenes Solem

Risk committee
In accordance with Section 2-9b of the Norwegian Financial Institutions Act the bank has established a risk committee as described by the Act. The members are elected by the Board of Directors and serve for one year at a time. The chair of the committee is appointed by the Board of Directors. The risk committee's main task is to prepare for and advise the Board of Directors in accordance with the bank's existing and future risk appetite and risk strategy, as well as to follow up and implement this strategy. The committee is also tasked with monitoring the extent to which the bank's pricing of products towards customers fully reflects the risk borne by the bank. The committee executes its duties according to the instructions determined by the Boar of Directors. The risk committee has six to seven meetings per year in connection with the meetings of the audit committee. In 2014 the audit committee consisted of the following persons:

Sverre Nedberg,Chair
Knut Smedsrud, from 27.05.15, Elly Therese Thoresen
Hanne Margrete Lenes Solem

Minutes are kept of the meetings of the audit committee and the risk committee. The minutes are presented by the chairs of the committees to the full Board of Directors at the next-following meeting of the Board of Directors.

Risk management and internal control

Risk management must support the bank's development and achievement of objectives, and must ensure financial stability and responsible business operations. This must be achieved via a risk profile that is characterised by a strong risk culture and a high awareness of risk management.
In order to ensure an effective and appropriate process for risk management and internal control, the bank has used the COSO model as a basis. This is a recognised framework for risk management and internal control. The basis of the model is that risk management and internal control apply to all parts of the organisation, and that an overall perspective is applied. Furthermore, risk management and internal control cover both strategic and operative conditions, with particular focus on the quality of external reporting and compliance with legislation and regulations. The model is based on the following components:

- Internal environment
  The company culture is the foundation of integrated risk management and internal control, and consists of the management philosophy, management style, people within the organisation and their attitudes, values, ethical guidelines, control and management structure and organisation.
- Establishment of objectives
  Objectives must be established before risks can be identified and assessed with regard to the achievement of objectives and the necessary measures can be implemented in order to

manage the risks. The objectives must support and be in accordance with the bank's objectives and reflect the bank's risk appetite.

- Identification of risks
  Incidents that may influence the implementation of the strategy or achievement of objectives must be identified. This must take place on an ongoing basis and in the event of significant changes in the bank's activities.
- Risk assessment
  Identified risks are analysed in order to determine how they should be managed. The assessment must include all significant risks, including commercial and operational risks. All significant risks must be quantified to the greatest possible extent.
- Risk handling
  Various alternatives for managing risks are evaluated: avoid, accept, reduce through various measures or share the risk with others.
- Control activities
  Guidelines and routines are established and implemented in order to ensure that the form of risk management that is selected is executed effectively.
- Information and communication
  Processes that ensure that relevant information is identified and communicated in the correct form at the correct time.
- Follow-up
  Must provide the Board of Directors and Management with a reasonable level of assurance that the activities are being carried out as planned and that all significant risks are identified, managed and controlled in an effective manner.

<u>Roles and responsibility</u>
The bank's Board of Directors holds the ultimate responsibility for risk management and internal control. The Board of Directors determines principles for risk management and internal control, determines risk tolerances, is responsible for ensuring that the bank has sufficient capital with regard to the underlying risk and future growth plans, and must ensure that risk management and internal control are established and carried out in accordance with legislation and regulations, Articles of Association, orders from the Norwegian Financial Supervisory Authority and guidelines provided to the Management by the Board of Directors.

The CEO is responsible for preparing and following up that responsible risk management and internal control are established in accordance with the guidelines provided by the Board of Directors. The responsibility also includes ensuring that risk management and internal control are documented, carried out and monitored in a responsible manner and that the reporting obligation to the Board of Directors is in accordance with legislation, regulations, Articles of Association and the bank's adopted principles in this area. The responsibility also includes ensuring that the risk management systems are implemented and followed up and that the controls are documented in accordance with legislation, regulations, strategy/policy and routines, and that the risk management process is appropriate and effective.

The managers of the individual business areas are responsible for identifying, managing, controlling and reporting risks. This is achieved among other things via annual key processes whereby the management defines the bank's most critical business areas, and undertakes a risk assessment of each individual area and measures that are implemented in order to reduce identified risks. Every six months, the managers must provide confirmation that internal control has been carried out, and that this is functioning as expected. The managers are responsible for ensuring that all incidents are reported in the central incident register.

The management and control department is responsible for risk models and the further development of risk systems, ensuring that the risk management systems are implemented, used and followed up, and following up the bank’s risk status and development. Furthermore, the department must ensure that effective systems and processes for compliance with applicable regulations are created, as well as identifying changes in legislation/regulations, industry standards and internal guidelines, and ensuring that these are implemented within the bank. The department is responsible for the central incident register.

Internal audit is responsible for independently monitoring that the risk management systems are effective and function as expected. Internal audit reports to the Board of Directors, is entitled to attend Board meetings, and reports on risk management and internal control a minimum of once per year. Internal audit also provides advice to the Board and Management regarding the bank’s risk management and the development of and compliance with controls, as well as compliance with established routines, procedures and guidelines. The bank’s internal auditor in 2014 was KPMG. The bank finds that KPMG holds the required expertise in the central specialist and risk areas which affect the bank’s operations. The bank's two subsidiaries, AS Financiering and Sparebanken Øst Boligkreditt AS, are also subject to statutory internal audits.

The bank's balance sheet management committee (BSK) has regular meetings where the status and measures with regard to the liquidity situation are discussed. The CEO, Deputy CEO, Business Controller and Financial Manager attend BSK meetings. Within the private market, central credit departments have been established as the approval bodies for the granting of credit to private customers. Each individual credit department is located and organised as a unit, but considers various market channels. All of the departments are placed organisationally under the credit director. Within all credit departments, individual authorisations and authorisation matrices have been established, to describe the existing authorisation hierarchy.

BM Kreditt is a central credit function and the body that approves credit granting to small business customers after processing via the bank's branch network. The department is structured as a single unit and has no sales responsibility. The department's employees have their own individual authorisations in accordance with the adopted authorisation matrix. The credit department takes credit decisions above a certain size for customers in the business market and the private customer market. The department consists of three credit managers. If the allocation of credit exceeds the authority given to the credit department, the case is considered by the credit department and is decided at an overall level in accordance with the current authorisation matrices. Smaller commitments are entered into in accordance with the adopted framework and personal authorisations held in the business market department.

The risk committee assesses risk exposure and conducts risk reporting. The committee also assesses capital requirements. The members of the committee are the Credit Manager BM, Head of the PM Credit department, Financial Manager, Head of SE department, IT Manager and controllers. The committee's conclusions and comments are recorded in the minutes. Remarks recorded in the minutes, as well as a declaration that the risk report has been reviewed and exhibits the correct exposures, are submitted as an appendix to the risk report. The report is submitted to the Board of Directors on a quarterly basis.

The accounting department is responsible for financial reporting, internal financial management, taxes/duties and the internal control of financial reporting. A separate operative position as anti-money laundering officer has been created. The position entails following up on compliance with the regulations and control of all new customer undertakings.

A number of independent bodies undertake independent evaluations of the bank's profile, follow-up and organisation with regard to the handling of financial and operational risk. These include the control committee, internal auditor, external auditor and Moody's Investor Service.

Remuneration of the Board of Directors and employee representatives

Remuneration to the Board of Directors, Board of Trustees, control committee and nomination committee is determined by the Board of Trustees. It is sought to adapt the remuneration to the workloads and responsibilities that rest on each elected representative, and details can be found in the notes to the annual accounts. Remuneration is not dependent on the bank's results and consists of a specified amount. There are no result-based or variable remuneration schemes for the bank's officers. The remuneration of the Board of Directors is listed in Note 31 to the Annual Accounts. None of the Board members have carried out other tasks for the bank than their duties as Board members in 2014.

Remuneration to employees in senior positions

In accordance with applicable law, Sections 2-18 to 2-22 of the Norwegian Financial Activities Act, the Board determines the required guidelines for the remuneration of managerial employees. The remuneration of managerial employees is listed in note 31 to the Annual Accounts. Sparebanken Øst has a main principle of fixed remuneration. The Board of Directors determines the remuneration of the CEO. The CEO determines the remuneration of the executive management. There is no agreement concerning variable remuneration, or option or bonus agreements. The Board of Directors can decide to grant a one-off supplement to the CEO and Deputy CEO. The rest of the executive management are part of the profit sharing scheme adopted by the Board of Directors.

Information and communication

The bank's goals and objectives for information and communication are based on openness and accessibility. To ensure the necessary information flow, financial information must be published in line with the fixed financial calendar on the bank's website, by notifying information to the Oslo Stock Exchange, and in presentations to investors and other stakeholders. The bank arranges open investor presentations in conjunction with the presentation of annual and quarterly results. The presentations concerning the annual and quarterly results are made available on the bank's website together with the presentation. The rules for information and communication, rules for good stock market ethics, in addition to a general requirement of equal treatment, do not restrict the bank's opportunity to provide information, including to analysts.

Sparebanken Øst has drawn up investor relations guidelines. These guidelines show how the bank wishes to have extensive and effective communication with the financial markets, with an emphasis on openness and credibility. The bank wishes to have long-term mutually beneficial relations with as many brokerages as possible. Investment decisions must be based on financial calculations rather than relations. The bank must take a positive approach to investment decisions which have no significant impact on current profitability estimates and which would be favourable for investors. The Finance Department manages contacts with brokers in order to ensure the consistency of the information that is issued and received.

Information which is deemed to be of an important and sensitive nature is first sent to the Oslo Stock Exchange. The bank will endeavour to provide correct and balanced verbal and written information, and no investors must receive preferential treatment. All information that is offered must be distributed to all investors and must be presented on a uniform basis. The bank must seek to be available to investors and queries must be answered without unreasonable delay. Information deemed to be vital for investors must be distributed via the bank's website, the Oslo Stock Exchange and mailing lists.

Takeover

Savings banks may not be taken over by other enterprises or individuals. For this reason the NUES recommendations in this respect are not relevant to savings banks. The Board of Trustees will take decisions in all cases concerning changes to the bank's business activities, acquisition of other companies, or other cases of particular importance to the bank. Nevertheless, this does not apply to the acquisition of small companies within the bank's present area of activity, or if, for other special reasons, the case should be decided by the Board of Directors and only thereafter presented to the Board of Trustees.

Auditor

Auditing at Sparebanken Øst is undertaken according to acknowledged auditing principles, with due consideration of planning, implementation, and reporting. Ernst & Young is the bank's external auditor. At least once a year the external auditor attends a meeting of the audit committee, as well as Board meetings and reviews its assessments of the bank's risks. The external auditor always attends the Board meeting at which the annual financial statements are presented and the accounts meeting of the audit committee, and reviews its assessment of significant conditions for the bank. The external auditor also attends other Board meetings if necessary. At least once a year the external auditor holds a meeting with the Board without the CEO being present. The external auditor is invited to all meetings of the Board of Trustees. Attention is also drawn to Note 34 to the financial statements in connection with the remuneration of the auditor, including the distribution of remuneration.

2015 financial calendar

Publication of quarterly results

- Preliminary accounts 2014 (4th quarter of 2014) were published on 11.02.15
- The Annual Financial Statements for 2014 were considered at the meeting of the Board of Trustees on 26.03.15.
- Ex. dividend date – 27.03.15 (dividend will be paid on 09.04.15).
- 1st quarter of 2015 - 06.05.15
- 2nd quarter of 2015 - 14.07.15
- 3rd quarter of 2015 - 28.10.15

Investor contacts

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Statement pursuant to Section 5-5 of the Norwegian Securities Trading Act

We hereby confirm that the annual accounts for the period from 1 January to 31 December 2014 to the best of our knowledge have been prepared in accordance with applicable accounting standards and that the information gives a true and fair view of the group and company's assets, liabilities, financial position and profit or loss as a whole and that the information in the Directors' report gives a true and fair view of the development, profit or loss and financial position of the group and company, together with a description of the principal risks and uncertainties faced by the group.

~~Hokksund, 31 December 2014~~
Drammen, 12 March 2015

THE BOARD OF DIRECTORS OF SPAREBANKEN ØST

Jorund Rønning Indrelid Chairman	Knut Smedsrud Vice Chairman	Morten André Yttreeide Member
Roar Norheim Larsen Member	Sverre Nedberg Member	Elly Therese Thoresen Member
Hanne Solem Member	Inger Helen Pettersen Employee representative	Pål Strand CEO

STATEMENT OF INCOME

Group 2014	Group 2013	Amounts in NOK million	Notes	Parent bank 2014	Parent bank 2013
1.350,4	1.273,4	Interest income and similar income	25,26	951,5	899,8
743,5	708,9	Interest expenses and similar expenses	25,26,53	588,2	570,2
606,9	**564,5**	**NET INTEREST INCOME AND CREDIT COMMISSION**		**363,3**	**329,6**
7,3	13,0	Dividends and other income from securities with variable yields	27	67,3	111,6
81,6	80,4	Commission income and income from banking services	28	92,1	90,3
43,7	40,6	Commission costs and costs of banking services	28	18,3	14,6
160,2	26,4	Net value changes and gains/losses on financial derivatives	29	160,2	26,7
40,5	55,2	Other operating income	30	5,8	6,4
161,9	164,2	Payroll, etc.	31,50	136,1	137,4
55,6	56,7	Administration costs		47,2	49,7
19,8	17,9	Depreciation/write-downs and value changes for non-financial assets	39	8,8	6,7
58,8	55,0	Other operating expenses	33,34,40	50,2	46,5
556,7	**405,1**	**RESULT BEFORE LOSSES**		**428,1**	**309,7**
23,6	16,2	Losses on loans and guarantees	11,13,16	10,6	1,8
533,1	**388,9**	**PRE-TAX PROFIT**		**417,5**	**307,9**
104,4	106,2	Income taxes	35	56,9	84,4
428,7	**282,7**	**ANNUAL RESULTS**		**360,6**	**223,5**
8,57	5,90	Profit per equity certificate	55	7,21	4,67
8,57	5,90	Diluted profit per equity certificate	55	7,21	4,67

TOTAL PROFIT/LOSS

Group 2014	Group 2013	Amounts in NOK million	Notes	Parent bank 2014	Parent bank 2013
428,7	**282,7**	**ANNUAL RESULTS**		**360,6**	**223,5**
		Items that will not be reclassified to the statement of income			
-45,9	-9,8	Actuarial gains and losses on performance plans	50	-42,0	-11,1
12,3	2,7	Tax effect of actuarial gains and losses on performance plans	35,50	11,3	3,1
		Items that may later be reclassified to the statement of income			
-90,2	178,8	Changes in fair value of investments held for sale	29	-90,2	178,8
304,9	**454,4**	**TOTAL PROFIT/LOSS**		**239,7**	**394,3**

BALANCE SHEET

Group 31.12.14	Group 31.12.13	Amounts in NOK million	Notes	Parent bank 31.12.14	Parent bank 31.12.13
		ASSETS			
481,5	357,5	Cash and receivables at central banks		481,5	357,5
7,5	8,6	Loans to and deposits with credit institutions	15,16,20	2.337,2	2.102,0
28.697,8	25.771,6	Loans to and receivables from customers	10,11,12,13,14,20	18.986,3	16.995,8
3.904,0	3.314,3	Certificates, bonds, etc. at fair value	20,23,36	3.904,0	3.556,6
457,5	650,9	Shares and units	20,23,37	457,5	650,9
604,1	270,2	Financial derivatives	20,21,22.23	352,7	201,9
205,8	206,0	Certificates and bonds, held to maturity	20,23,36	205,8	206,0
0,0	0,0	Ownership interests in group companies	38	887,3	687,2
0,0	0,0	Deferred tax assets	35	11,1	4,0
395,8	403,5	Investment properties	39	0,0	0,0
134,5	126,4	Fixed assets	39	80,5	72,8
108,9	40,0	Other assets	41	10,0	13,4
8,7	9,5	Prepayments non-accrued expenses and earned income not rece	42	9,1	10,0
35.006,1	**31.158,5**	**TOTAL ASSETS**		**27.723,0**	**24.858,1**
		LIABILITIES AND EQUITY			
210,5	775,6	Liabilities to credit institutions	20,43,47	469,6	991,1
13.397,0	12.546,8	Deposits from and liabilities to customers	20,44	13.420,0	12.559,7
56,8	27,2	Financial derivatives	20,21,22.23	56,8	27,2
17.549,9	14.156,2	Liabilities incurred on the issue of securities	20,45,47	10.375,7	7.955,4
105,5	100,0	Tax payable	35	57,1	52,2
74,8	59,2	Other liabilities	48	51,4	39,1
34,7	33,4	Accruals and deferred income		29,5	27,6
87,6	38,6	Provisions for accrued costs and liabilities	49,50	82,5	36,9
20,5	29,5	Deferred tax obligation	35	0,0	0,0
703,1	864,1	Subordinate loan capital	20,46,47	703,1	864,1
32.240,4	**28.630,6**	**TOTAL LIABILITIES**		**25.245,7**	**22.553,3**
595,1	595,1	Paid-up equity	55	595,1	595,1
2.170,6	1.932,8	Retained earnings		1.882,2	1.709,7
2.765,7	**2.527,9**	**TOTAL EQUITY**	6	**2.477,3**	**2.304,8**
35.006,1	**31.158,5**	**TOTAL LIABILITIES AND EQUITY**		**27.723,0**	**24.858,1**

Hokksund, 31 December 2014
Drammen, 12 March 2015

Jørund Rønning Indrelid Chairman	Knut Smedsrud Vice Chairman	Morten Andre Yttreeide
Roar Norheim Larsen	Sverre Nedberg	Elly Therese Thoresen
Hanne Solem	Inger Helen Pettersen Employee representative	Pål Strand CEO

CHANGES IN EQUITY GROUP

Amounts in NOK million

2014	Total equity	Equity certificates (Paid-up equity)	Share premium (Paid-up equity)	Equalisation fund (Retained earnings)	Primary capital (Retained earnings)	Gift account (Retained earnings)	Available for sale reserve	Other equity
Equity as at 31.12.13	2.527,9	207,3	387,8	291,7	1.129,9	35,5	252,6	223,1
Profit/loss for the year	428,7	0,0	0,0	149,5	196,1	15,0	0,0	68,1
Changes in fair value for TFS investments	-90,2	0,0	0,0	0,0	0,0	0,0	-90,2	0,0
Actuarial gains and losses on performance plans	-33,6	0,0	0,0	-12,7	-18,0	0,0	0,0	-2,9
Total profit/loss	304,9	0,0	0,0	136,8	178,1	15,0	-90,2	65,2
2013 dividend finally adopted	-62,2	0,0	0,0	-62,2	0,0	0,0	0,0	0,0
Changes in endowment fund	-5,0	0,0	0,0	0,0	0,0	-5,0	0,0	0,0
Equity as at 31.12.14	**2.765,7**	**207,3**	**387,8**	**366,3**	**1.308,0**	**45,5**	**162,4**	**288,4**

This year's proposed dividend of NOK 103.7 million is part of the Equalisation Fund until it is finally adopted by the Board of Trustees.

Reference is also made to Note 55 concerning equity certificates.

2013	Total equity	Equity certificates (Paid-up equity)	Share premium (Paid-up equity)	Equalisation fund (Retained earnings)	Primary capital (Retained earnings)	Gift account (Retained earnings)	Available for sale reserve	Other equity
Equity as at 31.12.12, adjusted	2.132,7	207,3	387,8	260,7	1.012,7	27,5	73,8	162,9
Profit/loss for the year	282,7	0,0	0,0	96,7	121,7	5,0	0,0	59,3
Changes in fair value for TFS investments	178,8	0,0	0,0	0,0	0,0	0,0	178,8	0,0
Actuarial gains and losses on performance plans	-7,1	0,0	0,0	-3,5	-4,5	0,0	0,0	0,9
Total profit/loss	454,4	0,0	0,0	93,2	117,2	5,0	178,8	60,2
2012 dividend finally adopted	-62,2	0,0	0,0	-62,2	0,0	0,0	0,0	0,0
Changes in endowment fund	3,0	0,0	0,0	0,0	0,0	3,0	0,0	0,0
Equity as at 31.12.13	**2.527,9**	**207,3**	**387,8**	**291,7**	**1.129,9**	**35,5**	**252,6**	**223,1**

This year's proposed dividend of NOK 62.2 million is part of the Equalisation Fund until it is finally adopted by the Board of Trustees.

CHANGES IN EQUITY - PARENT BANK

2014	Total equity	Equity certificates (Paid-up equity)	Share premium (Paid-up equity)	Equalisation fund (Retained earnings)	Primary capital (Retained earnings)	Gift account (Retained earnings)	Available for sale reserve
Equity as at 31.12.13	2.304,8	207,3	387,8	291,7	1.129,9	35,5	252,6
Profit/loss for the year	360,6	0,0	0,0	149,5	196,1	15,0	0,0
Changes in fair value for TFS investments	-90,2	0,0	0,0	0,0	0,0	0,0	-90,2
Actuarial gains and losses on performance plans	-30,7	0,0	0,0	-12,7	-18,0	0,0	0,0
Total profit/loss	239,7	0,0	0,0	136,8	178,1	15,0	-90,2
2013 dividend finally adopted	-62,2	0,0	0,0	-62,2	0,0	0,0	0,0
Changes in endowment fund	-5,0	0,0	0,0	0,0	0,0	-5,0	0,0
Equity as at 31.12.14	**2.477,3**	**207,3**	**387,8**	**366,3**	**1.308,0**	**45,5**	**162,4**

This year's proposed dividend of NOK 103.7 million is part of the Equalisation Fund until it is finally adopted by the Board of Trustees.

Reference is also made to Note 55 concerning equity certificates.

2013	Total equity	Equity certificates (Paid-up equity)	Share premium (Paid-up equity)	Equalisation fund (Retained earnings)	Primary capital (Retained earnings)	Gift account (Retained earnings)	Available for sale reserve
Equity as at 31.12.12, adjusted	1.969,8	207,3	387,8	260,7	1.012,7	27,5	73,8
Profit/loss for the year	223,5	0,0	0,0	96,7	121,7	5,0	0,0
Changes in fair value for TFS investments	178,8	0,0	0,0	0,0	0,0	0,0	178,8
Actuarial gains and losses on performance plans	-8,0	0,0	0,0	-3,5	-4,5	0,0	0,0
Total profit/loss	394,3	0,0	0,0	93,2	117,2	5,0	178,8
2012 dividend finally adopted	-62,2	0,0	0,0	-62,2	0,0	0,0	0,0
Changes in endowment fund	3,0	0,0	0,0	0,0	0,0	3,0	0,0
Equity as at 31.12.13	**2.304,8**	**207,3**	**387,8**	**291,7**	**1.129,9**	**35,5**	**252,6**

This year's proposed dividend of NOK 62.2 million is part of the Equalisation Fund until it is finally adopted by the Board of Trustees.

CASH FLOW STATEMENT

Group 2014	Group 2013	Amounts in NOK million	Note	Parent bank 2014	Parent bank 2013
		Operating activities			
533,1	388,9	Profit before tax		417,5	307,9
		Adjusted for:			
9,2	-7,1	Changes in net interest income earned and accrued interest costs		6,2	-0,5
0,0	0,0	Net payment/disbursement of loans to credit institutions		-236,3	818,2
-2.924,4	-3.140,3	Net disbursement of loans to customers		-1.985,0	-3.888,4
-587,3	393,0	Changes in certificates and bonds at fair value		-345,6	1.132,5
-41,2	537,8	Changes in other operating assets	54	31,2	547,6
0,0	-21,9	Net payment/disbursement of deposits with credit institutions		43,5	71,8
851,3	851,3	Net payment of deposits from customers		861,4	881,4
20,7	-4,4	Changes in other operating liabilities		18,5	-38,4
18,4	23,6	Non-cash items included in profit before tax	54	1,8	4,1
-147,0	-13,0	Net gains from investing activities		-147,0	-0,1
8,1	0,0	Net losses from financing activities		8,1	0,0
-101,1	-80,9	Taxes paid for the period		-53,3	-51,7
-2.360,2	-1.073,0	**Net cash flow from operating activities**	**A**	-1.379,0	-215,6
		Investing activities			
-20,6	-17,2	Payment on purchase of fixed assets		-16,5	-12,3
0,3	61,9	Proceeds from sale of fixed assets		0,0	0,5
256,6	54,0	Net proceeds/expenses on the sale/purchase of financial investments		256,6	54,0
0,0	0,0	Net payment/disbursement concerning investments in subsidiaries		-200,1	-71,0
236,3	98,7	**Net cash flow from investing activities**	**B**	40,0	-28,8
		Financing activities			
-562,1	-579,1	Net incoming/outgoing payments for loans to/from credit institutions		-562,1	-553,5
-2.265,5	-3.125,1	Payments on repayment of securities		-1.750,3	-2.881,8
5.136,6	3.903,0	Proceeds on issuance of securities		3.836,5	2.904,4
0,0	0,0	Proceeds on issuance of equity certificates		0,0	0,0
-62,2	-62,2	Payment of dividend		-62,2	-62,2
2.246,8	136,6	**Net cash flow from financing activities**	**C**	1.461,9	-593,1
122,9	-837,7	Net change in cash and cash equivalents	**A+B+C**	122,9	-837,5
366,1	1.203,8	Cash and cash equivalents as at 01.01.		366,1	1.203,6
489,0	**366,1**	**Reserves of cash and cash equivalents as at 31.12.**	54	**489,0**	**366,1**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Sparebanken Øst is an equity capital bank listed on the Oslo Stock Exchange. The bank's head office is in Drammen, and its address for visitors is Bragernes Torg 2. The bank's business address is Stasjonsgt. 14, NO-3300 Hokksund. Sparebanken Øst is non-aligned and has undertaken savings bank activities since 1843.

The bank also has branches in the municipal districts of Øvre Eiker, Nedre Eiker, Lier, Asker, Bærum, Oslo, Fredrikstad, Ullensaker, Horten, Tønsberg, Skedsmo, Kongsberg, Hønefoss and Svelvik. The Sparebanken Øst group consists of the parent bank and the wholly owned subsidiaries Sparebanken Øst Boligkreditt AS, AS Financiering, Øst Prosjekt AS with the subsidiary Øst Næringsbygg AS and Sparebanken Øst Eiendom AS with the subsidiaries Grev Wedels Have AS, Hawø Eiendom AS, EngeneKvartalet AS, Arbeidergaten 28 AS, Krokstad Terrasse AS, Stasjonsgata 14 AS, Tollbugt. 49-51 AS and Ingeniør Rybergsgate 101 AS.

Sparebanken Øst provides services within the areas of financing, savings and investment, payment settlement, insurance, property management and financial advisory services.

The financial statements for 2014 were reviewed and approved by the Board of Directors of Sparebanken Øst on 12 March 2015.

NOTE 2 – ACCOUNTING PRINCIPLES

1.GENERAL

Sparebanken Øst's consolidated and financial accounts are prepared in accordance with international accounting principles, the International Financial Reporting Standard (IFRS) which is approved by the EU.

The principles are used as the basis for historic cost financial statements, with the exception of financial derivatives and investments that are held for trading or are available for sale, as well as the part of the securities portfolio for which the management has chosen to use the "Fair Value Option". These items are valued at fair value. Where the group uses hedge accounting the value is adjusted on the hedged object for value changes associated with hedged risk. Interest-bearing balance sheet items include earned/accrued interest.

The group's balance sheet is primarily based on an assessment of the liquidity of items posted to the balance sheet.

Unless otherwise specified, all amounts are stated in NOK million in the notes.

2. CHANGE TO ACCOUNTING PRINCIPLES

The accounting principles applied are generally unchanged from the principles applied to the 2013 financial statements, with the exception of the changes in IFRS that were implemented in the group in 2014. The changes in IFRS that are relevant to the group and that come into force in 2014, and their effect for the group's annual financial statements, are listed below.

IFRS 10 Consolidated financial statements

IFRS 10 replaces the parts of IAS 27 Consolidated financial statements and separate financial statements which cover consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 builds upon a single control model to be applied to all units, including special purpose entities (SPE). The changes introduced in IFRS 10 require the management to exercise significant estimates to determine which units are controlled by the parent company, where all units that are controlled must be consolidated. Whether the unit must be consolidated in accordance with IFRS 10 is determined by whether control exists. Control of another unit exists when the investor has exposure, or rights, to variable returns from its involvement in the unit and has the ability to use its power to control the activities of the unit that significantly affect the returns. The changes have had no consequences for the group's structure, results and/or disclosures.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 indicates disclosure requirements concerning the group's interests in subsidiaries, joint ventures, associated companies, or non-consolidated structured entities. The disclosure requirements are more extensive than previous disclosure requirements. The group has no joint ventures, associated companies, or non-consolidated structured entities. Reference is made to Note 38 concerning subsidiaries.

Change to IAS 32 Financial instruments - presentation

IAS 32 has been changed to clarify the content of "currently has a legally enforceable right to set-off" and also clarify the application of IAS 32's counterclaim criteria for settlement systems such as clearing house systems which apply mechanisms for gross settlement which do not occur simultaneously. The changes are of no significance to the group's Annual Report.

IAS 36 Impairment of Assets
The change entails that information must be given about the recoverable amount of assets that have been written down, if this has been determined as fair value reduced by sales costs. The change must be seen in the context of IFRS 13 Fair Value Measurement. The changes are of no significance to the group's Annual Report.

IAS 39 - Financial instruments – recognition and management
IASB has adopted changes to the hedge accounting rules under IFRS. The changes mean that it will not be necessary to discontinue hedge accounting in the cases where derivatives designated as hedging instruments must be transferred in order to complete clearing by a CCP (central counterparty – CCP) as a result of legislation or other regulation, provided that specific criteria are met. The changes do not affect the Group’s financial position or result.

3. CONSOLIDATION

The financial statements of the Group comprise the parent bank and all subsidiaries.

A company is assessed to be controlled by the group when the group is exposed to or is entitled to variable returns from its involvement in the company in question, and is able to influence this return via its control of the company. Each investment is subject to assessment.

The financial statements for the group comprise the wholly owned subsidiaries Sparebanken Øst Boligkreditt AS, AS Financiering, Øst Prosjekt AS with the subsidiary Øst Næringsbygg AS and Sparebanken Øst Eiendom AS with the subsidiaries Grev Wedels Have AS, Hawø Eiendom AS, EngeneKvartalet AS, Arbeidergaten 28 AS, Krokstad Terrasse AS, Stasjonsgaten 14 AS, Tollbugt. 49-51 AS and Ingeniør Rybergsgate 101 AS.

Companies acquired or divested during the year are included in the financial statements of the group from the time the group takes control until such control ceases. The takeover method is employed for accounting of acquisitions of subsidiaries. For takeover of control in a company, all identifiable assets and commitments are stated at fair value. Goodwill is recognised as a positive difference between the acquisition price and the balance sheet value of the acquired company after excess/deficit value has been assigned to identifiable assets at the time of acquisition. Where the difference is negative, this is charged to income upon acquisition. Goodwill is tested each year for impairment and is recognised in the balance sheet at cost price minus accumulated depreciation.

When preparing the consolidated accounts internal transactions, internal gains and outstandings between companies within the group are eliminated.

The accounting principles of subsidiaries are adjusted when necessary in order to harmonise them with the accounting principles of the group.

3.1 Ownership interests in subsidiaries and associated companies

If the group holds the majority of the voting rights in a company, the company is presumed to be a subsidiary in the group. In order to support this, and if the group does not hold the majority of the voting rights, the group assesses all relevant factors and circumstances, in order to evaluate whether the group holds control of the company in which it invests. This includes assessment of ownership interest, voting rights, ownership structure and relative strength, as well as options controlled by the group and shareholder agreements or other agreements. The group re-assesses whether it controls or does not control a company when the facts and circumstances indicate changes in one or several of the control elements. Reference is made to Note 38, Ownership interests, to the annual financial statements.

In the financial statements of the parent company, investments in subsidiaries are assessed at historical cost.

Associated companies are entities in which the group has significant influence, but not control or shared control of the financial and operational management. The bank has no ownership interest in companies defined as associated companies.

4. CURRENCY

The accounts are presented in NOK, which is the functional currency for all companies in the group.

Transactions in foreign currency are translated to the functional currency (NOK) at the exchange rates current on the transaction date. Foreign currency items are translated at the official average exchange rate son the balance sheet date. Currency losses and gains attributable to different rates of exchange on the transaction and settlement dates, and translation differences on foreign currency items which cannot be assessed, are charged to income.

5. INCOME

5.1 Interest income and costs

Interest income and costs are recognised in the statement of income using the effective interest method. The effective interest is determined by discounting contractual cash flows within the expected maturity.

If a financial asset or a group of similar assets are depreciated as a result of value impairment, interest income is recognised by using the interest rate at which future cash flows are discounted to calculate such impairment.

Recognition of interest as income according to the effect interest method is employed for both balance sheet items which are assessed at amortised cost, and balance sheet items which are assessed at fair value over the profit.

5.2 Commission income and expenses

Commission income and expenses are recognised in line with the service performed. Charges associated with interest bearing instruments are not recognised as commissions, but are included in the calculation of effective interest rate and correspondingly recognised in income.

5.3 Other income

Rental income from real estate is recognised linearly over the tenancy period.

5.4 Dividends received

Dividends received in equity instruments are recognised in the results once the group's right to receive payment has been determined, and included in "dividends and other income on securities with variable yields".

6. FINANCIAL INSTRUMENTS

6.1 Recognition and deduction

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

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

6.2 Classification

Group financial instruments which are subject to IAS 39 are classified into one of the following categories:

Financial assets:

- Financial assets at fair value with changes through profit and loss
  - financial assets held for trading
  - financial assets are recognised at fair value with changes through profit and loss, reserved at initial recognition
- Investments held to maturity, recognised at amortised cost
- Loans and receivables, carried to amortised cost
- Financial assets available for sale, assessed at fair value with value adjustments presented as other income or expenses in the statement of comprehensive income

Financial liabilities:

- Financial assets at fair value with value adjustment through profit and loss
- Financial liabilities, carried to amortised cost

6.3 Measurement

6.3.1 Initial recognition of financial instruments

Financial instruments that are assessed at fair value through profit and loss, are measured at fair value at the time of agreement for initial recognition. Fair value will normally be the transaction price. Financial assets and liabilities which are not classified in this category are measured at fair value with the addition/deduction of directly attributable transaction costs upon initial recognition.

6.3.2 Subsequent measurement

Measurement at fair value

In principle, observable market rates must be the basis on which a financial instruments at fair value is estimated. Where observable market prices do not exist and the fair value can not be derived directly or indirectly from observable inputs in the market, various valuation techniques are used. These are methods that can involve using discretionary evaluations to some degree. Such discretionary evaluations may be liquidity risk, credit risk and volatility. Changes in the attitude toward these factors may affect the determination of the fair value of a financial instrument. All adjustments to fair value are recognised directly in the statement of income, unless the asset is classified as available for sale where the value adjustment is carried to total profit/loss.

Measurement at amortised cost
Financial instruments not measured at fair value, are valued at amortised cost and income/expenses are calculated according to the effective interest method. The effective interest is determined by discounting contractual cash flows within the expected maturity. Amortised cost is the current value of cash flows discounted by the effective interest rate.

Write-down of financial assets
At each balance sheet date an assessment is made of whether there is objective evidence that financial assets have been exposed to any impairment. If there is objective evidence of impairment the financial asset is written down and write-downs are recognised in the accounts according to where they belong, based on their nature. Write-downs are discussed in more detail under 6.4.

6.3.3 Takeover of assets
Assets that are taken over in connection with follow-up on defaulted or written-down loans are valued at fair value at the time of takeover.

6.3.4 Hedge accounting
The bank employs fair value hedging of fixed rate deposits and currency deposits. For fair value hedging the hedged instrument is recognised at fair value and the value of the hedged item is adjusted in accordance with the change in value linked to the hedged risk. If the hedge relationship is interrupted or adequate hedge efficiency cannot be verified, the value adjustment linked to the hedged item is amortised over the remaining maturity.

6.4 More on financial instruments
6.4.1 Loans
At initial recognition lending is assessed at fair value and direct transaction costs are added. Set-up fees are capitalised and recognised to income over the expected maturity of the loan. Income is recognised on a monthly basis. Upon subsequent measurement loans are valued at amortised cost, applying the effective interest method. Interest income on financial instruments classified as loans and receivables, is included in "Interest income and similar income" in the profit and loss account. Write-downs on loans for the period are recognised under “Losses on loans and guarantees”. Interest calculated using the effective interest method on the impaired value of loans is included in "Interest income and similar income".

Participation in breach and exposed to losses
Non-performing loans defined as loans that have defaulted on payment exceeding 90 days. Loans and other commitments that are not defaulted on, yet where the customer’s financial situation makes it likely that the group will accrue losses, are classified as non-performing loans.

Individual impairment on loans and guarantees
Loans are written down for credit losses on a case to case (individually) basis if there is objective evidence of impairment. Objective evidence is considered to be prevalent in cases of major financial problems at the debtor, payment default or other material breach of contract, granting of deferral of payments or new credit to pay forward, agreed changes in interest rates or other terms and conditions as a result of problems at the debtor, debt negotiation with the debtor, other financial restructuring or bankruptcy proceedings.

Estimating any credit loss is based on the size of expected future cash flows from sales of collateral etc., when the cash flows are expected to be paid and the discount rate. The size of the loss is a direct function of the difference between the book value and the present value of the discounted future cash flows, discounted at the loan's effective interest rate.

Impairment of groups of loans
Assessing the need to write down the group of loans to private individuals is performed on the basis of a loss indicator which takes various macroeconomic variables into consideration to indicate whether the bank is in a better or worse economic situation to the normal loss situation. Assessing the need for write-downs of groups of business loans is based on changes in the risk classification of the commitments. If there are negative changes between risk classes during a financial period, write-downs are made based on the bank’s loss history for the risk classes involved. Assessment of loans is described in more detail in Note 3, Assessment and use of estimates.

Statement of loss
Losses are not ascertained until composition or bankruptcy has been declared by the debtor, when execution has not been successful, there is a legal judgement or in cases where the bank has cancelled the loan or parts of it, or in other cases where it is most likely that the losses are final. Declared losses that are covered by previous write-downs are posted to

allocations. Declared losses that cannot be recovered from loss provisions, and any surplus or deficit in relation to previous write-downs, are recognised in the statement of income.

6.4.2 Certificates and bonds

The group has classified certificates and bonds in the following categories:

- at fair value through profit and loss
- hold to maturity

Fair value through profit and loss

The group's portfolio of certificates and bonds purchased after 01.01.11 are part of the bank's liquidity strategy and are included in the category held for trading. The value adjustment and realised profit and losses are posted to "Net value adjustments and profit/loss on financial instruments".

The group's portfolio of certificates and bonds purchased before 01.01.11 are part of the bank's liquidity and investment strategy and are recognised at fair value.

Hold to maturity

Bonds which the group intends and is able to hold to maturity are classified in the hold to maturity category.

Initial measurement is made at fair value including transaction costs. Subsequent measurement is made at amortised cost by applying the effective interest method.

The current interest income is entered to income and any excess or deficit value at the time of acquisition is amortised by applying the effective interest method and entered to income as an adjustment of the bond's current interest income.

When there is objective evidence of credit loss on a bond in the hold to maturity category, the bond is written down in the statement of income for this credit loss under "Net value adjustments and profit/loss on financial instruments" in the statement of income. The write-down is directly proportional to the difference between the book value and the present value of discounted future cash flows. Discounts are based on effective interest. Any reversals of previous write-downs are recognised as an increase in the book value to the extent that it does not exceed what the amortised cost would have been had the write-down not been made. Realised profit and losses are posted to "Net value adjustments and profit/loss on financial instruments".

6.4.3 Equity instruments

The group has classified equity instruments in the following categories:

- held for trading
- available for sale

Held for trading

Equity instruments owned for the purpose of selling or buyback in the short term, which are included in a portfolio and owned for the purpose of obtaining capital gains, are classified as held for trading. The value adjustment and realised profit and losses are posted to "Net value adjustments and profit/loss on financial instruments". The group's listed shares and capital certificates fall into this category.

Dividends received on equity instruments are recognised in the result once the group's right to receive payment has been determined, and posted to "Dividends and other income on securities with variable yields".

Available for sale

The group's holdings of equity instruments that are not classified as held for trading are classified as available for sale, and are valued at fair value with value changes presented as income and costs in comprehensive income Write-downs of impairments are recognised in "Net value adjustments and profit/loss on financial instruments" for the period in which they arise. Upon divestment, accumulated gains or losses on the financial instruments which were previously recognised in comprehensive income are reversed, and gains and losses are recognised under "Net value adjustments and profit/loss on financial instruments".

The group writes down equity instruments in the available for sale category when there has been enduring impairment of the fair value or the fair value is significantly lower than the book value. The bank deems it significant when the impairment is more than 20 per cent, and when the impairment lasts longer than 6 months. Impairment losses recognised in net income for this category will not be reversed to income.

Dividends received on equity instruments are recognised in the results once the group's right to receive payment has been determined, and are posted to "Dividends and other income on securities with variable yields".

6.4.4 Financial derivatives

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

Sparebanken Øst participates in a guarantee consortium in Eksportfinans ASA which supports Eksportfinans ASA's liquidity portfolio for value losses on credit risk. This guarantee is a derivative assessed at actual value. Reference is made to Note 21.

Realised and unrealised profits and losses on financial derivatives are recognised in the statement of income under "Net value adjustments and profit/loss on financial instruments". Accounting of financial derivatives where hedge accounting is used is covered under a separate paragraph.

6.4.5 Hedge accounting

Sparebanken Øst mainly makes use of financial derivatives to reduce interest and/or currency risks.

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

The value adjustment on hedged instruments and items is posted to "Net value adjustments and profit/loss on financial instruments".

On entering into the hedging relationship the formal relationship between the hedged item and hedging instrument is documented, including the risk that is hedged, the objective and the strategy for hedging and the method that will be used to determine the effectiveness of hedging. It must be possible to reliably measure the effectiveness of hedging. Hedging, including hedging effectiveness is assessed and documented continuously, on a quarterly basis. The group predominantly uses one-to-one hedging, meaning for example that the nominal amount and principal, terms, repricing dates, dates of receipt and payment of interest and principal, as well as the basis for measuring interest rates, are the same for the hedging instrument and the hedging object. If the measurement shows that the value changes on the hedging instrument counteract 80 to 125 per cent of the changes in the hedging object, the hedge will still qualify as a hedge under IAS 39. Any ineffective portion of the hedge is recognised. If the hedging relationship is interrupted or adequate hedging efficiency cannot be verified, the value adjustment linked to the hedging object is amortised over the remaining maturity.

6.4.6 Borrowings and other financial liabilities

The group measures financial liabilities, aside from derivatives, at amortised cost. Financial liabilities are measured at amortised cost where the differences between the amount received less transaction costs and the redemption value are accrued over the loan term, using the effective interest method. Interest expenses and amortisation effects on instruments are posted to "Interest expenses and similar" in the statement of income. Holdings of own bonds are posted as reductions of liabilities. For buybacks the difference between the book value and the paid fees is recognised.

7. FIXED ASSETS AND INVESTMENT PROPERTIES

Fixed capital assets comprise buildings, land, and operating assets. Buildings and operating assets are recognised in the balance sheet at cost price less ordinary accumulated depreciation and write-downs. Land is not depreciated and is capitalised at cost less any impairment losses. The cost price includes all directly attributable costs on the procurement of assets, with the addition of cost price for later improvements. All other repair and maintenance costs are recognised in the period for which they are incurred. On determining a depreciation plan allowance is made for the fixed asset's expected useful life and estimated residual value. The group buildings are broken down into four components: building structure, technical installations, façades and fixed inventory. Depreciation is calculated for each sub-component based on the expected useful life and estimated residual value.

The group's buildings for external rental, as well as buildings occupied to achieve appreciation, are classified as investment properties. The bank has assessed investment properties at cost price less accumulated depreciation. Cost price on the inclusion date and annual depreciation are determined according to the same principles as described above for other properties.

Depreciation is calculated on a linear basis over the following useful lives:

Buildings	10-50 years

Machines/fixtures and fittings/means of transport 2-8 years

The depreciation period, method and scrapping costs are assessed annually.

Gains/losses arising from the sale of operating assets are the difference between the sales price and the book value and are included in the statement of income.

Buildings under construction are classified as plant and equipment and stated at cost until the construction is completed. Buildings under construction are not written off before the building is taken into use. Building loan costs are recognised in the balance sheet on an ongoing basis and included in the cost price.

Assessments are performed of depreciation when there are indications of impairment of value. If the balance sheet value of an operating asset is higher than the recovery amount, depreciation is then made over the result. The recoverable amount is the highest of net sales price and the discounted cash flow from continued use. The net sales price is the amount that can be achieved on sale to an independent third party, less sales costs. The recoverable amount is determined separately for all properties. If this is not possible, the recoverable amount is determined together with the unit the asset falls under.

8. LEASE AGREEMENTS

A lease agreement is classified as a financial lease agreement if it primarily transfers all the risk and returns associated with ownership. Other lease agreements are classified as operational lease agreements.

The group as lessor
Financial lease agreements are presented as "loans to customers" in the balance sheet and are recognised at amortised cost. Rent paid in advance is capitalised and recognised as income over the maturity period and posted as short-term liabilities in the accounts.

The group as lessee
The group has only signed operational lease agreements as a lessor. Lease payments are recognised as an expense in the statement of income on a linear basis over the term of the lease, unless another systematic basis provides a better expression of the utility value over time.

9. UNCERTAIN COMMITMENTS

The group issues financial guarantees as part of its ordinary business. Reference is made to Note 51. Assessment of loss provisions on guarantees issued by the bank together with assessment of losses on lending. Reference is made to Note 13. The same principles are used to assess whether there has been a reduction in value. Provisions are made for other uncertain commitments if in all likelihood the commitment will materialise and the financial consequences can be reliably estimated.

10. CONDITIONAL ASSETS AND LIABILITES

Contingent liabilities are not recognised in the annual financial statements. Information is provided on major contingent liabilities with the exception of contingent liabilities where there is great probability that the liability is low.

Condition assets are recognised if they are likely to occur.

11. PENSIONS

The group has various defined-benefit schemes, as well as defined-contribution schemes.

Defined-benefit schemes
In defined-benefit pension schemes the employer is obliged to contribute to the future pension of a specified size. The group's collective pension schemes are managed by a life assurance company. The estimated accrued obligation is related to the value of the paid-in and saved up pension funds. If the total pension funds exceed the estimated pension obligation on the balance sheet date, the net value is recognised as an asset in the balance sheet if it is likely that excesses can be utilised for future obligations. If the pension obligations exceed the pension funds, the net obligation is classified as a liability in the balance sheet.

The group also has unsecured pension obligations which are funded through the group’s operations. Pension obligations on such agreements are posted as a liability in the balance sheet.

Pension obligations are estimated annually by an independent actuary whereby the linear accrual method is applied. The pension obligation is estimated as the current value of the estimated future pension contributions which for the purposes of accounting are regarded as accrued on the balance sheet date.

Changes to pension plans are recognised as income or expenses at the time that the plan is changed.

The pension costs are based on requirements determined at the start of the period. The annual net pension cost consists of the current value of the annual pension accrued, interest costs on the net pension obligation and accrued employer's payroll tax. The net pension costs for the period are posted to "salaries, etc." in the statement of income.
The actuarial calculations are based on several actuarial assumptions, see Note 50. When the liabilities' present value and fair value of the pension funds are calculated on the balance sheet date, actuarial gains and losses may occur as a result of changes in actuarial assumptions and actual effects. Actuarial gains and losses are included in profit and loss.

Assessment of pension obligations is described in Note 3 Management assessments and the use of estimates.

Defined-contribution schemes
Defined-contribution schemes involve the group depositing an annual contribution toward the employees' pension savings. This scheme is handled by a life assurance company. The future pension will depend on the size of the contribution and the annual return on the pension savings. The group has no further commitments in terms of the work performed, once the annual contribution is paid. There are no provisions for pension commitments for such schemes. Defined-contribution pension schemes are recognised directly as expenses and are included under "Salaries, etc." in the statement of income.

12. INCOME TAX

The annual tax expenses in the statement of income consist of the tax payable for the income year, any surplus/deficit on allocated tax payable for the previous year, tax at source, and recognised deferred tax. These are recognised as income or expenses and are included in the statement of income as tax expenses with the exception of current and deferred tax on transactions which are recognised directly in comprehensive income under equity.

Deferred tax commitments/deferred tax portions are calculated on the basis of provisional differences. The provisional difference is the difference between recognised value and the tax value of assets and liabilities. Deferred tax assets are calculated on the tax effects of losses carried forward.

Deferred tax assets are entered as assets in the balance sheet to the extent it is expected that the group will have sufficient taxable profit in later periods to utilise the deferred tax assets. Deferred tax assets and deferred tax liabilities are calculated in accordance with the tax rate expected to apply to temporary differences when they are reversed, based on applicable legislation at the time of reporting. Deferred tax assets and deferred tax liabilities are not discounted.

Deferred tax on transactions recognised in comprehensive income or equity is recognised as the underlying transaction, either in comprehensive income or in equity. In comprehensive income this is shown as the tax effect. Current tax is entered directly in the balance sheet to the extent that the tax items relate to equity transactions.

Property tax is not regarded as income tax as per IAS 12, and is recognised as an operating expense.

13. SEGMENTS

For the purpose of management the bank is organised into five operational segments based on the products and services. The segments form the basis for primary segment reporting. Financial information concerning the segments is presented in Note 4.

14. CASH FLOW STATEMENT

Cash flow statements show the cash flows grouped according to types and employment area. Cash and cash equivalents include cash, deposits with central banks, treasury bills and loans to and deposits with credit institutions relating to the placement of funds.

15. EQUITY

15.1 Profit per equity certificate

Profit per equity certificate is calculated as the equity certificate owners' share of the bank's profit for the period divided by the weighted average number of equity certificates during the period.

15.2 Dividend

Dividends on equity certificates are recognised in the accounts as equity until they are adopted by the bank's Board of Trustees.

16. EVENTS POST BALANCE SHEET DATE

New information after the balance sheet date concerning the company's financial position as of the balance sheet date will be included in the basis for assessing the accounting estimates in the accounts and will thus be taken into consideration in the annual financial statements. Events after the balance sheet date which do not affect the company's financial position on the balance sheet date, but which will affect the company's financial position in the future, are reported if such information is material.

17. FUTURE CHANGES TO ACCOUNTING PRINCIPLES

Standards and interpretations adopted at the time of the presentation of the financial statements, but where there is a later date of entry into force, except those assessed not to be relevant, are stated below. The Group's intention is to implement the relevant changes as of the date of entry into force, provided that the EU approves the changes before the presentation of the consolidated financial statements.

IFRS 9 Financial instruments
In July 2014, the IASB published the final sub-project under IFRS 9 and the standard has now been completed. IFRS 9 entails changes related to classification and measurement, hedge accounting and write-downs. IFRS 9 will replace IAS 39 Financial instruments – recognition and measurement: The parts of IAS 39 that are not changed as part of this project have been transferred and included in IFRS 9. The standard has not yet been approved by the EU. The changes are not expected to have a significant effect on the annual financial statements.

IFRS 15 Revenue from contracts with customers
The standard replaces all existing standards and interpretations for the recognition of revenue. The core principle of IFRS 15 is that revenue is recognised so as to reflect the transfer of agreed goods or services to customers, and at an amount that reflects the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The standard applies to all revenue contracts and includes a model for the recognition and measurement of the sale of non-financial assets (excluding the sale of properties, plant and equipment). The changes have yet to be approved by the EU. The changes are not expected to affect the group's financial position, result and/or disclosures.

Revenue-based depreciation methods – changes to IAS 16 and IAS 38
The change states that using revenue-based methods to calculate the depreciation of an asset is not permitted. The change also states that revenue is generally assumed not to be a correct basis for measuring the consumption of the financial benefits of an intangible assets. The changes have yet to be approved by the EU. The changes are not expected to affect the group's financial position, result and/or disclosures.

IFRIC 21 Levies
IFRIC 21 is an interpretation of IAS 37 Provisions, contingent liabilities and contingent assets. The standard stipulates the criteria for the recognition of liabilities. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The changes apply with effect for financial years beginning on 17 June or later. The changes are not expected to have a significant effect on the annual financial statements.

NOTE 3 - EMPLOYMENT AND USE OF ESTIMATES

Due to the uncertainties associated with business activities, many accounting items cannot be accurately measured, but only estimated. The management has exercised judgement in the application of the accounting principles, and used assumptions and expectations of future events that are regarded as likely. Estimates and assessments are regularly evaluated and are based on the most recent reliable data available, as well as experience from similar assessments. There will always be an inherent uncertainty associated with financial items that are not measured accurately, and management’s assessments and best estimates may differ significantly from actual results.

In the financial statements of the group, use of estimates relates especially to the measuring of the following items:

- Losses on loans and guarantees
- Fair value of financial instruments
- Net pension obligations

3.1 Losses on loans and guarantees

Loans are written down for credit losses on a case to case (individually) basis if there is objective evidence that such credit losses have occurred. Examples of such objective evidence are major financial problems at the debtor, payment default, material breach of contract, agreed changes in interest rates or other terms and conditions as a result of problems at the debtor, bankruptcy etc. Estimating any credit loss is based on the size of expected future cash flows from sales of collateral etc., when the cash flows are expected to be paid and the discount rate. The size of the loss is directly proportional to the difference between the book value and the present value of discounted future cash flows. The main uncertainty when estimating the size of credit losses stems from the assessment of the size of the cash flows and when they are expected to be received. Reference is made to Note 13.

Groups of loans are written down in the same way as individual loans when there is objective evidence that the overall group has a reduced value as the result of an event that has occurred. Estimating credit losses on groups of loans is based on historical loss data compared with bank specific and/or market parameters such as, for example, risk classification, macroeconomic factors and comparative figures for the sector. The main uncertainty when estimating the size of credit losses on groups of loans is associated with the data basis used. How representative the data basis is and its quality are important. Write-down of impairment/losses on groups of loans is based on models of both an estimated and statistical nature. The general model risk will always be an uncertainty factor that is transferred to the estimates the models are intended to calculate. Reference is made to Note 13.

3.2 Fair value of financial instruments

In principle, observable market rates must be the basis for financial instruments at fair value. Where observable market prices do not exist and the fair value cannot be derived directly or indirectly from observable inputs in the market, various valuation techniques are used. These are methods that can involve using discretionary evaluations to some degree. Such discretionary evaluations may be liquidity risk, credit risk and volatility. Changes in the attitude toward these factors may affect the determination of the fair value of a financial instrument ..

In cases where equity instruments cannot reliably be established, equity instruments are valued at cost.

Reference is made to Note 23 for valuation of financial assets and liabilities at fair value.

3.3. Net pension obligation

The group’s defined-contribution pension obligations are calculated by an external actuary. The calculations are based on standardised assumptions concerning death and disability and other demographic assumptions drawn up by Finance Norway (FNO). A number of economic assumptions are also used as the basis for calculations, including the expected return on pension funds, the discount rate, annual payroll growth, the change in G (national insurance basis amount or in Norwegian “Folketrygdens grunnbelop”) and the regulation of pensions.

The discount interest rate is based on the rate of interest on bonds with preferential rights (OMF) in the Norwegian market, since the OMF market in Norway is considered to satisfy the requirements of corporate bonds of high quality, with a deep market. The discount rate is adjusted by a premium to give an interest rate that reflects the estimated time of payment. The expected return on the pension funds is set as the discount rate in accordance with IAS 19. Pension funds are mostly invested in liquid assets valued at fair value on the balance sheet date. The other economic assumptions are based on the expected long-term change in the parameters. A far higher risk is assessed to be associated with estimated gross pension obligations than with estimated pension funds. Reference is made to Note 50 for further information.

NOTE 4 - OPERATIONAL SEGMENTS

Segment reporting is based on the bank's internal reporting format, in which the parent bank and the housing credit company are split into the private market, the business market and the financial market. There are also other subsidiaries, as well as a non-reportable segment with items that are not allocated to other segments. Almost all the group's income comes from Norway. For the geographical distribution of loans to customers, see Note 11.

For the purpose of management the bank is organised into five operational segments based on the products and services as follows: The private market and business market segments mainly consist of lending to and deposits from customers. Finance mainly consists of the bank's liquidity portfolio, while the main product of AS Financiering is debenture financing of vehicles. Sparebanken Øst Eiendom AS engages in property purchase and sale, and the leasing and development of real estate. Earnings from the private market, business market and AS Financiering mainly comprise net interest income, while income from Sparebanken Øst Eiendom AS primarily comprises income from leasing. Income taxes are controlled on a consolidated basis and not allocated to operating segments, except for subsidiaries that are reported as separate operating segments.

Interest rates are reported on a net basis, since the majority of segment revenues are derived from interest income on loans. Management is based primarily on net interest income and not gross interest income and expenses. Transactions between operational segments are based on arm's length pricing equivalent to transactions with third parties. No single customer accounts for more than 10 per cent of the bank's total income in 2014 and 2013.

Statement of income

2014	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net interest income and commission, external	612.2	233.7	79.0	153.7	0.0	-471.7	0.0	606.9
Net interest income and commission, internal	-297.4	-46.6	-109.1	-35.9	-12.6	501.6	0.0	0.0
Net interest income and commission	**314.8**	**187.1**	**-30.1**	**117.8**	**-12.6**	**29.9**	**0.0**	**606.9**
Total net other income, external	50.3	16.7	5.3	-23.0	36.0	160.6	0.0	245.9
Total net other income, internal	0.0	0.0	0.0	0.0	8.0	-1.7	-6.3	0.0
Total income	**365.1**	**203.8**	**-24.8**	**94.8**	**31.4**	**188.8**	**-6.3**	**852.8**
Payroll and general administration costs	66.8	23.4	0.0	27.9	6.1	93.3	0.0	217.5
Depreciation	0.0	0.0	0.0	2.3	8.7	8.8	0.0	19.8
Other operating costs, external	0.7	0.5	0.0	6.5	7.0	44.1	0.0	58.8
Other operating costs, internal	0.0	0.0	0.0	0.5	0.0	7.5	-8.0	0.0
Total operating expenses	**67.5**	**23.9**	**0.0**	**37.2**	**21.8**	**153.7**	**-8.0**	**296.1**
Profit before losses	**297.6**	**179.9**	**-24.8**	**57.6**	**9.6**	**35.1**	**1.7**	**556.7**
Losses on loans, guarantees, etc.	1.9	8.7	0.0	13.0	0.0	0.0	0.0	23.6
Profit before tax	**295.7**	**171.2**	**-24.8**	**44.6**	**9.6**	**35.1**	**1.7**	**533.1**
Tax costs	0.0	0.0	0.0	12.1	2.6	89.2	0.5	104.4
Profit after tax	**295.7**	**171.2**	**-24.8**	**32.5**	**7.0**	**-54.1**	**1.2**	**428.7**

Statement of income

2013	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net interest income and commission, external	587.1	280.7	86.0	155.4	0.0	-544.7	0.0	564.5
Net interest income and commission, internal	-307.3	-67.1	-131.9	-35.5	-14.5	555.5	0.8	0.0
Net interest income and commission	**279.8**	**213.6**	**-45.9**	**119.9**	**-14.5**	**10.8**	**0.8**	**564.5**
Total net other income, external	54.1	16.9	0.1	-24.5	50.4	37.4	0.0	134.4
Total net other income, internal	0	0.0	0.0	0.0	7.7	0.3	-8.0	0.0
Total income	**333.9**	**230.5**	**-45.8**	**95.4**	**43.6**	**48.5**	**-7.2**	**698.9**
Payroll and general administration costs	66.4	24.2	0.0	26.7	6.8	96.8	0.0	220.9
Depreciation	0.0	0.0	0.0	2.2	9.0	6.7	0.0	17.9
Other operating costs, external	1.1	0.7	0.0	5.5	7.9	39.8	0.0	55.0
Other operating costs, internal	0.0	0.0	0.0	0.6	0.3	7.0	-7.9	0.0
Total operating expenses	**67.5**	**24.9**	**0.0**	**35.0**	**24.0**	**150.3**	**-7.9**	**293.8**
Profit before losses	**266.4**	**205.6**	**-45.8**	**60.4**	**19.6**	**-101.8**	**0.7**	**405.1**
Losses on loans, guarantees, etc.	1.0	0.8	0.0	14.4	0.0	0.0	0.0	16.2

Profit before tax	**265.4**	**204.8**	**-45.8**	**46.0**	**19.6**	**-101.8**	**0.7**	**388.9**
Tax costs	0.0	0.0	0.0	13.3	4.1	88.6	0.2	106.2
Profit after tax	**265.4**	**204.8**	**-45.8**	**32.7**	**15.5**	**-190.4**	**0.5**	**282.7**

Balance sheet

2014	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net loans to and receivables from customers	21,702.7	4,874.3	0.0	1,640.9	0.0	858.7	-378.8	28,697.8
Other assets	14.9	0.0	4,591.0	20.6	572.2	2,760.2	-1,650.6	6,308.3
Total assets	**21,717.6**	**4,874.3**	**4,591.0**	**1,661.5**	**572.2**	**3,618.9**	**-2,029.4**	**35,006.1**
Deposits from and liabilities to customers	8,543.3	3,521.4	1,236.2	19.8	0.0	117.6	-41.3	13,397.0
Other liabilities	301.8	169.6	25.9	1,435.2	437.8	18,281.1	-1,808.0	18,843.4
Inter-company accounts	12,872.5	1,183.3	3,328.9	0.0	0.0	-17,384.7	0.0	0.0
Total liabilities per segment	21,717.6	4,874.3	4,591.0	1,455.0	437.8	1,014.0	-1,849.3	32,240.4
Total equity	0.0	0.0	0.0	206.5	134.4	2,604.9	-180.1	2,765.7
Total liabilities and equity	**21,717.6**	**4,874.3**	**4,591.0**	**1,661.5**	**572.2**	**3,618.9**	**-2,029.4**	**35,006.1**
Investment during the year	**0.0**	**0.0**	**0.0**	**1.8**	**3.7**	**16.5**	**0.0**	**22.0**

Balance sheet

2013	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net loans to and receivables from customers	18,427.3	5,257.5	0.0	1,639.7	0.0	755.2	-308.1	25,771.6
Other assets	14.1	0.3	4,125.5	19.4	491.5	2,666.7	-1,930.6	5,386.9
Total assets	**18,441.4**	**5,257.8**	**4,125.5**	**1,659.1**	**491.5**	**3,421.9**	**-2,238.7**	**31,158.5**
Deposits from and liabilities to customers	7,744.8	3,472.1	1,228.6	17.0	0.0	111.5	-27.2	12,546.8
Other liabilities	276.3	207.3	-24.0	1,456.3	363.0	15,790.1	-1,985.2	16,083.8
Inter-company accounts	10,420.3	1,578.4	2,920.9	0.0	0.0	-14,919.6	0.0	0.0
Total liabilities per segment	18,441.4	5,257.8	4,125.5	1,473.3	363.0	982.0	-2,012.4	28,630.6
Total equity	0.0	0.0	0.0	185.8	128.5	2,439.9	-226.3	2,527.9
Total liabilities and equity	**18,441.4**	**5,257.8**	**4,125.5**	**1,659.1**	**491.5**	**3,421.9**	**-2,238.7**	**31,158.5**
Investment during the year	**0.0**	**0.0**	**0.0**	**1.4**	**3.1**	**12.3**	**0.0**	**16.8**

NOTE 5 - MANAGEMENT OF FINANCIAL RISKS AT SPAREBANKEN ØST

Financial risk is reported in line with IFRS 7. Credit risks, market risks and liquidity risks are considered to be financial risks. Concentration risk is also addressed. Risk is reported to the Management and Board of Directors on a quarterly basis. The report shows the ongoing status in respect of the various defined internal and legislative frameworks for risk.

Credit risk

Credit risk is regarded as risk of loss by customers and other counterparties failing to meet their repayment obligations and that any collateral put up does not cover the bank's outstanding debt.

Measuring of risk when lending to customers is done by classifying the risk a customer represents as an integrated part of the credit process.

The bank's credit strategy describes the bank's overall extension of credit in the private and business markets. On a day-to-day basis, the credit strategy is implemented via credit manuals, frameworks and authorisations that are handled via the bank's credit departments. All departments that hold credit authorisations are subject to a responsibility to observe the credit policy adopted by the bank.

Within the private market, central credit departments have been established with authorisation to grant loans against security.

Within the business market, a separate credit department has been established which makes decisions on credit exceeding a certain amount. Decisions are taken in the credit department individually or jointly, according to a decision-making hierarchy. If the allocation of credit exceeds the authority given to the credit department, the case can be decided either by management or the Board of Directors, depending on the amount. Smaller exposures are entered into in accordance with the adopted framework and personal mandates of the business department. The development in credit risk related to the bank's lending is monitored on an ongoing basis with framework control, periodic analyses and reports, and the use of random sampling at customer level.

Placement in interest-bearing securities for liquidity purposes is linked to the strategy for liquidity management adopted by the Board of Directors. The adopted strategy and the investment policy specify the risk tolerance, allocation to asset classes, frameworks and mandates. Credit losses must be close to zero. In addition, a significant element of the portfolio must be suitable for use as collateral for a borrowing facility at Norges Bank When placing funds in certificates and bonds risk is assessed on the basis of the liquidity of the securities, the issuer's rating and other counterparty-specific factors. Interest-bearing securities are booked at market value so that changes in risk are continuously reflected in the accounts.

Settlement risk is a form of credit risk. Should contract counterparties not meet their commitments, settlement in the form of cash or securities stand at risk of being a loss. The bank seeks to avoid such risks by entering into contracts with sound, and if possible rated, counterparties, and by using clearing systems with a good reputation.

Counterparty risk on derivatives and off balance sheet items is also a form of credit risk that contracts may be a loss if the counterparty goes bankrupt or is unable to fulfil its payment obligations. Such contracts are only entered into with financial institutions rated an A or better by a credit assessment agency known by the bank.

Concentration risk
Concentration risk arises from low diversification with respect to geographical areas, industries and products. At Sparebanken Øst, this is controlled using frameworks for exposure to industries and sectors, and commitment size.

The breakdown of the group's ordinary lending activities as at 31.12.14 is 86 per cent of gross lending to private customers and 14 per cent to business customers. A small proportion of lending to business customers contributes to a low concentration risk.

The group's portfolio of lending to private customers and business customers is geographically distributed on the central Eastern area of Norway, with emphasis on the municipalities of Øvre Eiker, Nedre Eiker and Drammen. The bank is not deemed to be particularly exposed to individual business enterprises (cornerstone industries) or unilateral financial growth in the region. The proximity to Oslo gives both the private customer and business customer departments a large market area with flexibility with regard to customers and markets.

The lending portfolio to business customers is distributed on different businesses. Exposure to property and property development accounts for a relatively large proportion. Turnover and operations in fixed property amount to 57 per cent of the business portfolio. Measured as a portion of the total lending portfolio in the group, exposure to turnover and operations in fixed property is still not more than 8 per cent. Real estate is a cyclical industry that is particularly vulnerable in periods of economic downturn. Commitments are, however, regarded as well secured, often with additional collateral.

Sparebanken Øst limits has set limits for the concentration by size whereby the three largest exposures in the business market portfolio may not constitute more than 13 per cent of the business market portfolio, and the ten largest no more than 25 per cent.

In its lending operations as at 31.12.14, aside from engagements with its own subsidiaries (AS Financiering, Sparebanken Øst Boligkreditt AS and Sparebanken Øst Eiendom AS), the bank had no exposures to external customers exceeding 10 per cent of their capital. As at 31.12.14 loans to the group's largest loan customer represented 0.8 per cent of gross lending. The group's ten largest loan customers represented 3.8 per cent of gross lending, and the group's 20 largest loan customers represented 4.2 per cent of gross lending.

Market risk
Market risk is the risk of loss of market value on financial assets and liabilities in the bank's balance sheet, or via a negative effect on earnings or equity in the event of changes in financial market prices.

Sparebanken Øst is exposed to market risk primarily through changes in the level of interest rates (interest risk), through changes in market prices of financial instruments, including changes in the risk premium/credit spread (price risk), exchange rates (currency risk) and share prices (share risk).

Market risk is controlled via frameworks for maximum exposure to various asset classes, interest risk, currency risk and other risks.

<u>Interest risk</u>
When there is a change in the market interest rate, Sparebanken Øst is unable to immediately change the interest rate for all balance sheet items if these have different periods for binding of interest rates. A change in the market interest rate will then result in an increase or reduction of the net interest and balance sheet items' fair value. This risk is reduced by matching assets, liabilities and various derivatives with each other, in order to keep the risk within accepted frameworks.

Credit spread risk
The credit spread risk is the risk of losses due to changes in the margin (credit spread) on interest-bearing securities. The credit spread risk in the liquidity portfolio is managed by ensuring that the loss due to change in the credit spread never exceeds a specific framework.

Currency risk
Currency risk is the risk of loss of value due to a exchange rate fluctuations. Such risk is reduced by matching asset and liability positions with each other in the balance sheet or by using currency derivatives. For assets where the debtor has the opportunity to repay before the final maturity, revolving swaps are used. Where final maturity is not to be waived, positions are secured using basis swaps.

The bank has a framework that permits open currency risk. The framework complies with the statutory requirements, which is a maximum of 30 per cent of subordinate capital in total currency exposure and a maximum of 15 per cent of subordinate capital in one single currency.

Equity risk
The bank has a holding of shares which are mainly related to strategic purposes. This means that equity risk is limited.

Risk-reducing measures
The bank uses guarantees, derivatives and financial hedging to reduce risk exposure due to changes in interest rate levels, exchange rates and credit risks. Reference is made to the descriptions of each individual risk area.

The low proportion of lending to business customers contributes to a low concentration risk for the bank. The lending activities in the business market are not deemed to be particularly exposed to individual companies (cornerstone industries) or unilateral economic development in the region. Exposure to property and property development accounts for a relatively large share of the business portfolio, but measured as a share of the group's total lending portfolio this exposure accounts for a limited share of the total lending portfolio. Real estate commitments are, however, regarded as well secured, often with additional collateral. Loans and credit facilities extended to the private market primarily concern commitments against mortgages on real estate within appropriate loan-to-value ratios. The bank has low exposure to loans/credit facilities without related collateral.

Lending to other banks and lending as senior bond placements and certificates is provided on an unsecured basis. Investments in bonds with preferential rights provide security in a defined selection of issuer’s assets, usually mortgages.

Liquidity risk
Liquidity risk involves the bank not being in a position to meet its ongoing liabilities as they fall due, or that any necessary refinancing is at a higher cost. The overall strategy dictates that Sparebanken Øst shall have a conservative relationship to liquidity risk. This involves a long-term and proactive approach to future liquidity needs, the distribution of borrowing between an adequate number of countries, and managing liquidity needs through placement in assets with low liquidity and credit risks. Frameworks have been established which control the composition of the balance sheet with regard to the degree of long-term financing and the horizon for survival in a situation with no access to new liquidity. Furthermore, frameworks have been established for maximum cash flow per day and per week. The bank maintains liquidity reserves in the form of cash, drawing rights in Norges Bank and a bond portfolio consisting of liquid securities with high credit quality.

Sparebanken Øst seeks at all times to diversity its sources of finance in order to be as independent as possible of events in individual markets. In addition to deposits from customers, the Norwegian certificate and bond market, including the market for bonds with preferential rights, are current funding sources.

Deposits are a key source of financing for the banks. After the financial crisis, the competition for deposits has intensified. Adjustments to the range of products available to our customers have led to an increased influx of deposits. Topprente.no has made a particular contribution to stabilising the bank’s deposit cover. Topprente.no is a self-service concept which provides the opportunity to give customers competitive deposit terms. As at 31.12.14 deposits from customers accounted for 46.7 per cent of the group’s net lending, compared to 48.7 per cent as at 31.12.13.

It is primarily the larger institutional investors that invest in the banks’ debt securities In order to ensure liquidity in the securities issues it is desirable that the bonds are of a certain size. On the other hand, it is not desirable to have loans that are too large, since this will increase the refinancing risk. In principle, the largest bond loans are bonds with preferential rights.

Bonds with preferential rights provide security to investors in the form of preferential rights to low-risk home loans. Based on the economic situation in Europe and the rest of the western world, this market is also attractive to international investors. The issue of bonds with preferential rights therefore ensures low deposit costs for the banks. Emphasis is therefore on a strategy to issue preferential bonds.

The balance sheet steering committee constantly addresses market events and comes up with measures linked to the liquidity situation in accordance with the overlying strategy. A contingency plan has also been specified for dealing with liquidity crises.

Long-term financial management
Long-term capital management in Sparebanken Øst is intended to ensure good solidity and adequate liquidity for the entire group. God solidity is maintained first and foremost by ensuring that there are sufficient capital buffers in excess of the minimum capital requirements. The bank is adapting to the new capital adequacy rules and closely monitors the development in the market's capital expectations beyond the regulatory requirements. Calculations show that the bank will comply with the expected capital requirements up to and including 2016. The bank's CET1 capital adequacy objective is 14 per cent as from 1 July 2016. This capital level ensures the ability to grow, room for manoeuvre in relation to the regulatory requirements, competitiveness in the bond markets and the opportunity for a return on equity in line with the adopted objective.

Growth and planned growth in loans and other assets will therefore always take into consideration the need for buffer capital above the minimum requirements. Otherwise significant emphasis is placed on our maintaining appropriate management of commercial operations so that the group can achieve good results and provide satisfactory returns on invested capital over time. In this way the bank will be attractive to investors and help to ensure the group access to capital when required to strengthen its equity position.

NOTE 6 - CAPITAL ADEQUACY

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		CET1 capital ratio		
2,765.7	2,527.9	Book equity	2,477.3	2,304.8
		Deductions from CET1 capital		
-5.0	0.0	Additional value adjustments (prudent valuation requirement) (AVA)	-4.8	0.0
-103.7	-62.2	Dividend	-103.7	-62.2
-0.4	-0.7	Intangible assets	-0.4	-0.7
0.0	0.0	Deferred tax	0.0	-4.0
0.0	0.0	CET1 capital instruments in other fin. inst. (not significant)	0.0	0.0
0.0	0.0	CET1 capital instruments in other fin. inst. (significant)	0.0	0.0
0.0	-162.9	50/50 deduction from Tier 1 capital	0.0	-154.8
-162.4	-252.6	Fund for unrealised gains (transitional scheme)	-162.4	-252.6
2,494.2	**2,049.6**	**Total CET1 capital**	**2,206.1**	**1,830.5**
		Other Tier 1 capital		
349.1	502.1	Subordinate bond loans	349.1	502.1
		Deductions from other Tier 1 capital		
0.0	0.0	Other Tier 1 capital instruments in other fin. inst. (not significant)	0.0	0.0
0.0	0.0	Other Tier 1 capital instruments in other fin. inst. (significant)	0.0	0.0
349.1	**502.1**	**Total other Tier 1 capital**	**349.1**	**502.1**
2,843.3	**2,551.7**	**Total Tier 1 capital**	**2,555.2**	**2,332.6**
		Tier 2 capital		
349.3	349.1	Subordinate loans	349.3	349.1
58.5	113.7	Fund for unrealised gains (transitional scheme)	58.5	113.7
		Deductions from Tier 2 capital		
0.0	0.0	Tier 2 capital instruments in other fin. inst. (not significant)	0.0	0.0
0.0	0.0	Tier 2 capital instruments in other fin. inst. (significant)	0.0	0.0
0.0	-162.9	50/50 deduction from Tier 2 capital	0.0	-154.8
407.8	**299.9**	**Total Tier 2 capital**	**407.8**	**308.0**
3,251.2	**2,851.6**	**Net subordinate capital**	**2,963.0**	**2,640.7**
		Calculation basis		
0.0	0.0	Governments and central banks	0.0	0.0
109.6	64.2	Local and regional authorities	109.6	64.2
0.0	25.1	Publicly-owned companies	0.0	25.1
0.0	0.0	Multilateral development banks	0.0	0.0
310.1	443.9	Institutions	2,293.2	2,980.0
3,040.4	2,950.4	Companies	3,421.5	3,258.5
1,866.4	1,738.4	Mass market accounts	658.0	522.1
8,954.9	7,894.3	Accounts secured on property	5,793.3	5,221.9
381.7	440.5	Accounts due	344.7	409.0
241.2	206.2	Covered bonds	241.2	230.4
595.0	0.0	Equity positions	1,527.5	0.0
645.2	1,011.5	Other exposures	124.5	589.8
112.0	55.4	Securitisation	112.0	55.4

16,256.4	**14,829.9**	**Calculation base, credit and counterparty risk**	**14,625.4**	**13,356.4**
0.0	**0.0**	**Calculation base, exchange-rate risk**	**0.0**	**0.0**
1,184.5	**1,167.1**	**Calculation base, operational risk**	**952.9**	**982.4**
450.8	**0.0**	**Calculation base, impaired c/party credit rating (CVA)**	**178.2**	**0.0**
0.0	**-508.1**	**Deductions from the calculation base**	**0.0**	**-488.5**
17,891.6	**15,488.8**	**Total calculation base**	**15,756.5**	**13,850.2**
13.94%	13.23%	CET1 capital ratio	14.00%	13.22%
15.89%	16.47%	Tier 1 capital	16.22%	16.84%
18.17%	18.41%	Capital adequacy	18.80%	19.07%

Group 2014	**Group 2013**	**Buffers**	**Parent bank 2014**	**Parent bank 2013**
447.3	387.2	Maintenance buffer	393.9	346.3
0.0	0.0	Countercyclical buffer	0.0	0.0
536.7	309.8	Systemic risk buffer	472.7	277.0
0.0	0.0	Buffer for systemically important banks	0.0	0.0
984.0	**697.0**	**Total buffer requirements**	**866.6**	**623.3**
1,689.1	**1,352.6**	**Available buffer capital**	**1,497.0**	**1,207.2**
7.93%	7.87%	Unweighted Tier 1 capital ratio*	7.02%	6.99%

*) Unweighted Tier 1 capital ratio calculated as of the end of the quarter.

Regulations for the calculation of subordinate capital and capital adequacy requirements have been amended in response to the introduction of CRD IV with effect from 30.09.14. Comparative figures for prior periods have not been restated. The figures are therefore not directly comparable.

Figures as at 31.12.14 are calculated using transitional rules, which means that the fund for unrealised gains for items classified as available for sale still cannot be included in CET1 capital.

The bank uses the standardised approach to calculate the minimum subordinate capital requirement for credit risk The calculation related to operational risk is performed according to the basis method. The capital charge for credit value adjustment (CVA) is calculated using the standardised approach. Exposure amounts for derivatives are calculated using the market value method.

The group’s capital must at all times meet the minimum capital adequacy requirement, with the addition of a buffer that corresponds to the company's accepted risk tolerance.

More information can be found in the Group’s Pillar III document on Sparebanken Øst’s website.

NOTE 7 – CREDIT RISK

Maximum credit risk

Maximum credit risk is represented as the balance sheet value of the financial assets, including derivatives, in the balance sheet. The group also has credit risk related to loan approvals, unused overdraft facilities and guarantees. The maximum credit risk in excess of balance sheet values is shown below.

Group 2014	**Group 2013**		**Parent bank 2014**	**Parent bank 2013**
		Liabilities		
82.9	315.1	Loan pledges	41.2	194.5
1,600.4	1,353.0	Overdraft facilities	2,335.1	2,405.1
166.5	182.4	Guarantees to customers	165.7	181.7
242.0	242.0	Guarantee to Eksportfinans ASA	242.0	242.0
0.0	0.0	Guarantee for all OMF obligations in the mortgage credit company *	6,942.9	6,154.2
2,091.8	**2,092.5**	**Total liabilities**	**9,726.9**	**9,177.5**

* For the rating process in Sparebanken Øst Boligkreditt AS, the parent bank has issued a guarantee for all preferential bond (OMF) commitments in the housing credit company. The parent bank’s holdings of OMF at nominal NOK 240.0 million as of 31.12.13 have been deducted from the amounts. The bank has no holdings as at 31.12.14.

For more information on maximum credit exposure linked to the various classes of financial instrument, see the associated specific notes.

Risk-reducing measures

Sparebanken Øst's guarantee to Eksportfinans ASA amounts to NOK 242 million. A counter-guarantee has been signed which reduces the exposure to NOK 100 million. Reference is made to Note 51 for the balance sheet value of the guarantee.

Credit risk

Sparebanken Øst’s credit policy forms the basis for the credit activities within the bank. The debt servicing capability is central to any credit assessment, within both the private and business markets. As a general rule, credit shall not be provided if it is unlikely that the customer will be able to service the debt, even when adequate security is provided. The basis for the assessment of a customer's ability to service the debt is the current and future cash flows, measured against the customer's obligations at any time. The extent to which the bank will be able to cover the commitments by realising the security in the event of any future default, reduction of cash flows, or other negative market changes, is also assessed.

Within both the private and business markets, processes and guidelines have been established to contribute to ensuring that all elements relating to the credit assessments are adequately described and known, that portfolios are followed up on a reliable basis and that any changes related to the risk assessed for the individual commitment can be monitored closely. In 2014 there were no significant changes in lending practice in either the private or business market.

Sparebanken Øst has a very low exposure related to unsecured loans/credit facilities in the private and business markets.

Assessment of the ability to service the debt in relation to consumer loans and credit facilities is based on a comprehensive calculation of liquidity on the basis of the borrowers' financial situation. A central aspect is to test liquidity against a potential interest rate increase of 5 percentage points. In principle, consumer loans and credit facilities are only granted against adequate security. Adequate security primarily means security in various types of real estate, usually in relation to the borrower's home. Various types of real estate might be owner-occupied homes, semi-detached homes, row houses, or various types of cooperatively owned homes. Other types of security that may occur to a limited extent may be related to charges on blocked deposits, summer cottages, land, various types of sales liens, securities, share/leasehold apartments, life insurance policies, pledges or other security provided by third parties. For home loans to private customers, the general rule is that these are granted within a loan-to-value ratio of 85 per cent on a sound asset basis. The sound asset basis is usually based on documented marketable values, rates or agent valuations.

The basis for the credit process in the business market is an assessment of the customer's ability to service the debt. A key aspect of this assessment is an analysis of the customer's current and future cash flow from the business activity that is financed, and possibly also the business activity that has already been established. Another key aspect of the credit process within the business market is to assess the business activity's owners, and the owners' ability to support the business activities. Within the business market, the main types of security are real estate, with mortgages related to various types of commercial property. Other types of security may be inventories, trade receivables, operating equipment and agricultural assets. In addition, in many case other security may be provided by a third party. When assessing the security’s value, the going concern assumption is applied as a general rule. Account is taken of any easements in the security assessments. The credit guidelines describe the norms for different types of financing, as well as maximum rates for the assessment of the various types of security. Routines have been established for the periodic follow-up of commitments in the business market. In order to reduce risk and ensure follow-up and management of individual commitments, in addition to the customary credit assessment financial clauses in credit agreements are also used. It is the total exposure to the individual customer that is taken into consideration when assessing the financial effect the security pledged has for the credit risk.

Risk classification criteria have been established in both the private and business markets, as well as frameworks for the sector and various types of concentration risk. Guidelines have been established for the identification and follow-up of exposures that show negative development.

Part IV of the Norwegian Financial Activities Act and related regulations provide the detailed governance of the activities of Sparebanken Øst Boligkreditt AS, and make high demands of which loans may be included in the security pledged as collateral for bonds with preferential rights. These are more stringent regulations than for the usual home lending, and the Act also requires an independent assessor appointed by the Norwegian Financial Supervisory Authority and an independent assessment of each individual pledge of security.

NOTE 8 – KREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

The credit quality relating to loans and advances to customers is shown by the portfolio's overall risk classification. Risk classification of customers is an integral and mandatory element of the credit process, both in the primary and business markets, and is also used in conjunction with monitoring and reporting. At all times the bank seeks to improve its internal risk classification model in order to ensure that the models at all times have high explanatory power, based on the key drivers within the various customer segments. During 2014, the bank's risk classification model for business customers was changed significantly due to the higher weight given to the elements related to the ability and willingness to service the debt, while elements related to the security cover of the exposures have been removed from the risk classification. The risk classification is a key element that is related to the composition of the bank's authorisation structure within the business market. The bank's risk classification in the private market is based on a scale consisting of five possible outcomes, while the risk classification in the business market has 11 possible outcomes. In Note 8, the portfolio is distributed on the high, middle and low risk categories, where the scale for the private market has been condensed. Categories A and B are assessed to have a credit quality equivalent to low risk, C is assessed as medium risk, and D and E are assessed as high risk. Private customers allocated to the bank’s department for special exposures will be risk-classified within the high-risk category. Within the business market, the categories A to D are assessed as low risk, E and F as medium risk, and G to K as high risk. Risk classifications J and K refer to customers already identified as problematic.

For placement of funds in certificates and bonds risk is assessed based on rating and counterparty-specific factors. Ratings from credit assessment agencies are preferred. Where such ratings are not available, indicative ratings from Norwegian brokers as well as internal assessments are used.

Ratings from credit rating agencies and indicative ratings from brokerage houses generally follow a scale from AAA to C, where AAA is the highest quality and C indicates the lowest quality. The scale is used so that AAA - A is assessed as low risk, BBB - BB is assessed as medium risk and B - C is assessed as high risk.

Group as at 31.12.14

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due**	**Individually written down**	**Total**
Loans							
Loans to and deposits with credit institutions	7.5	0.0	0.0	0.0	0.0	0.0	7.5
Loans to and receivables from customers							
-Financial leasing agreements	10.0	2.3	0.8	0.4	4.3	4.5	22.3
-Cash/operations and use credits	2,439.7	94.5	31.4	22.3	97.3	14.3	2,699.5
-Building loans	123.3	120.5	0.0	1.1	11.0	0.0	255.9
-Repayment loans	21,206.2	2,560.0	627.0	219.8	1,014.7	229.6	25,857.3
Total loans	**23,786.7**	**2,777.3**	**659.2**	**243.6**	**1,127.3**	**248.4**	**28,842.5**
Financial investments							
Listed government bonds	205.8	0.0	0.0	0.0	0.0	0.0	205.8
Listed other bonds	3,011.3	229.8	0.0	0.0	0.0	0.0	3,241.1
Unlisted bonds	607.4	55.5	0.0	0.0	0.0	0.0	662.9
Total financial investments	**3,824.5**	**285.3**	**0.0**	**0.0**	**0.0**	**0.0**	**4,109.8**

Group as at 31.12.13

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due**	**Individually written down**	**Total**
Loans							
Loans to and deposits with credit institutions	8.6	0.0	0.0	0.0	0.0	0.0	8.6
Loans to and receivables from customers							
-Financial leasing agreements	9.3	3.4	1.3	0.5	6.5	5.1	26.1
-Cash/operations and use credits	2,226.8	141.7	31.1	38.7	100.3	22.9	2,561.5
-Building loans	64.0	38.8	0.9	2.2	4.3	6.0	116.2
-Repayment loans	17,853.6	2,746.2	887.5	323.1	1,115.0	282.8	23,208.2
Total loans	**20,162.3**	**2,930.1**	**920.8**	**364.5**	**1,226.1**	**316.8**	**25,920.6**
Financial investments							
Listed government bonds	206.0	0.0	0.0	0.0	0.0	0.0	206.0
Listed other bonds	2,549.9	200.4	0.0	0.0	0.0	0.0	2,750.3
Unlisted bonds	488.5	75.5	0.0	0.0	0.0	0.0	564.0
Total financial investments	**3,244.4**	**275.9**	**0.0**	**0.0**	**0.0**	**0.0**	**3,520.3**

Parent bank as at 31.12.14

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due**	**Individually written down**	**Total**
Loans							
Loans to and deposits with credit institutions	2,337.2	0.0	0.0	0.0	0.0	0.0	2,337.2
Loans to and receivables from customers							
-Financial leasing agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0

-Cash/operations and use credits	1,921.8	44.6	25.3	15.3	67.4	14.3	2,088.7
-Building loans	123.3	120.5	0.0	1.1	11.0	0.0	255.9
-Repayment loans	14,063.8	1,416.9	389.1	142.5	566.2	134.5	16,713.0
Total loans	**18,446.1**	**1,582.0**	**414.4**	**158.9**	**644.6**	**148.8**	**21,394.8**
Financial investments							
Listed government bonds	205.8	0.0	0.0	0.0	0.0	0.0	205.8
Listed other bonds	3,011.3	229.8	0.0	0.0	0.0	0.0	3,241.1
Unlisted bonds	607.4	55.5	0.0	0.0	0.0	0.0	662.9
Total financial investments	**3,824.5**	**285.3**	**0.0**	**0.0**	**0.0**	**0.0**	**4,109.8**

Parent bank as at 31.12.13

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due**	**Individually written down**	**Total**
Loans							
Loans to and deposits with credit institutions	2,102.0	0.0	0.0	0.0	0.0	0.0	2,102.0
Loans to and receivables from customers							
-Leasing agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-Cash/operations and use credits	1,775.3	74.5	24.2	27.0	79.1	22.9	2,003.0
-Building loans	64.0	38.8	0.9	2.2	4.3	6.0	116.2
-Repayment loans	11,841.7	1,415.7	610.6	227.0	663.6	196.4	14,955.0
Total loans	**15,783.0**	**1,529.0**	**635.7**	**256.2**	**747.0**	**225.3**	**19,176.2**
Financial investments							
Listed government bonds	206.0	0.0	0.0	0.0	0.0	0.0	206.0
Listed other bonds	2,792.2	200.4	0.0	0.0	0.0	0.0	2,992.6
Unlisted bonds	488.5	75.5	0.0	0.0	0.0	0.0	564.0
Total financial investments	**3,486.7**	**275.9**	**0.0**	**0.0**	**0.0**	**0.0**	**3,762.6**

NOTE 9 - AGE DISTRIBUTION OF LOANS MATURED BUT NOT WRITTEN DOWN

Group as at 31.12.14

	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans to and receivables from customers					
-Financial leasing agreements	4.1	0.0	0.2	0.0	4.3
-Cash/operations and use credits	91.8	4.2	0.1	1.2	97.3
-Building loans	11.0	0.0	0.0	0.0	11.0
-Repayment loans	627.8	172.1	59.6	155.2	1,014.7
Total	**734.7**	**176.3**	**59.9**	**156.4**	**1,127.3**

Group as at 31.12.13

	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans to and receivables from customers					
-Financial leasing agreements	3.4	2.7	0.0	0.4	6.5
-Cash/operations and use credits	93.7	3.9	1.3	1.4	100.3
-Building loans	3.6	0.0	0.0	0.7	4.3
-Repayment loans	669.4	194.2	126.2	125.2	1,115.0
Total	**770.1**	**200.8**	**127.5**	**127.7**	**1,226.1**

Parent bank as at 31.12.14

	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans to and receivables from customers					
-Financial leasing agreements	0.0	0.0	0.0	0.0	0.0
-Cash/operations and use credits	62.9	3.2	0.1	1.2	67.4
-Building loans	11.0	0.0	0.0	0.0	11.0
-Repayment loans	312.2	81.4	17.4	155.2	566.2
Total	**386.1**	**84.6**	**17.5**	**156.4**	**644.6**

Parent bank as at 31.12.13

	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans to and receivables from customers					
-Financial leasing agreements	0.0	0.0	0.0	0.0	0.0
-Cash/operations and use credits	72.5	3.9	1.3	1.4	79.1
-Building loans	3.6	0.0	0.0	0.7	4.3
-Repayment loans	336.1	115.0	91.6	120.9	663.6
Total	**412.2**	**118.9**	**92.9**	**123.0**	**747.0**

NOTE 10 - CREDIT RISK DIVIDED BY RISK CLASS

Business customers – parent bank

The risk parameters from the classification systems are included as an integral part of the credit process in the business market and are a deciding factor for the decision-making level and provide guidance with regard to pricing. Furthermore, the risk classification system is used with regard to the management and control of the current portfolio. The risk classification is based on a weighted calculation of the following key parameters: key figures from the borrowers' accounts, debt servicing history for current exposures and scoring from external credit information providers. The assessment of key figures and their weighting will differ according to the customer's sector. In addition to the aforementioned, certain other factors are also weighted. In isolated terms, the key figures have the highest weighting, irrespective of sector.

	2014						2013					
	Gross loans	**Guaran-tees**	**Overdraft facil.**	**Individ. write-downs**	**Commitments**	**%**	**Gross loans**	**Guaran-tees**	**Overdraft facil.**	**Individ. write-downs**	**Commitments**	**%**
Low risk	485	24	71	0	580	12	595	15	56	0	666	13
Moderate risk	2,463	82	150	0	2,695	54	2,301	67	88	0	2,456	49
Normal risk	1,071	45	124	0	1,240	25	868	42	80	0	990	20
Reasonably high risk	222	4	6	0	232	5	485	49	16	0	550	11
High risk	148	1	1	28	150	3	303	3	1	34	307	6
Unallocated	19	1	5	0	25	1	30	1	39	0	70	1
Total	**4,408**	**157**	**357**	**28**	**4,922**	**100**	**4,582**	**177**	**280**	**34**	**5,039**	**100**

In this table, the business market portfolio is distributed on five risk categories. In the bank's credit strategy document, total target figures have been adopted for the exposure in the various risk categories. The credit strategy also provides specific guidelines for exposure within the property segment. Furthermore, the bank's policy sets requirements regarding the minimum achieved risk category upon the intake of new and/or recently established customers. The bank adheres to a principle whereby commitments that are subject to observation/handling in the bank's department for special commitments are classified within the high-risk categories, cf. the aforementioned table.

Risk classification of business customers takes place in the event of new case assessments and/or annual renewals. The bank's largest commitment is reclassified annually, as a minimum.

The bank performs quarterly analyses whereby the business portfolio, on a portfolio and individual basis, is followed up and measured against credit score and PD (Probability of Default) as calculated by the bank's credit information provider. Negative development related to the individual exposure is monitored closely and initiates close follow-up of the customer. The external analyses are also used to reconcile the risk in the portfolio against the risk discovered via the bank's own risk classification system. These analyses confirm that the bank's own risk classification provides a good picture of the risk in the portfolio.

The bank's first line of defence is defined as the customer's ability to pay. If it is assessed that a customer does not have the ability to service the debt, as a rule the debt should not be granted even if the security in itself is found to be adequate. The ability to service the debt is also tested against a higher interest rate regime.

The requirements of collateral, second-line defence, for business loans will vary widely, depending on the nature of the commitment, he industry concerned, the size of the commitment and, not least, the project's or commitment's assessed risk. Security is assessed is assessed in relation to a prudently assessed market value. The majority of the bank's business loans are secured entirely or partly via property mortgages. Valuations and market values often exist for commercial properties. Third party documentation of values must as a general rule be supplemented with the bank's own assessments of the security. These are carried out based on the security's historical and potential cash flow, location, nature, general market outlook, etc. For parts of smaller accounts, in addition to any operations-dependent securities, there will often be a related security in real estate, private buildings etc. For each type of security the bank has drawn up specific requirements for processing and precautionary assessments which are detailed in the bank's credit manual.

Through its credit strategy the Board has determined overall limits related to the maximum exposure per customer/group, industry exposure, risk class, concentration risk and requirements for the acceptance of new customers. Follow-up work connected to the limits and framework adopted by the Board, as described in the credit strategy, takes place through quarterly risk reports.

As a main rule the pricing of loans and guarantees is linked to the risk classification of the exposures. However such pricing will be affected by the bank's overall growth targets and the general market and competitive situation.

Grouped write-downs of loans are not distributed on risk classes.

Sparebanken Øst expresses its risk tolerance by ensuring that the bank's percentage loss of net lending over time may not exceed 0.2 per cent of the total net lending to customers.

Private customers - parent bank

The risk classification system is used for decision-making support, monitoring and reporting. The risk parameters from the classification systems are included as an integrated part of the credit process and the follow-up of the private customer portfolio. The risk classification is based on a weighted calculation of the following parameters: level of debt, ability to service the debt defined in accordance with the customer/household's net liquidity, taking into account a potential increase in interest rates by 5 percentage points, documented debt service history, and credit score obtained from an external credit information provider.

The bank's organisation of the approval process within the private market is based on a centralised processing unit. Control measures that have been implemented show that this type of organisation has been extremely successful and has limited the operational risk related to the processing of loans to private customers.

	2014						2013					
	Gross loans	**Guaran-tees**	**Overdraft facil.**	**Individ. write-downs**	**Commitments**	**%**	**Gross loans**	**Guaran-tees**	**Overdraft facil.**	**Individ. write-downs**	**Commitments**	**%**
Low risk	11,797	7	664	0	12,468	81	9,457	2	555	0	10,014	77
Moderate risk	1,671	1	59	0	1,731	11	1,668	2	73	0	1,743	13
Normal risk	623	1	18	0	642	4	746	1	20	0	767	6
Reasonably high risk	310	0	5	0	315	2	323	0	3	0	326	2
High risk	105	0	0	4	105	1	65	0	0	5	65	0
Unallocated	144	0	17	0	161	1	233	0	22	0	255	2
Total	**14,650**	**9**	**763**	**4**	**15,422**	**100**	**12,492**	**5**	**673**	**5**	**13,170**	**100**

In the management of the total portfolio within the private market, limits for exposure have been adopted by the Board within the various risk classes. The bank adheres to a principle whereby commitments that are for observation/handling in the bank's department for special commitments are classified within the categories of reasonably high and high risk, depending on the underlying security assessments. Follow-up work connected to the limits adopted by the Board takes place through quarterly risk reports.

Risk classification of private customers is carried out in the event of new case assessments or the receipt of updated information relating to the elements included in the classification.

The bank carries out quarterly analyses, where the development in the total portfolio is followed up against the credit score that is calculated by the bank's credit information provider. The external analyses are also used to reconcile the risk in the portfolio against the risk discovered via the bank's own risk classification system. Experience confirms that the bank's own risk classification provides a good picture of the risk in the portfolio.

The bank's first line of defence is defined as the customer's ability to pay. If it is assessed that a customer does not have the ability to service a debt, as a rule the account debt not be granted even if the security in itself is found to be adequate.

The private market loan portfolio is primarily related to secured mortgage loans where accounts are secured on real estate, property on leased land or housing associations with adequate loan to value ratios. The loan to value ratio is calculated based on the loan exposure in relation to an estimated market value of the security item. For the majority of the approved loans the basis for the valuation is either a property valuation, broker evaluation, or sales value. Customers requiring loans with a loan to value ratio above 85 per cent have primarily been secured by obtaining adequate supplementary security. The development in approved deviations from the Financial Supervisory Authority of Norway's mortgage guidelines is followed up via quarterly reports. The pricing of loans to private customers is mainly based on security cover (debt to asset ratio) and the amount of the loan. However, such pricing will be affected by the bank's overall growth targets and the general market and competitive situation.

In terms of loans/credit/cards without security Sparebanken Øst operates with a low volume and maintains a highly restrictive credit policy.

Total portfolio - parent bank

	2014						2013					
	Gross loans	Guaran-tees	Overdraft facil.	Individ. write-downs	Commitments	%	Gross loans	Guaran-tees	Overdraft facil.	Individ. write-downs	Commitments	%
Low risk	12,282	31	735	0	13,048	64	10,052	17	606	0	10,675	58
Moderate risk	4,134	83	209	0	4,426	22	3,969	69	161	0	4,199	23
Normal risk	1,694	46	142	0	1,882	9	1,614	43	100	0	1,757	10
Reasonably high risk	532	4	11	0	547	3	808	49	19	0	876	5
High risk	253	1	1	32	255	1	368	3	1	39	372	2
Unallocated	163	1	22	0	186	1	263	1	61	0	325	2
Total	**19,058**	**166**	**1,120**	**32**	**20,344**	**100**	**17,074**	**182**	**948**	**39**	**18,204**	**100**

Write-downs on groups of loans to customers in Sparebanken Øst are unchanged from 31.12.13 and amount to a total of NOK 40.1 million.

Total portfolio – group

	2014						2013					
	Gross loans	Guaran-tees	Overdraft facil.	Individ. write-downs	Commitments	%	Gross loans	Guaran-tees	Overdraft facil.	Individ. write-downs	Commitments	%
Low risk	18,801	31	1,115	2	19,947	65	14,742	17	885	2	15,644	57
Moderate risk	5,555	84	283	3	5,922	19	5,988	69	252	3	6,309	23
Normal risk	3,097	46	159	22	3,302	11	3,231	43	124	20	3,398	12
Reasonably high risk	809	4	13	24	826	3	1,143	49	23	22	1,215	4
High risk	324	1	1	43	326	1	436	3	1	51	440	2
Unallocated	249	1	29	0	279	1	372	1	68	0	441	2
Total	**28,835**	**167**	**1,600**	**94**	**30,602**	**100**	**25,912**	**182**	**1,353**	**98**	**27,447**	**100**

The Group figures show a summary of the parent bank, Sparebanken Øst Boligkreditt and AS Financiering adjusted for eliminations in Sparebank Øst Eiendom AS (including subsidiary). Write-downs on groups of loans to customers in Sparebanken Øst are unchanged from 31.12.13 and amount to a total of NOK 43.4 million.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst, and is activities mainly comprise the financing of used cars and leasing. When classifying risk in AS Financiering credit information is obtained which is also adjusted for income, equity and any negative payment experience AS Financiering may have with the customer. Grouped write-downs of loans are not distributed on risk classes. Losses in AS Financiering for 2014 amount to a total of NOK 13.0 million compared to NOK 14.4 million in 2013. Book losses in 2014 amounted to 0.76 per cent of gross lending. The corresponding figure for 2013 was 0.85 per cent.

Security in relation to loans to customers – group 31.12.14

The table below shows security in relation to loans to customers. Security is not taken for the bank's other financial assets.

	Maximum exposure for credit risk	Security pledged in property	Security pledged in securities	Other security
Gross loans to customers including unused overdraft facilities and guarantees to customers	**30,601.9**	**66,790.6**	**2.4**	**629.8**

The table above shows the sum of the values the bank has used as the basis for all the security that is pledged for the portfolio of loans to customers. The market values in the table are therefore not limited to maximum credit exposure on the individual loans or commitment. The bank has a lending portfolio that is primarily secured through real estate.
Where a commitment is secured through property, the property value is based on an estimated market value at the time of the last assessment of the commitment. The estimated market value is based on known market values, valuations or other

types of value assessments. Within the business market, the security's cash flow will be directive for the estimated market value. For all types of security, including operationally dependent security, conservative estimates are made regarding estimated market values. Principles for valuations of all the underlying securities are described in the bank's guidelines.

For the parent bank, the estimated actual value of security for defaulted and loss-exposed loans not written down is NOK 148.3 million (NOK 281.4 million in 2013). The balance sheet value of defaulted and loss-exposed loans not written down is NOK 149.5 million (NOK 243.0 million in 2013). The estimated actual value of security for loans written down is NOK 125.9 million (NOK 171.1 million in 2013), which is equivalent to the balance sheet value for loans written down. The security consists mainly of real property, but smaller amounts may be against deposits, goods, claims and movable operating equipment as security.

AS Financiering has an estimated 21.75 per cent (20.76 per cent in 2013) security cover on the loans that are written down.

NOTE 11 – DISTRIBUTION OF LOANS AND GUARANTEES TO CUSTOMERS ACCORDING TO SECTOR, INDUSTRY AND GEOGRAPHY

Distribution by sector and industry – group

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2014	2013	2014	2013	2014	2013	2014	2013
Salaried employees	24,693.4	21,511.4	8.6	5.1	1,250.5	1,067.9	13.0	14.3
Agriculture, forestry, fishing	136.3	167.4	0.6	0.7	20.9	21.6	0.0	0.0
Industry, construction, power, water supply	105.9	101.3	11.9	12.7	17.8	21.8	-5.3	-3.3
Buildings, facilities	587.4	515.0	38.9	23.9	122.3	67.5	2.6	6.9
Retail, hotel and catering	335.4	376.4	33.0	33.7	55.3	71.1	0.6	-3.1
Transport, communications	60.3	81.9	9.6	11.5	6.0	6.2	-0.8	0.1
Financial services	90.3	142.8	17.7	48.3	8.6	17.1	0.6	0.3
Other service industries	450.3	469.9	12.5	14.8	21.2	14.0	1.8	-0.1
Real estate turnover and operations	2,347.7	2,528.1	33.7	31.6	96.1	64.2	12.5	0.9
Abroad	28.0	17.8	0.0	0.1	1.7	1.6	0.2	0.2
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	-1.6	0.0
Total	**28,835.0**	**25,912.0**	**166.5**	**182.4**	**1,600.4**	**1,353.0**	**23.6**	**16.2**

	Distressed accounts		Loss-exposed accounts		Individual impairment		Write-downs on groups of loans*	
	2014	2013	2014	2013	2014	2013	2014	2013
Salaried employees	172.7	165.1	2.2	6.2	62.9	60.0	4.9	3.3
Agriculture, forestry, fishing	0.2	0.2	0.0	0.0	0.2	0.2	0.0	0.0
Industry, construction, power, water supply	0.5	0.6	5.5	25.9	4.4	9.4	0.0	0.0
Buildings, facilities	96.7	99.0	0.0	0.9	2.6	5.8	0.0	0.0
Retail, hotel and catering	7.7	12.7	0.0	0.0	3.3	7.9	0.0	0.0
Transport, communications	0.1	3.0	0.0	0.0	0.0	0.5	0.0	0.0
Financial services	5.3	12.8	0.0	0.0	0.4	0.3	0.0	0.0
Other service industries	11.3	8.4	0.0	0.2	2.6	1.1	0.0	0.0
Real estate turnover and operations	104.4	156.2	16.0	8.1	17.1	12.1	0.0	0.0
Abroad	1.2	0.9	0.0	0.0	0.8	0.7	0.0	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	38.5	40.1
Total	**400.1**	**458.9**	**23.7**	**41.3**	**94.3**	**98.0**	**43.4**	**43.4**

* Write-downs of groups of loans to customers are not distributed by industry.

Distribution by sector and industry – parent bank

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2014	2013	2014	2013	2014	2013	2014	2013
Salaried employees	14,631.7	12,479.7	8.6	5.1	761.0	666.3	0.7	1.1
Agriculture, forestry, fishing	135.7	165.3	0.6	0.7	20.9	21.6	0.0	0.0
Industry, construction, power, water supply	102.8	97.5	11.9	12.7	17.8	21.8	-5.3	-3.4
Buildings, facilities	575.3	499.0	38.9	23.9	121.2	66.2	2.5	6.8
Retail, hotel and catering	312.0	346.0	32.2	33.0	55.3	71.1	0.3	-3.4
Transport, communications	48.6	65.0	9.6	11.5	6.0	6.2	-0.8	0.0
Financial services	79.2	133.4	17.7	48.3	19.6	16.6	0.6	0.3
Other service industries	436.4	452.0	12.5	14.8	21.2	14.0	1.7	-0.3
Real estate turnover and operations	2,718.1	2,823.3	33.7	31.6	94.8	62.8	12.5	0.7
Abroad	17.8	13.0	0.0	0.1	1.7	1.6	0.0	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	-1.6	0.0
Total	**19,057.6**	**17,074.2**	**165.7**	**181.7**	**1,119.5**	**948.2**	**10.6**	**1.8**

	Distressed Commitment		Loss-exposed accounts		Individual impairment		Write-downs on groups of loans*	
	2014	2013	2014	2013	2014	2013	2014	2013
Salaried employees	74.1	78.6	2.2	6.2	3.9	6.4	1.6	1.6
Agriculture, forestry, fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Industry, construction, power, water supply	0.5	0.6	5.5	25.8	4.4	9.4	0.0	0.0
Buildings, facilities	96.3	98.5	0.0	0.0	2.3	5.3	0.0	0.0
Retail, hotel and catering	5.5	10.6	0.0	0.0	2.0	6.6	0.0	0.0
Transport, communications	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial services	5.1	12.6	0.0	0.0	0.2	0.1	0.0	0.0
Other service industries	10.1	7.1	0.0	0.0	1.9	0.2	0.0	0.0
Real estate turnover and operations	104.2	155.0	16.0	8.1	17.0	11.3	0.0	0.0
Abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	38.5	38.5
Total	**295.8**	**365.1**	**23.7**	**40.1**	**31.7**	**39.3**	**40.1**	**40.1**

* Write-downs of groups of loans to customers are not distributed by industry.

Geographical distribution

Group Loans		Group Guarantees			Parent bank Loans		Parent bank Guarantees	
2014	2013	2014	2013		2014	2013	2014	2013
4,398.4	4,488.9	41.7	35.0	Drammen	3,638.2	3,650.9	41.7	35.0
2,420.7	2,385.6	28.6	18.2	Nedre Eiker	1,744.7	1,695.9	28.6	18.2
1,878.2	1,892.7	24.1	34.8	Øvre Eiker	1,423.6	1,420.0	24.1	34.8
2,287.4	2,097.2	22.2	52.5	Other parts of Buskerud	1,767.9	1,573.3	22.2	52.5
5,528.1	4,534.2	26.7	15.8	Oslo	3,470.1	2,843.4	25.9	15.1
5,336.7	4,563.1	10.3	20.4	Akershus	3,300.2	2,755.4	10.3	20.4
2,324.6	2,156.2	12.8	5.4	Vestfold	1,638.2	1,460.8	12.8	5.4
1,228.2	1,069.0	0.1	0.2	Østfold	688.3	511.3	0.1	0.2
3,404.7	2,707.3	0.0	0.0	Rest of the country	1,368.6	1,150.2	0.0	0.0
28.0	17.8	0.0	0.1	Abroad	17.8	13.0	0.0	0.1
28,835.0	**25,912.0**	**166.5**	**182.4**	**Total**	**19,057.6**	**17,074.2**	**165.7**	**181.7**

NOTE 12 - LOANS TO AND RECEIVABLES FROM CUSTOMERS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
22.3	26.1	Financial leasing agreements	0.0	0.0
2,699.5	2,561.5	Cash/operations and use credits	2,088.7	2,003.0
255.9	116.2	Building loans	255.9	116.2
25,857.3	23,208.2	Repayment loans	16,713.0	14,955.0
28,835.0	**25,912.0**	**Gross loans to and receivables from customers**	**19,057.6**	**17,074.2**
93.8	97.0	Individual impairment	31.2	38.3
43.4	43.4	Impairment of groups of loans	40.1	40.1
28,697.8	**25,771.6**	**Net loans to and receivables from customers**	**18,986.3**	**16,995.8**

NOTE 13 – LOSSES ON LOANS AND GUARANTEES, CUSTOMERS

Group 2014	Group 2013			Parent bank 2014	Parent bank 2013
			Individual impairment		
98.0	105.4		Individual impairment as at 01.01.	39.3	51.3
10.3	7.7	-	Actual losses for the period, where there have previously been individual write-downs	6.8	3.6
9.6	4.8	+	Increased individual write-downs during the period	4.4	0.4
22.0	22.1	+	New individual write-downs during the period	9.4	5.5
25.0	26.6	-	Chargeback of individual write-downs during the period	14.6	14.3
94.3	**98.0**	=	**Individual impairment as at 31.12. ***	**31.7**	**39.3**
			Impairment of groups of loans		
43.4	43.4		Impairment of groups of loans as at 01.01.	40.1	40.1
0.0	0.0	+/-	Changes to write-downs on groups of loans during the period	0.0	0.0
43.4	**43.4**	**=**	**Impairment of groups of loans as at 31.12.**	**40.1**	**40.1**
			Loss costs for the period		
-3.7	-7.4		Changes in individual impairment for the period	-7.6	-12.0
0.0	0.0	+/-	Changes to write-downs on groups of loans during the period	0.0	0.0
17.7	9.8	+	Actual losses for the period, where there have previously been individual write-downs	14.2	5.7
11.0	11.6	+	Actual losses for the period, where there have not previously been individual write-downs	0.9	0.7
11.9	7.0	-	Recovery of previously identified losses during the period	7.3	1.8
10.5	9.2	+/-	Amortisation cost of write-downs during the period	10.4	9.2
23.6	**16.2**	**=**	**Losses on loans and guarantees**	**10.6**	**1.8**
22.2	**22.1**		**Income interest on loans written down**	**15.5**	**14.9**

*Includes specified allocations for guarantee commitments of NOK 0.5 million for 2014 and NOK 1.0 million for 2013. Carried to the balance sheet as liabilities under “Allocations for expenses and obligations.”

Losses on loans and guarantees distributed on classes as at 31.12.14

		PM	BM	AS Financiering	Total
	Individual impairment				
	Individual write-downs as at 01.01.	2.2	37.1	58.7	98.0
-	Actual losses for the period, where there have previously been individual write-downs	0.9	5.9	3.5	10.3
+	Increased individual write-downs during the period	0.0	4.4	5.2	9.6
+	New individual write-downs during the period	0.0	9.4	12.6	22.0
-	Chargeback of individual write-downs during the period	0.8	13.8	10.4	25.0
=	**Individual write-downs as at 31.12. ***	**0.5**	**31.2**	**62.6**	**94.3**
	Impairment of groups of loans				
	Write-downs on groups of loans as at 01.01.	1.6	38.5	3.3	43.4
+/-	Changes to write-downs on groups of loans during the period	0.0	0.0	0.0	0.0
=	**Impairment of groups of loans as at 31.12.**	**1.6**	**38.5**	**3.3**	**43.4**

	Loss costs for the period				
	Changes to individual write-downs during the period	-1.7	-5.9	3.9	-3.7
+/-	Changes to write-downs on groups of loans during the period	0.0	0.0	0.0	0.0
+	Actual losses for the period, where there have previously been individual write-downs	1.1	13.1	3.5	17.7
+	Actual losses for the period, where there have not previously been individual write-downs	0.6	0.3	10.1	11.0
-	Recovery of previously identified losses during the period	-1.8	9.1	4.5	11.8
+/-	Amortisation cost of write-downs during the period	0.1	10.3	0.0	10.4
=	**Losses on loans and guarantees**	**1.9**	**8.7**	**13.0**	**23.6**

*) Includes specified allocations for guarantee commitments of NOK 0.5 million for 2014. Carried to the balance sheet as liabilities under “Allocations for accrued expenses and obligations.”

Losses on loans and guarantees distributed on categories as at 31.12.13

		PM	BM	AS Financiering	Total
	Individual impairment				
	Individual write-downs as at 01.01.	1.7	49.6	54.1	105.4
-	Actual losses for the period, where there have previously been individual write-downs	1.7	1.9	4.1	7.7
+	Increased individual write-downs during the period	0.0	0.4	4.4	4.8
+	New individual write-downs during the period	3.0	2.5	16.6	22.1
-	Chargeback of individual write-downs for the period	0.8	13.5	12.3	26.6
=	**Individual write-downs as at 31.12. ***	**2.2**	**37.1**	**58.7**	**98.0**
	Impairment of groups of loans				
	Write-downs on groups of loans as at 01.01.	1.6	38.5	3.3	43.4
+/-	Changes to write-downs on groups of loans during the period	0.0	0.0	0.0	0.0
=	**Impairment of groups of loans as at 31.12.**	**1.6**	**38.5**	**3.3**	**43.4**
	Loss costs for the period				
	Changes to individual write-downs during the period	0.5	-12.5	4.6	-7.4
+/-	Changes to write-downs on groups of loans during the period	0.0	0.0	0.0	0.0
+	Actual losses for the period, where there have previously been individual write-downs	0.0	5.7	4.1	9.8
+	Actual losses for the period, where there have not previously been individual write-downs	0.6	0.2	10.8	11.6
-	Recovery of previously identified losses during the period	0.3	1.6	5.1	7.0
+/-	Amortisation cost of write-downs during the period	0.2	9.0	0.0	9.2
=	**Losses on loans and guarantees**	**1.0**	**0.8**	**14.4**	**16.2**

*) Includes specified allocations to guarantee commitments of NOK 1.0 million for 2013. Carried to the balance sheet as liabilities under “Allocations for accrued expenses and obligations.”

Changes in non-performing and loss exposed accounts

Group 2014	Group 2013	Group 2012	Group 2011	Group 2010		Parent bank 2014	Parent bank 2013	Parent bank 2012	Parent bank 2011	Parent bank 2010
400.1	458.9	349.8	301.8	236.1	Total distressed accounts	295.8	365.1	265.9	229.4	162.4
85.3	82.9	83.8	78.1	102.9	- Individual impairment	22.7	24.4	30.2	32.9	58.9
314.8	**376.0**	**266.0**	**223.7**	**133.2**	**Net distressed accounts**	**273.1**	**340.7**	**235.7**	**196.5**	**103.5**
23.7	41.3	76.9	94.2	121.6	Gross loss-exposed accounts	23.7	40.1	75.3	92.8	118.9
9.0	15.1	21.6	22.1	26.0	- Individual impairment	9.0	14.9	21.1	21.7	24.7
14.7	**26.2**	**55.3**	**72.1**	**95.6**	**Net loss-exposed accounts**	**14.7**	**25.2**	**54.2**	**71.1**	**94.2**

Non-performing and loss-exposed accounts

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		Distressed accounts over 90 days		
226.3	292.4	Business and industry	221.7	286.0
173.8	166.5	Private market	74.1	79.1
400.1	**458.9**	**Total distressed accounts**	**295.8**	**365.1**
85.3	82.9	Individual impairment	22.7	24.4
314.8	**376.0**	**Net distressed accounts**	**273.1**	**340.7**
21%	18%	Provisions ratio	8%	7%
		Loss exposed (non-distressed) accounts		
21.5	35.2	Business and industry	21.5	33.9
2.2	6.1	Private market	2.2	6.2
23.7	**41.3**	**Gross loss-exposed accounts**	**23.7**	**40.1**
9.0	15.1	Individual impairment	9.0	14.9
14.7	**26.2**	**Net loss-exposed accounts**	**14.7**	**25.2**
38%	37%	Provisions ratio	38%	37%
		Gross non-performing and loss exposed accounts		
247.8	327.6	Business and industry	243.2	319.9
176.0	172.6	Private market	76.3	85.3
423.8	**500.2**	**Gross non-performing and loss exposed accounts**	**319.5**	**405.2**
94.3	98.0	Individual impairment	31.7	39.3
329.5	**402.2**	**Net non-performing and loss exposed accounts**	**287.8**	**365.9**
22%	20%	Provisions ratio	10%	10%

NOTE 14 - LOANS TO AND RECEIVABLES FROM CUSTOMERS ASSOCIATED WITH FINANCIAL LEASING AGREEMENTS

The group has financial leasing agreements with customers. Leasing agreements are to a large extent associated with the leasing of cars and other vehicles, industrial equipment and machinery. The Group has not undertake any risk related to residual values.

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
3.9	4.9	Within 1 year	0.0	0.0
15.3	20.4	Between 1 and 5 years	0.0	0.0
0.9	1.0	After 5 years	0.0	0.0
20.1	**26.3**	**Gross receivables associated with financial leasing agreements**	**0.0**	**0.0**
2.4	4.0	Non-accrued income associated with financial leasing agreements	0.0	0.0
17.7	**22.3**	**Net receivables associated with financial leasing agreements**	**0.0**	**0.0**
3.0	4.5	Within 1 year	0.0	0.0
14.0	16.9	Between 1 and 5 years	0.0	0.0
0.7	0.9	After 5 years	0.0	0.0
17.7	**22.3**	**Net investments associated with financial leasing agreements**	**0.0**	**0.0**
1.9	2.2	Accumulated loss provisions for outstanding minimum leases	0.0	0.0

NOTE 15 - LOANS TO AND RECEIVABLES FROM CREDIT INSTITUTIONS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
7.5	8.6	Loans to and receivables from credit institutions without agreed maturities or deadline for termination	7.5	8.6
0.0	0.0	Loans to and receivables from credit institutions with agreed maturities or deadline for termination *	2,329.7	2,093.4
7.5	**8.6**	**Gross loans to and receivables from credit institutions**	**2,337.2**	**2,102.0**
0.0	0.0	Individual impairment	0.0	0.0
0.0	0.0	Impairment of groups of loans	0.0	0.0
7.5	**8.6**	**Net loans to and receivables from credit institutions**	**2,337.2**	**2,102.0**

NOTE 16 – LOSSES ON LOANS AND GUARANTEES WITH CREDIT INSTITUTIONS

Group 2014	Group 2013			Parent bank 2014	Parent bank 2013
			Individual impairment		
0.0	0.0		Individual write-downs as at 01.01.	0.0	0.0
0.0	0.0	-	Actual losses for the period, where there have previously been individual write-downs	0.0	0.0
0.0	0.0	+	Increased individual write-downs during the period	0.0	0.0
0.0	0.0	+	New individual write-downs during the period	0.0	0.0
0.0	0.0	-	Chargeback of individual write-downs during the period	0.0	0.0
0.0	**0.0**	=	**Individual write-downs as at 31.12.**	**0.0**	**0.0**
			Impairment of groups of loans		
0.0	0.0		Impairment of groups of loans as at 01.01.	0.0	0.0
0.0	0.0	+/-	Changes to write-downs on groups of loans during the period	0.0	0.0
0.0	**0.0**	**=**	**Impairment of groups of loans as at 31.12.**	**0.0**	**0.0**
			Loss costs for the period		
0.0	0.0		Changes in individual impairment for the period	0.0	0.0
0.0	0.0	+/-	Changes to write-downs on groups of loans during the period	0.0	0.0
0.0	0.0	+	Actual losses for the period, where there have previously been individual write-downs	0.0	0.0
0.0	0.0	+	Actual losses for the period, where there have not previously been individual write-downs	0.0	0.0
0.0	0.0	-	Recovery of previously identified losses during the period	0.0	0.0
0.0	0.0	+/-	Amortisation cost of write-downs during the period	0.0	0.0
0.0	**0.0**	**=**	**Losses on loans and guarantees**	**0.0**	**0.0**
0.0	**0.0**		**Income interest on loans written down**	**0.0**	**0.0**

Changes in non-performing and loss exposed accounts

Group 2014	Group 2013	Group 2012	Group 2011	Group 2010		Parent bank 2014	Parent bank 2013	Parent bank 2012	Parent bank 2011	Parent bank 2010
0.0	0.0	0.0	0.0	1.4	Total distressed accounts	0.0	0.0	0.0	0.0	1.4
0.0	0.0	0.0	0.0	0.0	- Individual impairment	0.0	0.0	0.0	0.0	0.0
0.0	**0.0**	**0.0**	**0.0**	**1.4**	**Net distressed accounts**	**0.0**	**0.0**	**0.0**	**0.0**	**1.4**
0.0	0.0	0.0	0.0	0.0	Gross loss-exposed accounts	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	- Individual impairment	0.0	0.0	0.0	0.0	0.0
0.0	**0.0**	**0.0**	**0.0**	**0.0**	**Net loss-exposed accounts**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Geographical distribution of loans to and receivables from credit institutions

Group		Group		Group			Parent bank		Parent bank		Parent bank	
Gross lending		Individual impairment		Impairment of groups of loans			Gross lending		Individual impairment		Impairment of groups of loans	
2014	2013	2014	2013	2014	2013		2014	2013	2014	2013	2014	2013
7.5	8.6	0.0	0.0	0.0	0.0	Norway	2,337.2	2,102.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	Other countries	0.0	0.0	0.0	0.0	0.0	0.0
7.5	**8.6**	**0.0**	**0.0**	**0.0**	**0.0**	**Total**	**2,337.2**	**2,102.0**	**0.0**	**0.0**	**0.0**	**0.0**

NOTE 17 – INTEREST RATE RISK

Interest risk related to fixed interest deposits from and loans to credit institutions, deposits from and loans to customers, and debt and investments in certificates and bonds, is controlled using interest rate swaps and fixed interest agreements (FRA). For deposits or positions in other currencies interest rate and currency swap agreements are generally entered into so that relevant market interest rates are Norwegian money market rates. The distribution by currency in the tables refers to the division by currency in the balance sheet.

In reality, loans to private customers at variable interest rates result in six weeks of fixed interest rates (Section 50(3) of the Financial Agreement Act stipulates a minimum of six weeks' notice), while deposits from customers at variable interest rates result in two months of fixed interest rates (Section 18(2) of the Financial Agreement Act stipulates a minimum of two months' notice).

Below the net interest rate sensitivity of a parallel shift in the yield curve of 1 percentage point is shown. The effect is calculated on the basis that a permanent shift in the yield curve occurs at the measurement date 31.12.14. The sensitivity of the results is the effect gained one year ahead. The table shows that an immediate increase in interest rates of 1 percentage point will lead to higher net interest the following year. Correspondingly, an immediate reduction in interest rates will give reduced net interest.

The "Time until expected rate change" table shows the balance sheet distribution in terms of the time of the change in interest rates. Net exposure shows the net fixing of net interest rates for assets and liabilities. Positive amounts for net exposure show that the bank has fixed interest rates on the asset side to a greater extent than on the liabilities side.

Interest rate sensitivity - group as at 31.12.14

Currency	Increase in base points	Sensitivity result	Sensitivity on equity	Reduction in base points	Sensitivity result	Sensitivity on equity
NOK	+100	21.7	0.0	-100	-21.7	0.0
EUR	+100	6.4	0.0	-100	-6.4	0.0
Other	+100	-2.4	0.0	-100	2.4	0.0
Total		**25.7**	**0.0**		**-25.7**	**0.0**

Interest rate sensitivity - group as at 31.12.13

Currency	Increase in base points	Sensitivity result	Sensitivity on equity	Reduction in base points	Sensitivity result	Sensitivity on equity
NOK	+100	23.2	0.0	-100	-23.2	0.0
EUR	+100	-2.2	0.0	-100	2.2	0.0
Other	+100	-2.4	0.0	-100	2.4	0.0
Total		**18.6**	**0.0**		**-18.6**	**0.0**

Time until expected interest rate change as at 31.12.14 - Group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables at central banks	NOK						480.5	480.5
	FOREIGN CURRENCY						1.0	1.0
Net lending to credit institutions	NOK						7.5	7.5
Net lending to customers	NOK	4,135.6	24,237.0		262.9			28,635.5
Certificates and bonds	NOK	583.7	2,153.0	150.1	283.3	125.5		3,295.6
	FOREIGN CURRENCY	70.3	572.5		151.3			794.1
Financial derivatives	NOK						460.2	460.2
	FOREIGN CURRENCY						35.8	35.8
Accrued interest not yet due	NOK						190.2	190.2
	FOREIGN CURRENCY						0.4	0.4
Other asset items	NOK						457.5	457.5
Total		**4,789.6**	**26,962.5**	**150.1**	**697.5**	**125.5**	**1,633.1**	**34,358.3**
Liabilities								
Debt to credit institutions	NOK			210.0			0.1	210.1
Customer deposits	NOK	4,060.6	8,682.1	647.8				13,390.5
Financial derivatives	NOK						50.3	50.3
Liabilities incurred on the issuance of securities	NOK	7,112.6	9,841.0	140.6				17,094.2
	FOREIGN CURRENCY	287.9						287.9
Subordinate loan capital	NOK	550.0	148.4					698.4
Accrued interest	NOK						184.7	184.7
	FOREIGN CURRENCY						1.2	1.2
Other debt	NOK							0.0
Total		**12,011.1**	**18,671.5**	**998.4**	**0.0**	**0.0**	**236.3**	**31,917.3**
Net interest-rate exposure of the balance sheet		**-7,221.5**	**8,291.0**	**-848.3**	**697.5**	**125.5**	**1,396.8**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	175.5	337.5		-513.0			
	FOREIGN CURRENCY	61.7	38.5			-100.2		
Net exposure		**-6,984.3**	**8,667.0**	**-848.3**	**184.5**	**25.3**	**1,396.8**	

The table is based on values recognised in the balance sheet. Debt established by issuing securities, where hedge accounting is used, including the effect of hedging instruments.

Time until expected interest rate change as at 31.12.13 - Group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Debts to credit institutions	NOK						8.6	8.6
Net lending to customers	NOK	4,415.4	20,855.2		437.3			25,707.9
Certificates and bonds	NOK	827.4	2,127.6	155.3	292.1	54.2		3,456.6
	FOREIGN CURRENCY					46.0		46.0
Financial derivatives	NOK						155.3	155.3
	FOREIGN CURRENCY						36.4	36.4
Accrued interest not yet due	NOK						159.9	159.9
	FOREIGN CURRENCY							0.0
Other asset items	NOK						650.9	650.9
Total		**5,242.8**	**22,982.8**	**155.3**	**729.4**	**100.2**	**1,368.6**	**30,579.1**
Liabilities								
Debt to credit institutions	NOK	100.0	110.0	270.0			0.1	480.1
	FOREIGN CURRENCY	83.8	209.6					293.4
Customer deposits	NOK	3,910.5	8,237.8	390.9				12,539.2
Financial derivatives	NOK						19.8	19.8
	FOREIGN CURRENCY						3.0	3.0
Liabilities incurred on the issuance of securities	NOK	5,390.9	8,222.2	119.7	20.0			13,752.8
	FOREIGN CURRENCY	284.2						284.2
Subordinate loan capital	NOK	550.0	301.3					851.3
Accrued interest	NOK						144.9	144.9
	FOREIGN CURRENCY						1.2	1.2
Other debt	NOK							0.0
Total		**10,319.4**	**17,080.9**	**780.6**	**20.0**	**0.0**	**169.0**	**28,369.9**

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Net interest-rate exposure of the balance sheet		**-5,076.6**	**5,901.9**	**-625.3**	**709.4**	**100.2**	**1,199.6**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	250.0	277.4		-477.4	-50.0		
	FOREIGN CURRENCY		38.5			-38.5		
Net exposure		**-4,826.6**	**6,217.8**	**-625.3**	**232.0**	**11.7**	**1,199.6**	

The table is based on values recognised in the balance sheet. Debt established by issuing securities, where hedge accounting is used, including the effect of hedging instruments.

Interest rate sensitivity – parent bank as at 31.12.14

Currency	Increase in base points	Sensitivity result	Sensitivity on equity	Reduction in base points	Sensitivity result	Sensitivity on equity
NOK	+100	12.2	0.0	-100	-12.2	0.0
EUR	+100	6.4	0.0	-100	-6.4	0.0
Other	+100	0.0	0.0	-100	0.0	0.0
Total		**18.6**	**0.0**		**-18.6**	**0.0**

Interest rate sensitivity – parent bank as at 31.12.13

Currency	Increase in base points	Sensitivity result	Sensitivity on equity	Reduction in base points	Sensitivity result	Sensitivity on equity
NOK	+100	16.4	0.0	-100	-16.4	0.0
EUR	+100	-2.2	0.0	-100	2.2	0.0
Other	+100	0.0	0.0	-100	0.0	0.0
Total		**14.2**	**0.0**		**-14.2**	**0.0**

Time until expected interest rate change as at 31.12.14 - Parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables at central banks	NOK						480.5	480.5
	FOREIGN CURRENCY						1.0	1.0
Net lending to credit institutions	NOK	2,284.4	45.0				7.5	2,336.9
Net lending to customers	NOK	4,240.0	14,441.9		262.8			18,944.7
Certificates and bonds	NOK	583.7	2,153.0	150.1	283.3	125.5		3,295.6
	FOREIGN CURRENCY	70.3	572.5		151.3			794.1
Financial derivatives	NOK						267.3	267.3
Accrued interest not yet due	NOK						147.0	147.0
	FOREIGN CURRENCY						0.4	0.4
Other asset items	NOK						1,344.8	1,344.8
Total		**7,178.4**	**17,212.4**	**150.1**	**697.4**	**125.5**	**2,248.5**	**27,612.3**

Liabilities								
Debt to credit institutions	NOK	249.9	0.8	210.0			8.5	469.2
Customer deposits	NOK	4,103.8	8,661.8	647.9				13,413.5
Financial derivatives	NOK						50.3	50.3
Liabilities incurred on the issuance of securities	NOK	4,593.6	5,517.7	140.6				10,251.9
Subordinate loan capital	NOK	550.0	148.4					698.4
Accrued interest	NOK						141.9	141.9
Other debt	NOK							0.0
Total		**9,497.3**	**14,328.7**	**998.5**	**0.0**	**0.0**	**200.7**	**25,025.2**
Net exposure of the balance sheet		**-2,318.9**	**2,883.7**	**-848.4**	**697.4**	**125.5**	**2,047.8**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	175.5	337.5		-513.0			
	FOREIGN CURRENCY	61.7	38.5			-100.2		
Net exposure		**-2,081.7**	**3,259.7**	**-848.4**	**184.4**	**25.3**	**2,047.8**	

The table is based on values recognised in the balance sheet. Debt established by issuing securities, where hedge accounting is used, including the effect of hedging instruments.

Time until expected interest rate change as at 31.12.13 - Parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net lending to credit institutions	NOK	2,048.1	45.0				8.6	2,101.7
Net lending to customers	NOK	4,369.1	12,146.2		437.3			16,952.6
Certificates and bonds	NOK	827.4	2,369.3	155.3	292.1	54.2		3,698.3
	FOREIGN CURRENCY					46.0		46.0
Financial derivatives	NOK						127.1	127.1
	FOREIGN CURRENCY						4.3	4.3
Accrued interest not yet due	NOK						132.3	132.3
Other asset items	NOK						1,338.1	1,338.1
Total		**7,244.6**	**14,560.5**	**155.3**	**729.4**	**100.2**	**1,967.9**	**24,757.9**
Liabilities								
Debt to credit institutions	NOK	309.7	110.7	270.0			5.2	695.6
	FOREIGN CURRENCY	83.8	209.6					293.4
Customer deposits	NOK	3,923.4	8,237.8	390.9				12,552.1
Financial derivatives	NOK						19.8	19.8

	FOREIGN CURRENCY						3.0	3.0
Liabilities incurred on the issuance of securities	NOK	3,634.2	4,087.7	119.7	20.0			7,861.6
Subordinate loan capital	NOK	550.0	301.3					851.3
Accrued interest	NOK						120.7	120.7
Other debt	NOK							0.0
Total		**8,501.1**	**12,947.1**	**780.6**	**20.0**	**0.0**	**148.7**	**22,397.5**
Net exposure of the balance sheet		**-1,256.5**	**1,613.4**	**-625.3**	**709.4**	**100.2**	**1,819.2**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	250.0	277.4		-477.4	-50.0		
	FOREIGN CURRENCY		38.5			-38.5		
Net exposure		**-1,006.5**	**1,929.3**	**-625.3**	**232.0**	**11.7**	**1,819.2**	

The table is based on values recognised in the balance sheet. Debt established by issuing securities, where hedge accounting is used, including the effect of hedging instruments.

NOTE 18 – LIQUIDITY RISK

As long as the bank's loan customers require long-term financing and the bank's deposit customers are able to withdraw their deposits at very short notice in practice, there will be a liquidity risk for the bank. In addition, Sparebanken Øst is permanently dependent on financing a gap between deposits from customers and loans to the general public. Sparebanken Øst has a conservative liquidity strategy, and the liquidity risk as of the end of 2014 is considered to be low.

The bank has deliberately sought to reduce the bank's liquidity risk by – among other things – distributing deposits over the maximum possible number of sources/instruments and/or by balancing the maturity terms for capital acquisition and capital deployment. Uncertainty in the financial market has resulted in the fall away of international funding sources the bank has previously used. The bank has thus become more dependent on the Norwegian bond market. The bank has a long-term funding strategy and therefore wishes to have a balanced relationship between long-term and short-term deposits. The framework for short-term deposits, here defined as funding with a remaining maturity of less than 1 year, is set at 15 per cent of the group's total assets. In addition the Financial Supervisory Authority of Norway's liquidity indicator 1 must not fall below 103 per cent (financing > 1 year as a percentage of illiquid assets), with a target of 105 per cent.

The table below presents the scope of results for liquidity indicator 1 for the last two years.

	31.12.	Average	Maximum	Minimum
2014	107.1	108.4	110.3	105.7
2013	108.6	111.0	117.4	107.6

As from 2015 a new liquidity requirement is introduced by the authorities: Liquidity Coverage Ratio (LCR). This will ensure that the banks have sufficient liquidity of very high quality to tolerate a period of 30 days with strong market unrest. The phasing-in of LCR will commence with a requirement of 60 per cent as from 1 October 2015 and with full implementation from 1 January 2018.

The group's deposits as a percentage of net loans amounted to 46.7 per cent as at 31.12.14 compared with 48.7 per cent one year ago. The bank has no formulated objective for the ratio between deposits and lending. Other funding in the market takes place by taking up senior unsecured bonds and preferential bonds. The coming years will bring major demands for refinancing, and the bank wishes to factor in the possible uncertainty in the market and will thus seek to refinance at an early stage.

As at 31.12.14 the bank is capable of maintaining normal operations in accordance with the adopted strategy without having to add new liquidity for more than 20 months. The bank's liquidity portfolio primarily consists of cash, securities issued by the Norwegian government, government guaranteed bonds, securities issued by Norwegian municipalities and preferential bonds. Deposits in financial institutions without fixed terms are also included here. In the calculation above the different reduction rates are stated in relation to risk and how good liquidity is deemed to be within the various classed.

Contractual maturity

The time at which the Group's financial assets and liabilities mature is shown above. Future interest payments related to the entries are not factored in, and it is the contractual amount that is specified. The tables are based on the group's internal reporting format.

The remaining contractual duration as at 31.12.14 - Group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Assets								
Cash and receivables at central banks	NOK						480.5	480.5
	FOREIGN CURRENCY						1.0	1.0
Net lending to credit institutions	NOK						7.5	7.5
Net lending to customers	NOK	64.1	21.7	1,241.7	4,916.1	22,393.6		28,637.2
Certificates and bonds	NOK	100.0	175.0	745.0	2,501.0	395.0		3,916.0
	FOREIGN CURRENCY					113.0		113.0
Financial derivatives	NOK			44.4	132.9	282.9		460.2
	FOREIGN CURRENCY				35.8			35.8
Accrued interest not yet due	NOK	73.5	23.9	92.7				190.1
	FOREIGN CURRENCY	0.4						0.4
Other asset items	NOK			117.6			461.5	579.1
Total payments		**238.0**	**220.6**	**2,241.4**	**7,585.8**	**23,184.5**	**950.5**	**34,420.9**
Liabilities								
Debt to credit institutions	NOK			60.0	150.0		0.1	210.1
Customer deposits	NOK	100.3	831.5	608.7	17.8		11,832.2	13,390.5
Financial derivatives	NOK		0.1		26.7			26.8
	FOREIGN CURRENCY					23.5		23.5
Liabilities incurred on the issuance of securities	NOK	336.5		2,159.0	11,150.0	3,000.0		16,645.5
	FOREIGN CURRENCY				287.9			287.9
Subordinate loan capital	NOK				700.0			700.0
Accrued interest	NOK	52.5	41.2	91.0				184.7
	FOREIGN CURRENCY	1.2						1.2
Other debt	NOK			216.0				216.0

Total outgoing payments	**490.5**	**872.8**	**3,134.7**	**12,332.4**	**3,023.5**	**11,832.3**	**31,686.2**
Net exposure	**-252.5**	**-652.2**	**-893.3**	**-4,746.6**	**20,161.0**	**-10,881.8**	
Loan pledges	82.9						82.9
Unused credit			171.4	1,254.7		174.3	1,600.4
Guarantees					100.0	166.5	266.5

The remaining contractual duration as at 31.12.13 - Group

		Up to 1 month	**From 1-3 months**	**From 3 months to 1 year**	**From 1-5 years**	**Over 5 years**	**Without maturity**	**Total**
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net lending to credit institutions	NOK						8.6	8.6
Net lending to customers	NOK	122.7	34.0	799.0	4,680.5	20,074.2		25,710.4
Certificates and bonds	NOK	100.0	70.0	241.0	2,695.3	325.0		3,431.3
	FOREIGN CURRENCY					41.9		41.9
Financial derivatives	NOK			4.7	110.7	41.0		156.4
	FOREIGN CURRENCY			4.3	32.1			36.4
Accrued interest not yet due	NOK	73.8	9.4	77.2				160.4
Other asset items	NOK		3.8	42.3	3.4		650.9	700.4
Total payments		**296.5**	**117.2**	**1,168.5**	**7,522.0**	**20,482.1**	**1,017.0**	**30,603.3**
Liabilities								
Debt to credit institutions	NOK		110.0	60.0	310.0		0.1	480.1
	FOREIGN CURRENCY			293.4				293.4
Customer deposits	NOK	95.6	580.7	840.4	15.3		11,007.2	12,539.2
Financial derivatives	NOK				18.1	2.9		21.0
	FOREIGN CURRENCY			3.0				3.0
Liabilities incurred on the issuance of securities	NOK	206.5	216.5	300.0	10,375.0	2,500.0		13,598.0
	FOREIGN CURRENCY				256.5			256.5
Subordinate loan capital	NOK			300.0	550.0			850.0
Accrued interest	NOK	51.0	27.3	67.3				145.6
	FOREIGN CURRENCY	1.2						1.2
Other debt	NOK			192.6				192.6
Total outgoing payments		**354.3**	**934.5**	**2,056.7**	**11,524.9**	**2,502.9**	**11,007.3**	**28,380.6**
Net exposure		**-57.8**	**-817.3**	**-888.2**	**-4,002.9**	**17,979.2**	**-9,990.3**	

Loan pledges	118.4	91.7			105.0		315.1
Unused credit			89.4	1,074.2		189.4	1,353.0
Guarantees					100.0	182.4	282.4

The remaining contractual duration as at 31.12.14 - Parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Assets								
Cash and receivables at central banks	NOK						480.5	480.5
	FOREIGN CURRENCY						1.0	1.0
Net lending to credit institutions	NOK			923.9		45.0	1,367.9	2,336.8
Net lending to customers	NOK	64.1	21.6	900.4	2,539.1	15,421.2		18,946.4
Certificates and bonds	NOK	100.0	175.0	745.0	2,501.0	395.0		3,916.0
	FOREIGN CURRENCY					113.0		113.0
Financial derivatives	NOK			44.4	129.8	93.1		267.3
Accrued interest not yet due	NOK	49.4	5.0	92.6				147.0
	FOREIGN CURRENCY	0.4						0.4
Other asset items	NOK			19.1			1,344.9	1,364.0
Total payments		**213.9**	**201.6**	**2,725.4**	**5,169.9**	**16,067.3**	**3,194.3**	**27,572.4**
Liabilities								
Debt to credit institutions	NOK			60.0	150.0		259.2	469.2
Customer deposits	NOK	100.3	831.5	606.8			11,875.0	13,413.6
Financial derivatives	NOK		0.1		26.7			26.8
	FOREIGN CURRENCY					23.5		23.5
Liabilities incurred on the issuance of securities	NOK	336.5		1,704.0	7,000.0	950.0		9,990.5
Subordinate loan capital	NOK				700.0			700.0
Accrued interest	NOK	36.4	14.5	91.0				141.9
Other debt	NOK			139.0				139.0
Total outgoing payments		**473.2**	**846.1**	**2,600.8**	**7,876.7**	**973.5**	**12,134.2**	**24,904.5**
Net exposure		**-259.3**	**-644.5**	**124.6**	**-2,706.8**	**15,093.8**	**-8,939.9**	
Loan pledges		41.2						41.2
Unused credit				1,247.5	757.6		330.0	2,335.1
Guarantees						100.0	165.7	265.7

.

The remaining contractual duration as at 31.12.13 - Parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net lending to credit institutions	NOK			663.6		45.0	1,393.1	2,101.7
Net lending to customers	NOK	122.7	28.3	769.8	2,103.9	13,930.5		16,955.2
Certificates and bonds	NOK	100.0	70.0	241.0	2,937.0	325.0		3,673.0
	FOREIGN CURRENCY					41.9		41.9
Financial derivatives	NOK			4.7	107.2	16.4		128.3
	FOREIGN CURRENCY			4.3				4.3
Accrued interest not yet due	NOK	50.2	5.1	77.0				132.3
Other asset items	NOK		3.8	16.2	3.4		1,338.1	1,361.5
Total payments		**272.9**	**107.2**	**1,776.6**	**5,151.5**	**14,358.8**	**3,088.7**	**24,755.7**
Liabilities								
Debt to credit institutions	NOK		110.0	60.0	310.0		215.6	695.6
	FOREIGN CURRENCY			293.4				293.4
Customer deposits	NOK	95.6	580.7	838.7			11,037.1	12,552.1
Financial derivatives	NOK				18.1	2.9		21.0
	FOREIGN CURRENCY			3.0				3.0
Liabilities incurred on the issuance of securities	NOK	206.5	216.5	300.0	6,275.0	750.0		7,748.0
Subordinate loan capital	NOK			300.0	550.0			850.0
Accrued interest	NOK	38.0	15.4	67.3				120.7
Other debt	NOK			118.9				118.9
Total outgoing payments		**340.1**	**922.6**	**1,981.3**	**7,153.1**	**752.9**	**11,252.7**	**22,402.7**
Net exposure		**-67.2**	**-815.4**	**-204.7**	**-2,001.6**	**13,605.9**	**-8,164.0**	
Loan pledges		89.5				105.0		194.5
Unused credit				1,425.7	669.5		309.9	2,405.1
Guarantees						100.0	181.7	281.7

Financial liabilities

The nominal value of the financial liabilities of the bank and the group is shown below. All liabilities are entered to the category for the first possible payment in cases where the contractual payment date is not provided. The liabilities are inclusive of future interest payments, and the principal of the liability that is stated. Interest rates and currency rates are as at 31.12.14. Liabilities associated with derivatives are shown in a separate line, and related inflows from derivatives are shown under each table

Maturity analysis for financial liabilities as at 31.12.14 - group

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Debt to credit institutions			66.0	156.9		0.1	223.0
Customer deposits	11,932.6	833.9	617.3	17.8			13,401.6
Liabilities incurred on the issue of securities	346.6	98.7	2,530.6	12,505.1	3,338.5		18,819.5
Other liabilities			216.0				216.0
Subordinate loan capital	3.6		11.2	741.9			756.7
Loan pledges	82.9						82.9
Unused credit	1,600.4						1,600.4
Guarantees					100.0	166.5	266.5
Financial liabilities excl. derivatives	**13,966.1**	**932.6**	**3,441.1**	**13,421.7**	**3,438.5**	**166.6**	**35,366.6**
Financial derivatives (outflows)	13.9	33.9	120.6	421.2	186.0		775.6
Financial liabilities	**13,980.0**	**966.5**	**3,561.7**	**13,842.9**	**3,624.5**	**166.6**	**36,142.2**
Financial derivatives (inflows)	11.4	14.2	229.1	629.5	346.3		1,230.5

Maturity analysis for financial liabilities as at 31.12.13 - group

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Debt to credit institutions	0.8	110.9	362.4	324.3		0.1	798.5
Customer deposits	11,105.6	599.3	875.5				12,580.4
Liabilities incurred on the issue of securities	255.3	241.8	898.3	11,894.4	2,853.5		16,143.3
Other liabilities			195.8				195.8
Subordinate loan capital			333.8	644.1			977.9
Loan pledges	118.4	91.7			105.0		315.1
Unused credit	1,353.0						1,353.0
Guarantees					100.0	182.4	282.4
Financial liabilities excl. derivatives	**12,833.1**	**1,043.7**	**2,665.8**	**12,862.8**	**3,058.5**	**182.5**	**32,646.4**
Financial derivatives (outflows)	10.9	31.8	117.0	370.2	196.5		726.4
Financial liabilities	**12,844.0**	**1,075.5**	**2,782.8**	**13,233.0**	**3,255.0**	**182.5**	**33,372.8**
Financial derivatives (inflows)	4.0	7.1	240.1	654.5	337.4		1,243.1

Maturity analysis for financial liabilities as at 31.12.14 - Parent bank

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Debt to credit institutions			66.0	156.9		259.2	482.1
Customer deposits	11,975.5	833.9	615.4				13,424.8
Liabilities incurred on the issue of securities	336.5	56.4	1,977.8	7,671.5	1,005.3		11,047.5
Other liabilities			139.0				139.0
Subordinate loan capital	3.6		11.2	741.9			756.7
Loan pledges	41.2						41.2
Unused credit	2,335.1						2,335.1
Guarantees					100.0	165.7	265.7
Financial liabilities excl. derivatives	**14,691.9**	**890.3**	**2,809.4**	**8,570.3**	**1,105.3**	**424.9**	**28,492.1**
Financial derivatives (outflows)	10.8	30.0	99.5	299.7	43.0		483.0
Financial liabilities	**14,702.7**	**920.3**	**2,908.9**	**8,870.0**	**1,148.3**	**424.9**	**28,975.1**
Financial derivatives (inflows)	10.0	8.8	190.7	475.0	73.3		757.8

Maturity analysis for financial liabilities as at 31.12.13 - Parent bank

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Debt to credit institutions	0.8	110.9	362.4	324.3		215.7	1,014.1
Customer deposits	11,135.6	599.4	875.5				12,610.5
Liabilities incurred on the issue of securities	247.9	219.6	578.8	7,013.0	811.4		8,870.7
Other liabilities			352.4				352.4
Subordinate loan capital			333.8	644.1			977.9
Loan pledges	89.5				105.0		194.5
Unused credit	2,405.1						2,405.1
Guarantees					100.0	181.7	281.7
Financial liabilities excl. derivatives	**13,878.9**	**929.9**	**2,502.9**	**7,981.4**	**1,016.4**	**397.4**	**26,706.9**
Financial derivatives (outflows)	7.8	30.9	104.9	298.8	47.6		490.0
Financial liabilities	**13,886.7**	**960.8**	**2,607.8**	**8,280.2**	**1,064.0**	**397.4**	**27,196.9**
Financial derivatives (inflows)	2.6	1.7	201.7	500.0	64.4		770.4

NOTE 19 - CURRENCY RISK

Market risk linked to currency risk as at 31.12.14

Currency	Increase in exchange rate %	Effect on pre-tax profit	Effect on equity	Reduction in exchange rate %	Effect on pre-tax profit	Effect on equity
EUR	+10	0.2	0.0	-10	-0.2	0.0
USD	+10	0.6	0.0	-10	-0.6	0.0
Total		**0.8**	**0.0**		**-0.8**	**0.0**

Market risk linked to currency risk as at 31.12.13

Currency	Increase in exchange rate %	Effect on pre-tax profit	Effect on equity	Reduction in exchange rate %	Effect on pre-tax profit	Effect on equity
EUR	+10	0.5	0.0	-10	-0.5	0.0
USD	+10	0.6	0.0	-10	-0.6	0.0
Total		**1.1**	**0.0**		**-1.1**	**0.0**

The bank has a low currency exposure As at 31.12.14 the bank's open net position was NOK 8.2 million (NOK 10.7 million as at 31.12.13). These positions are in EUR and USD. Normally, positions and deposits in foreign currency will be covered by an opposite position, most often through the use of currency swap agreements and similar derivatives. See also Note 21 "Financial derivatives".

NOTE 20 - CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Group as at 31.12.14

	Fair value through profit or loss					
	Held for trading	Designated at fair value	Available for sale	Held to maturity	Amortised cost*	Total
Cash and balances with central banks	0.0	0.0	0.0	0.0	481.5	481.5
Net loans to and receivables from credit institutions	0.0	0.0	0.0	0.0	7.5	7.5
Net loans to and receivables from customers	0.0	0.0	0.0	0.0	28,697.8	28,697.8
Certificates, bonds etc. at fair value	3,470.0	434.0	0.0	0.0	0.0	3,904.0
Shares and units	29.5	0.0	428.0	0.0	0.0	457.5
Financial derivatives**	604.1	0.0	0.0	0.0	0.0	604.1
Certificates and bonds, held to maturity	0.0	0.0	0.0	205.8	0.0	205.8
Total financial assets	**4,103.6**	**434.0**	**428.0**	**205.8**	**29,186.8**	**34,358.2**
Debt to credit institutions	0.0	0.0	0.0	0.0	210.5	210.5
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	13,397.0	13,397.0
Liabilities incurred on the issue of securities	0.0	0.0	0.0	0.0	17,549.9	17,549.9
Financial derivatives**	56.8	0.0	0.0	0.0	0.0	56.8
Subordinate loan capital	0.0	0.0	0.0	0.0	703.1	703.1
Total financial debt	**56.8**	**0.0**	**0.0**	**0.0**	**31,860.5**	**31,917.3**

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

Group as at 31.12.13

	Fair value through profit or loss					
	Held for trading	Designated at fair value	Available for sale	Held to maturity	Amortised cost*	Total
Cash and balances with central banks	0.0	0.0	0.0	0.0	357.5	357.5
Net loans to and receivables from credit institutions	0.0	0.0	0.0	0.0	8.6	8.6
Net loans to and receivables from customers	0.0	0.0	0.0	0.0	25,771.6	25,771.6
Certificates, bonds etc. at fair value	2,599.5	714.8	0.0	0.0	0.0	3,314.3
Shares and units	23.5	0.0	627.4	0.0	0.0	650.9
Financial derivatives**	270.2	0.0	0.0	0.0	0.0	270.2
Certificates and bonds, held to maturity	0.0	0.0	0.0	206.0	0.0	206.0
Total financial assets	**2,893.2**	**714.8**	**627.4**	**206.0**	**26,137.7**	**30,579.1**
Debt to credit institutions	0.0	0.0	0.0	0.0	775.6	775.6
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	12,546.8	12,546.8
Liabilities incurred on the issue of securities	0.0	0.0	0.0	0.0	14,156.2	14,156.2
Financial derivatives**	27.2	0.0	0.0	0.0	0.0	27.2
Subordinate loan capital	0.0	0.0	0.0	0.0	864.1	864.1
Total financial debt	**27.2**	**0.0**	**0.0**	**0.0**	**28,342.7**	**28,369.9**

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

Parent bank as at 31.12.14

	Fair value through profit or loss					
	Held for trading	Designated at fair value	Available for sale	Held to maturity	Amortised cost*	Total
Cash and balances with central banks	0.0	0.0	0.0	0.0	481.5	481.5
Net loans to and receivables from credit institutions	0.0	0.0	0.0	0.0	2,337.2	2,337.2
Net loans to and receivables from customers	0.0	0.0	0.0	0.0	18,986.3	18,986.3
Certificates, bonds etc. at fair value	3,470.0	434.0	0.0	0.0	0.0	3,904.0
Shares and units	29.5	0.0	428.0	0.0	0.0	457.5
Financial derivatives**	352.7	0.0	0.0	0.0	0.0	352.7
Certificates and bonds, held to maturity	0.0	0.0	0.0	205.8	0.0	205.8
Total financial assets	**3,852.2**	**434.0**	**428.0**	**205.8**	**21,805.0**	**26,725.0**
Debt to credit institutions	0.0	0.0	0.0	0.0	469.6	469.6
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	13,420.0	13,420.0
Liabilities incurred on the issuance of securities	0.0	0.0	0.0	0.0	10,375.7	10,375.7
Financial derivatives**	56.8	0.0	0.0	0.0	0.0	56.8
Subordinate loan capital	0.0	0.0	0.0	0.0	703.1	703.1
Total financial debt	**56.8**	**0.0**	**0.0**	**0.0**	**24,968.4**	**25,025.2**

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

Parent bank as at 31.12.13

	Fair value through profit or loss					
	Held for trading	Designated at fair value	Available for sale	Held to maturity	Amortised cost*	Total
Cash and balances with central banks	0.0	0.0	0.0	0.0	357.5	357.5
Net loans to and receivables from credit institutions	0.0	0.0	0.0	0.0	2,102.0	2,102.0
Net loans to and receivables from customers	0.0	0.0	0.0	0.0	16,995.8	16,995.8
Certificates, bonds etc. at fair value	2,841.8	714.8	0.0	0.0	0.0	3,556.6
Shares and units	23.5	0.0	627.4	0.0	0.0	650.9
Financial derivatives**	201.9	0.0	0.0	0.0	0.0	201.9
Certificates and bonds, held to maturity	0.0	0.0	0.0	206.0	0.0	206.0
Total financial assets	**3,067.2**	**714.8**	**627.4**	**206.0**	**19,455.3**	**24,070.7**
Debt to credit institutions	0.0	0.0	0.0	0.0	991.1	991.1
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	12,559.7	12,559.7
Liabilities incurred on the issuance of securities	0.0	0.0	0.0	0.0	7,955.4	7,955.4
Financial derivatives**	27.2	0.0	0.0	0.0	0.0	27.2
Subordinate loan capital	0.0	0.0	0.0	0.0	864.1	864.1
Total financial debt	**27.2**	**0.0**	**0.0**	**0.0**	**22,370.3**	**22,397.5**

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

NOTE 21 - FINANCIAL DERIVATIVES

Interest rate and exchange rate derivatives have been entered into for the group's fixed interest bond loans and foreign currency bond loans, in order to reduce interest rate and exchange rate risk. The hedging ratio is one-to-one and hedge accounting is used. Ineffectiveness of the hedges in 2014 and 2013 is not recognised in the accounts. The change in value of financial derivatives used for hedge accounting was NOK 310.3 million (NOK 16.1 million in 2013), with an equivalent change in value for hedged objects. For recognised changes in value, profit/loss, reference is made to Note 29.

In addition, the group has entered into interest rate and exchange rate derivatives to reduce other interest rate and exchange rate risk without applying the rules for hedge accounting.

Guarantee to Eksportfinans ASA

The bank takes part in a portfolio hedge agreement (PHA guarantee) for Eksportfinans ASA. Equivalent to the bank's ownership interest in the company, the bank has provided a guarantee of NOK 242 million for a share of Eksportfinans ASA's securities portfolio as at 29.02.08. The guarantee is a derivative and the actual value is based on the value development in the guaranteed portfolio. The PHA agreement assumes an annual exchange statement of the value of the derivative.

In order to limit the risk in the PHA guarantee, a contract guarantee has been concluded with a major Nordic bank in order to reduce this guarantee liability to NOK 100 million. The contract guarantee assumes division of the positive value of the PHA guarantee.

Group 2014				Parent bank 2014		
	Fair value				Fair value	
Contract sum	**Assets**	**Liabilities**		**Contract sum**	**Assets**	**Liabilities**
			Financial derivatives at fair value in income			
			Currency instruments			
3.1	0.1	0.0	Forward exchange rate contracts (forwards)	3.1	0.1	0.0
100.2	0.0	23.5	Currency swap contracts (currency swaps)	100.2	0.0	23.5
103.3	**0.1**	**23.5**	**Total currency instruments**	**103.3**	**0.1**	**23.5**
			Interest rate instruments			
727.9	0.0	33.3	Interest rate swap contracts (interest rate swaps)	727.9	0.0	33.3
500.0	0.1	0.0	Interest rate swap contracts (FRA)	500.0	0.1	0.0
0.0	0.0	0.0	Standard interest rate swap contracts (futures)	0.0	0.0	0.0
1,227.9	**0.1**	**33.3**	**Total interest rate instruments**	**1,227.9**	**0.1**	**33.3**
242.0	10.0	0.0	Guarantee to Eksportfinans ASA*	242.0	10.0	0.0
242.0	**10.0**	**0.0**	**Total other derivatives**	**242.0**	**10.0**	**0.0**
			Financial derivatives used for hedge accounting			
			Currency instruments			
0.0	0.0	0.0	Forward exchange rate contracts (forwards)	0.0	0.0	0.0
252.1	35.8	0.0	Currency swap contracts (currency swaps)	0.0	0.0	0.0
252.1	**35.8**	**0.0**	**Total currency instruments**	**0.0**	**0.0**	**0.0**
			Interest rate instruments			
6,245.0	558.1	0.0	Interest rate swap contracts (interest rate swaps)	4,745.0	342.5	0.0
0.0	0.0	0.0	Interest rate swap contracts (FRA)	0.0	0.0	0.0
0.0	0.0	0.0	Standard interest rate swap contracts (futures)	0.0	0.0	0.0
6,245.0	**558.1**	**0.0**	**Total interest rate instruments**	**4,745.0**	**342.5**	**0.0**
	604.1	**56.8**	**Total derivatives**		**352.7**	**56.8**

*The amount of NOK 10.0 million is the net positive value adjustment of the guaranteed portfolio as at 31.12.14 after deduction of an annual swap amount. The underlying value of the derivative excluding the swap settlement was positive at NOK 41.4 million as at 31.12.14. As a consequence of the positive value of the PHA guarantee, NOK 18.8 million has been carried to the balance sheet under other obligations in accordance with the contra-guarantee concluded.

Group 2013 Contract sum	Group 2013 Fair value Assets	Group 2013 Fair value Liabilities		Parent bank 2013 Contract sum	Parent bank 2013 Fair value Assets	Parent bank 2013 Fair value Liabilities
			Financial derivatives at fair value in income			
			Currency instruments			
0.0	0.0	0.0	Forward exchange rate contracts (forwards)	0.0	0.0	0.0
38.5	0.0	6.6	Currency swap contracts (currency swaps)	38.5	0.0	6.6
38.5	**0.0**	**6.6**	**Total currency instruments**	**38.5**	**0.0**	**6.6**
			Interest rate instruments			
527.4	0.0	14.8	Interest rate swap contracts (interest rate swaps)	527.4	0.0	14.8
0.0	0.0	0.0	Interest rate swap contracts (FRA)	0.0	0.0	0.0
0.0	0.0	0.0	Standard interest rate swap contracts (futures)	0.0	0.0	0.0
527.4	**0.0**	**14.8**	**Total interest rate instruments**	**527.4**	**0.0**	**14.8**
242.0	10.3	0.0	Guarantee to Eksportfinans ASA*	242.0	10.3	0.0
242.0	**10.3**	**0.0**	**Total other derivatives**	**242.0**	**10.3**	**0.0**
			Financial derivatives used for hedge accounting			
			Currency instruments			
0.0	0.0	0.0	Forward exchange rate contracts (forwards)	0.0	0.0	0.0
544.2	36.4	3.0	Currency swap contracts (currency swaps)	292.1	4.3	3.0
544.2	**36.4**	**3.0**	**Total currency instruments**	**292.1**	**4.3**	**3.0**
			Interest rate instruments			
5,195.5	223.5	2.8	Interest rate swap contracts (interest rate swaps)	4,295.5	187.3	2.8
0.0	0.0	0.0	Interest rate swap contracts (FRA)	0.0	0.0	0.0
0.0	0.0	0.0	Standard interest rate swap contracts (futures)	0.0	0.0	0.0
5,195.5	**223.5**	**2.8**	**Total interest rate instruments**	**4,295.5**	**187.3**	**2.8**
	270.2	**27.2**	**Total derivatives**		**201.9**	**27.2**

*The amount of NOK 10.3 million is the net positive value adjustment of the guaranteed portfolio as at 31.12.13 after deduction of an annual swap amount. The underlying value of the derivative excluding the swap settlement was positive at NOK 22.4 million as at 31.12.13. As a consequence of the positive value of the PHA guarantee, NOK 10.2 million has been carried to the balance sheet under other obligations in accordance with the contra-guarantee concluded.

NOTE 22 - NETTING RIGHTS OF FINANCIAL INSTRUMENTS

The group's netting rights are in compliance with general rules in Norwegian legislation. Standardised and mainly bilateral ISDA agreements have been entered into with financial institutions, which give the parties netting rights in the event of any default. Additional agreements for the provision of collateral (CSA) have also been entered into. In accordance with the offsetting disclosure requirements, there has been no offsetting of amounts recognised in the balance sheet.

There are no agreements in the parent bank regarding offsetting rights in the event of defaults, nor have any CSA agreements been entered into.

Group **As at 31.12.14, the exposure was as follows:**	**Gross amount**	**Set-off**	**Balance sheet value**	**Amount subject to net settlement**	**Amount after possible net settlement**
Financial derivatives, assets	251.4	0.0	251.4	0.0	251.4
Financial derivatives, liabilities	0.0	0.0	0.0	0.0	0.0

Group As at 31.12.13, the exposure was as follows:	Gross amount	Set-off	Balance sheet value	Amount subject to net settlement	Amount after possible net settlement
Financial derivatives, assets	68.3	0.0	68.3	0.0	68.3
Financial derivatives, liabilities	0.0	0.0	0.0	0.0	0.0

NOTE 23 - FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities in the balance sheet are measured at fair value, except for loans and receivables, payment deposits, bonds classified as hold to maturity, deposits and issued securities.

Valuation of financial assets and liabilities at fair value

General
The bank uses the following appreciation hierarchy to determine the fair value of financial instruments:

Level 1: Observable trading prices in active markets.
Level 2: Observable trading prices in less active markets or use of directly or indirectly observable input.
Level 3: Valuation techniques that are not based on observable market data.

Cash and receivables at central banks
Cash and receivables at central banks are placed in level 1. Fair value is based on listed prices in active markets.

Net loans
The fair value of fixed interest loans which are valued at amortised cost in the balance sheet have been valued at discounted cash flows based on current market rates for loans with the same remaining maturity. The fair value of the bank's remaining loan portfolio at floating interest rates is subject to the influence of changes in interest rates and credit margins, but can be repriced with a short deadline. The Financial Contracts Act provides access to repricing within a 6-week period (unless there are major changes in the bank's deposit rate). The bank’s valuation of the best estimate for the remaining loan portfolio is that amortised cost is a good approximation of fair value. The fair value of net loans to and receivables from customers is classified in level 3.

The fair value of net loans to and receivables from credit institutions is classified in level 3. These are loans and receivables without maturity and fair value is assessed in accordance with the same method as used for the rest of the bank’s lending portfolio at variable interest rates.

Certificates and bonds
The bank has valued the certificate portfolio on the basis of sales and observable credit spreads in the market. No certificates have a rating lower than the investment grade. With few certificates in the portfolio and short remaining maturity, the valuations are assumed to be reasonably consistent with the valuations made by other parties.

In the valuation of the bank's bond portfolio, we have assessed possible imbalances in the market, and whether there are different motives behind the transactions that have taken place. Price estimates and credit spread assessments have been collected from different independent brokers, as well as assessment prices. The bank has considered and assessed known transaction prices where these have been available.

As a fundamental principle the bank has made its evaluations based on observable transactions. Where this has not been possible, price estimates or credit spread assessments have been used, based on other certificates and bonds with equivalent characteristics and maturities.

The bank believes that the valuation estimates used lie within reasonable intervals for fair value, and that the credit and liquidity risk development has been considered in the use of our judgement where this has been necessary. In the opinion of the bank the prices used represent the best estimate of the securities' fair value.

All of the bank’s certificate and bond holdings are placed in the pricing hierarchy's level 2. This is due to the fact that there is insufficient trading in any of the listed instruments for a market price can be read at any given time.

Shares and units
If there are no listed prices in an active market, alternative valuation techniques are used. Such techniques comprise the use of the arm’s length price of recent market transactions, comparison with the market value of corresponding financial instruments, and the discounting of expected future cash flows. As calibration tests of the feasibility of the estimate of fair value, multiplier models such as the price/book model and the price/profit model are used to check that the valuation models correlate with market data.

If the same information is not available each time valuations are made, an examination is made of whether there have been significant changes in the factors which are important to valuation. Where the changes are small, the fair value is assumed to be unchanged from the previous measurement.

If the fair value of a financial instrument is regarded as clearly unreliable, the instrument is measured at cost price. The fair value of a financial instrument is regarded as clearly unreliable if the following two factors exist: The variability of reasonable value estimates is significant and there is the probability that the various value estimates cannot be assumed to be reliable.

As at 31.12.14 the bank values equity instruments at all levels in the hierarchy. Some shares are listed and have a large daily turnover and are therefore classified in level 1. Others are listed with low turnover and these are classified under level 2. At level 3 there are shares in local companies and other unlisted companies where there is minimal turnover and alternative valuation techniques must be used to determine fair value.

Derivatives
Sparebanken Øst only has derivatives of which the fair value is based on observable yield curves and exchange rates, and are therefore placed at level 2 of the pricing hierarchy.

Liabilities to credit institutions
Liabilities to credit institutions are assessed at level 2. The short time remaining to maturity, together with the repayment profile of the debt, means that fair value is assessed as being equal to the nominal value.

Customer deposits
Customer deposits are classified under level 2. The bank's deposits are mainly with short or no time to maturity and fair value is assessed as being equal to the nominal value.

Securities debt
Liabilities arising from the issuance of securities and subordinate loan capital are classified under level 2. These follow the same measurement principles as bonds and certificates on the asset side.

31.12.14 - group	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Book value**
Amortised cost					
Cash and receivables at central banks	481.5	0.0	0.0	481.5	481.5
Net loans to and receivables from credit institutions	0.0	0.0	7.5	7.5	7.5
Net loans to and receivables from customers	0.0	0.0	28,703.4	28,703.4	28,697.8
Certificates, bonds and other interest-bearing securities	0.0	221.4	0.0	221.4	205.8
Total assets at amortised cost	**481.5**	**221.4**	**28,710.9**	**29,413.8**	**29,392.6**
Liabilities to credit institutions	0.0	210.5	0.0	210.5	210.5
Deposits from and liabilities to customers	0.0	13,397.0	0.0	13,397.0	13,397.0
Liabilities incurred on the issue of securities	0.0	17,746.2	0.0	17,746.2	17,549.9
Subordinate loan capital	0.0	709.2	0.0	709.2	703.1
Total liabilities at amortised cost	**0.0**	**32,062.9**	**0.0**	**32,062.9**	**31,860.5**
Fair value					
Certificates, bonds and other interest-bearing securities	0.0	3,904.0	0.0	3,904.0	3,904.0
Shares, units and other securities					
at fair value through profit and loss	10.0	19.5	0.0	29.5	29.5
- available for sale	0.0	0.0	428.0	428.0	428.0
Financial derivatives	0.0	604.1	0.0	604.1	604.1
Total assets at fair value	**10.0**	**4,527.6**	**428.0**	**4,965.6**	**4,965.6**
Financial derivatives	0.0	56.8	0.0	56.8	56.8
Total liabilities at fair value	**0.0**	**56.8**	**0.0**	**56.8**	**56.8**

Movement in level 3	**Fair value**
Balance as at 01.01.14	627.4
Net gains	147.0
Purchase of shares	0.7
Disposals	256.8
Change in value	-90.2
Transferred from level 1 and 2	0.0
Balance sheet as at 31.12.14	**428.0**

Shares and units

The decrease in level 3 in 2014 comprises the sale of the bank's holding in Nets Holding AS and the sale of shares in Frende Holding AS, both classified as available for sale. The total consideration for the bank's holding in Nets Holding AS was NOK 231.1 million. The realised gain of NOK 134.7 million is recognised under "Net value changes and gains/losses on financial investments" in the statement of income, while the value change previously carried to comprehensive income has been reversed, The total consideration for the sale of shares in Frende Holding AS was NOK 25.1 million. The realised gain of NOK 11.7 million is recognised under "Net value changes and gains/losses on financial investments" in the statement of income, while the equivalent amount is reversed in comprehensive income.

The valuation of the shares in Frende Holding AS is based on the price at the last known transaction and amounted to NOK 200.8 million.
The shares in Eksportfinans ASA are recognised in the balance sheet at NOK 208.3 million. The valuation of the shares in Eksportfinans ASA is based on the bank's share of book equity in Eksportfinans ASA, with adjustment for the effect of unrealised gains on the company’s long-term deposits. An overall assessment indicates that there is no basis for re-assessment of the shareholding as at 31.12.14. Bank shares are generally priced below book value.

31.12.13 - group	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and balances with central banks	357.5	0.0	0.0	357.5	357.5
Net loans to and receivables from credit institutions	0.0	0.0	8.6	8.6	8.6
Net loans to and receivables from customers	0.0	0.0	25,781.0	25,781.0	25,771.6
Certificates, bonds and other interest-bearing securities	0.0	220.9	0.0	220.9	206.0
Total assets at amortised cost	**357.5**	**220.9**	**25,789.6**	**26,368.0**	**26,343.7**
Liabilities to credit institutions	0.0	775.6	0.0	775.6	775.6
Deposits from and liabilities to customers	0.0	12,546.8	0.0	12,546.8	12,546.8
Liabilities incurred on the issue of securities	0.0	14,316.0	0.0	14,316.0	14,156.2
Subordinate loan capital	0.0	864.7	0.0	864.7	864.1
Total liabilities at amortised cost	**0.0**	**28,503.1**	**0.0**	**28,503.1**	**28,342.7**
Fair value					
Certificates, bonds and other interest-bearing securities	0.0	3,314.3	0.0	3,314.3	3,314.3
Shares, units and other securities					
at fair value through profit and loss	6.8	16.7	0.0	23.5	23.5
- available for sale	0.0	0.0	627.4	627.4	627.4
Financial derivatives	0.0	270.2	0.0	270.2	270.2
Total assets at fair value	**6.8**	**3,601.2**	**627.4**	**4,235.4**	**4,235.4**
Financial derivatives	0.0	27.2	0.0	27.2	27.2
Total liabilities at fair value	**0.0**	**27.2**	**0.0**	**27.2**	**27.2**

Movement in level 3	Fair value
Balance sheet as at 01.01.13	454.6
Additions/purchases	0.0
Disposals	4.0
Change in value	176.8
Transferred from level 1 and 2	0.0
Balance sheet as at 31.12.13	**627.4**

Shares and units

Disposals of NOK 4.0 million in level 3 in 2013 relate to the repayment of paid-up capital in connection with the liquidation of a company. The positive value change of NOK 176.8 million belongs to the available for sale category. Of this amount NOK 1.9 million concerns write-downs and is recognised in "Net value changes and gains/losses on financial investments" in the statement of income, while NOK 178.8 million is the net positive value change and is included in "Change in fair value for investments available for sale" in comprehensive income. The two largest individual items concern value adjustment for Frende Holding AS of NOK 105.2 million to NOK 226.0 million, and for Nets Holding AS of NOK 78.5 million to NOK 174.9 million.

31.12.14 - Parent bank

31.12.14 - Parent bank	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and receivables at central banks	481.5	0.0	0.0	481.5	481.5
Net loans to and receivables from credit institutions	0.0	0.0	2,337.2	2,337.2	2,337.2
Net loans to and receivables from customers	0.0	0.0	18,991.9	18,991.9	18,986.3
Certificates, bonds and other interest-bearing securities	0.0	221.4	0.0	221.4	205.8
Total assets at amortised cost	**481.5**	**221.4**	**21,329.1**	**22,032.0**	**22,010.8**
Debt to credit institutions	0.0	469.6	0.0	469.6	469.6
Deposits from and liabilities to customers	0.0	13,420.0	0.0	13,420.0	13,420.0
Liabilities incurred on the issuance of securities	0.0	10,488.3	0.0	10,488.3	10,375.7
Subordinate loan capital	0.0	709.2	0.0	709.2	703.1
Total liabilities at amortised cost	**0.0**	**25,087.1**	**0.0**	**25,087.1**	**24,968.4**
Fair value					
Certificates, bonds and other interest-bearing securities	0.0	3,904.0	0.0	3,904.0	3,904.0
Shares, units and other securities					
at fair value through profit and loss	10.0	19.5	0.0	29.5	29.5
- available for sale	0.0	0.0	428.0	428.0	428.0
Financial derivatives	0.0	352.7	0.0	352.7	352.7
Total assets **at fair value**	**10.0**	**4,276.2**	**428.0**	**4,714.2**	**4,714.2**
Financial derivatives	0.0	56.8	0.0	56.8	56.8
Total liabilities at fair value	**0.0**	**56.8**	**0.0**	**56.8**	**56.8**

31.12.13 - Parent bank

31.12.13 - Parent bank	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and balances with central banks	357.5	0.0	0.0	357.5	357.5
Net loans to and receivables from credit institutions	0.0	0.0	2,102.0	2,102.0	2,102.0
Net loans to and receivables from customers	0.0	0.0	17,005.2	17,005.2	16,995.8
Certificates, bonds and other interest-bearing securities	0.0	220.9	0.0	220.9	206.0
Total assets at amortised cost	**357.5**	**220.9**	**19,107.2**	**19,685.6**	**19,661.3**
Debt to credit institutions	0.0	991.1	0.0	991.1	991.1
Deposits from and liabilities to customers	0.0	12,559.7	0.0	12,559.7	12,559.7
Liabilities incurred on the issuance of securities	0.0	8,063.4	0.0	8,063.4	7,955.4
Subordinate loan capital	0.0	864.7	0.0	864.7	864.1
Total liabilities at amortised cost	**0.0**	**22,478.9**	**0.0**	**22,478.9**	**22,370.3**
Fair value					
Certificates, bonds and other interest-bearing securities	0.0	3,556.6	0.0	3,556.6	3,556.6
Shares, units and other securities					
at fair value through profit and loss	6.8	16.7	0.0	23.5	23.5
- available for sale	0.0	0.0	627.4	627.4	627.4
Financial derivatives	0.0	201.9	0.0	201.9	201.9
Total assets at fair value	**6.8**	**3,775.2**	**627.4**	**4,409.4**	**4,409.4**
Financial derivatives	0.0	27.2	0.0	27.2	27.2
Total liabilities at fair value	**0.0**	**27.2**	**0.0**	**27.2**	**27.2**

NOTE 24 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Group as at 31.12.14

	Up to 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	481.5	0.0	481.5
Net loans to and receivables from credit institutions	7.5	0.0	7.5
Net loans to and receivables from customers	1,389.7	27,308.1	28,697.8
Securities – held for trading	933.7	2,536.7	3,470.4
Securities – appointed at fair value through profit and loss	120.4	342.7	463.1
Financial derivatives	152.4	451.7	604.1
Securities – available for sale	0.0	428.0	428.0
Securities – held to maturity	0.0	205.8	205.8
Deferred tax assets	0.0	0.0	0.0
Property, plant and equipment	0.0	530.3	530.3
Other assets	117.6	0.0	117.6
Total assets	**3,202.8**	**31,803.3**	**35,006.1**
Liabilities			
Debt to credit institutions	60.5	150.0	210.5
Deposits from and liabilities to customers	13,379.2	17.8	13,397.0
Financial derivatives	2,731.8	14,818.1	17,549.9
Liabilities incurred on the issuance of securities	6.7	50.1	56.8
Deferred tax liabilities	0.0	20.5	20.5
Other liabilities	220.6	82.0	302.6
Subordinate loan capital	0.0	703.1	703.1
Total liabilities	**16,398.8**	**15,841.6**	**32,240.4**

Call/put loans are distributed by call/put date.

Group as at 31.12.13

	Up to 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	357.5	0.0	357.5
Net loans to and receivables from credit institutions	8.6	0.0	8.6
Net loans to and receivables from customers	1,018.0	24,753.6	25,771.6
Securities – held for trading	258.4	2,346.5	2,604.9
Securities – appointed at fair value through profit and loss	166.4	567.2	733.6
Financial derivatives	86.4	183.8	270.2
Securities – available for sale	0.0	627.4	627.4
Securities – held to maturity	0.0	206.0	206.0
Deferred tax assets	0.0	0.0	0.0
Property, plant and equipment	0.0	529.9	529.9
Other assets	44.7	4.1	48.8
Total assets	**1,940.0**	**29,218.5**	**31,158.5**
Liabilities			
Debt to credit institutions	465.6	310.0	775.6
Deposits from and liabilities to customers	12,531.5	15.3	12,546.8
Financial derivatives	6.2	21.0	27.2
Liabilities incurred on the issuance of securities	852.8	13,303.4	14,156.2
Deferred tax liabilities	0.0	29.5	29.5
Other liabilities	231.2	0.0	231.2
Subordinate loan capital	313.2	550.9	864.1
Total liabilities	**14,400.5**	**14,230.1**	**28,630.6**

Call/put loans are distributed by call/put date.

Parent bank as at 31.12.14

	Up to 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	481.5	0.0	481.5
Net loans to and receivables from credit institutions	2,337.2	0.0	2,337.2
Net loans to and receivables from customers	1,027.7	17,958.6	18,986.3
Securities – held for trading	933.7	2,536.7	3,470.4
Securities – appointed at fair value through profit and loss	120.4	342.7	463.1
Financial derivatives	129.7	223.0	352.7
Securities – available for sale	0.0	428.0	428.0
Securities – held to maturity	0.0	205.8	205.8
Investment in subsidiaries	0.0	887.3	887.3
Deferred tax assets	0.0	11.1	11.1
Property, plant and equipment	0.0	80.5	80.5
Other assets	19.1	0.0	19.1
Total assets	**5,049.3**	**22,673.7**	**27,723.0**
Liabilities			
Debt to credit institutions	319.6	150.0	469.6
Deposits from and liabilities to customers	13,420.0	0.0	13,420.0
Financial derivatives	2,220.2	8,155.5	10,375.7
Liabilities incurred on the issuance of securities	6.7	50.1	56.8
Other liabilities	138.5	82.0	220.5
Subordinate loan capital	0.0	703.1	703.1
Total liabilities	**16,105.0**	**9,140.7**	**25,245.7**

Call/put loans are distributed by call/put date.

Parent bank as at 31.12.13

	Up to 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	357.5	0.0	357.5
Net loans to and receivables from credit institutions	2,102.0	0.0	2,102.0
Net loans to and receivables from customers	949.0	16,046.8	16,995.8
Securities – held for trading	245.3	2,588.2	2,833.5
Securities – appointed at fair value through profit and loss	166.4	567.2	733.6
Financial derivatives	78.3	123.6	201.9
Securities – available for sale	0.0	627.4	627.4
Securities – held to maturity	0.0	206.0	206.0
Investment in subsidiaries	0.0	687.2	687.2
Deferred tax assets	0.0	4.0	4.0
Property, plant and equipment	0.0	72.8	72.8
Other assets	32.3	4.1	36.4
Total assets	**3,930.8**	**20,927.3**	**24,858.1**
Liabilities			
Debt to credit institutions	681.1	310.0	991.1
Deposits from and liabilities to customers	12,559.7	0.0	12,559.7
Financial derivatives	6.2	21.0	27.2
Liabilities incurred on the issuance of securities	827.4	7,128.0	7,955.4
Other liabilities	155.8	0.0	155.8
Subordinate loan capital	313.2	550.9	864.1
Total liabilities	**14,543.4**	**8,009.9**	**22,553.3**

Call/put loans are distributed by call/put date.

NOTE 25 – ACCOUNT WITH GROUP COMPANIES

The posts below show transactions and balances that the parent company has with subsidiaries.

	31.12.14	31.12.13
Profit or loss		
Interest and similar income		
Interest income from subsidiaries	68.4	72.2
Interest certificates and covered bonds from subsidiaries	10.2	17.3
Interest and similar expenses		
Interest and commission to subsidiaries	4.1	2.9
Dividend/group contributions received		
Dividend/group contribution from subsidiary.	60.0	71.0
Commission income and income from banking services		
Other income from subsidiaries	14.8	13.9
Other operating expenses		
Rent to subsidiaries	7.8	7.3
Other costs to subsidiaries	0.2	0.2
Balance sheet		
Loans to and receivables from credit institutions		
Loans to subsidiaries	2,329.7	2,094.3
Loans to and receivables from customers		
Loans to subsidiaries	378.8	308.1
Certificates, bonds and other interesting bearing securities		
Investments in covered bonds, subsidiaries	0.0	242.5
Prepaid non-accrued costs and earned not received income		
Other receivables	1.1	0.0
Debt to credit institutions		
Deposits from subsidiaries	259.1	215.5
Customer deposits		
Deposits from subsidiaries	43.6	30.2
Other liabilities		
Other liabilities to subsidiaries	4.0	1.1

NOTE 26 - NET INTEREST INCOME AND CREDIT COMMISSION

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
8.5	8.1	Interest and similar income from loans to and receivables from credit institutions	63.8	65.5
1.8	2.2	Interests and similar incomes from leasing agreements	0.0	0.0
1,223.7	1,146.2	Interest and similar income from loans to and receivables from customers	767.8	707.8
8.3	9.1	Interest and similar income from bonds held to maturity	8.3	9.1
		Interests and similar income from financial assets that are written down		
0.0	0.0	Loans to and deposits with credit institutions	0.0	0.0
22.2	22.1	Loans to and receivables from customers	15.5	14.9
0.0	0.5	Other interest income and similar income	0.0	0.0
1,264.5	1,188.2	Total interest income and similar income for instruments at amortised cost	855.4	797.3
71.2	63.1	Interest and similar income from certificates, bonds, etc. held for trading	81.4	64.0
14.7	22.1	Interest and similar income from certificates, bonds, etc. brought to fair value	14.7	38.5
85.9	85.2	Total interest and similar income for instruments at fair value through profit and loss	96.1	102.5
1,350.4	**1,273.4**	**Interest and similar income**	**951.5**	**899.8**
15.4	20.4	Interest and similar costs for liabilities to credit institutions	19.0	22.7
269.1	272.1	Interest and similar costs for deposits from and liabilities to customers	268.9	271.5
416.8	381.0	Interest and similar costs for liabilities for issued securities	258.1	240.6
31.8	25.3	Interests and similar costs for subordinate loan capital	31.8	25.3
10.4	10.1	Other interest expenses and similar expenses	10.4	10.1
743.5	**708.9**	**Interest expenses and similar expenses for instruments at amortised cost**	**588.2**	**570.2**
606.9	**564.5**	**Net interest income and credit commission**	**363.3**	**329.6**

Average interest rates and average interest-bearing assets and liabilities during the period

Group 2014		Group 2013			Parent bank 2014		Parent bank 2013	
Avg. int. bearing balance	Avg. interest rate,%	Avg. int. bearing balance	Avg. interest rate,%		Average interest bearing balance	Avg. interest rate,%	vg. Int. bearing balance	Avg. interest rate,%
				Assets				
584.7	1.45	584.0	1.39	Net lending to credit institutions*	2,849.6	2.24	2,986.6	2.19
27,387.8	4.56	24,089.8	4.86	Net lending to customers	17,769.0	4.41	15,067.7	4.80
3,977.6	2.37	3,844.8	2.45	Placement in securities	4,289.3	2.43	4,521.7	2.47
				Liabilities				
465.4	3.30	835.7	2.45	Deposits from credit institutions	677.5	2.81	983.3	2.30
12,818.2	2.10	12,378.5	2.20	Customer deposits	12,837.5	2.09	12,373.8	2.19
17,130.5	2.62	14,308.0	2.84	Securities deposits	10,300.0	2.81	8,581.4	3.10

*Includes receivables from central banks.

Average interest rate is measured by the interest income recognised during the year divided by the average balance.

NOTE 27 - DIVIDENDS AND OTHER INCOME FROM SECURITIES WITH VARIABLE YIELDS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
0.6	0.5	Dividends from equity instruments valued at fair value through profit and loss	0.6	0.5
6.7	12.5	Dividends from equity instruments classified as available for sale	6.7	12.5
0.0	0.0	Dividends and group contributions from subsidiary.	60.0	98.6
7.3	**13.0**	**Dividends and other income from variable-yield securities**	**67.3**	**111.6**

NOTE 28 - NET COMMISSION INCOME

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
6.1	6.4	Fees, guarantees and letters of credit	6.1	6.4
0.0	0.0	Fees, credit extension	12.8	11.6
49.3	49.5	Fees, settlement of payments	49.3	49.5
1.6	1.5	Interbank charges	1.6	1.5
2.5	2.3	Securities dealing and management charges	2.5	2.3
14.0	13.2	Insurance charges	14.0	13.2
8.1	7.5	Other fees and commission	5.8	5.8
81.6	**80.4**	**Total commission income, etc.**	**92.1**	**90.3**
32.1	28.6	Intermediation commission	6.2	1.9
7.2	7.6	Payments and electronic services	7.7	8.3
3.0	3.0	Interbank expenses	3.0	3.0
1.4	1.4	Other commission expenses	1.4	1.4
43.7	**40.6**	**Total commission expenses, etc.**	**18.3**	**14.6**
37.9	**39.8**	**Net commission income, etc.**	**73.8**	**75.7**

NOTE 29 - NET VALUE CHANGE AND GAINS/LOSSES FROM FINANCIAL INSTRUMENTS

Recognised in the statement of income

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		Value change and gains/losses on financial instruments at fair value through profit and loss		
0.8	-2.2	Value change of bonds and certificates – appointed at fair value	0.8	-4.6
1.8	0.2	Realised gains/losses on bonds and certificates – appointed at fair value	-0.2	3.0
2.6	**-2.0**	**Net value change and gains/losses on financial instruments designated at fair value**	**0.6**	**-1.6**
5.5	10.1	Value change in equity instruments – held for trading	5.5	10.1
0.0	1.3	Realised gains/losses on equity instruments – held for trading	0.0	1.3
12.3	-1.3	Value change in bonds and certificates – held for trading	12.4	-1.4
2.3	3.2	Realised gains/losses on bonds and certificates – held for trading	2.3	3.2
-11.5	6.3	Change in value of derivatives – hedge accounting not applied	-11.5	6.3
0.5	2.3	Realised gains/losses on derivatives – hedge accounting not applied	0.5	2.3
9.1	**21.9**	**Net value change and gains/losses on financial instruments held for trading**	**9.2**	**21.8**
11.7	**19.9**	**Net value change and gains/losses on financial instruments at fair value**	**9.8**	**20.2**
310.3	16.1	Financial derivatives - hedge accounting	141.9	7.0
-310.3	-16.1	Financial liabilities - hedged	-141.9	-7.0
0.0	**0.0**	**Total net hedged items***	**0.0**	**0.0**
		Net value change and gains/losses on financial instruments available for sale		

0.0	-1.9	Write-downs of equity instruments - available for sale	0.0	-1.9
147.0	0.0	Realised gains/losses on equity instruments – available for sale	147.0	0.0
147.0	**-1.9**	**Net value change and gains/losses on financial instruments available for sale**	**147.0**	**-1.9**
		Net value change and gains/losses on financial instruments held to maturity		
0.0	0.0	Realised gains/losses on certificates and bonds	0.0	0.0
0.0	**0.0**	**Net value change and gains/losses on financial instruments held to maturity**	**0.0**	**0.0**
		Write-downs and gains/losses on financial instruments at amortised cost		
-9.9	0.0	Realised gains/losses on debt established by issuing securities - amortised cost	-8.0	0.0
-9.9	**0.0**	**Net realised gains/losses on debt established by issuing securities - amortised cost**	**-8.0**	**0.0**
		Currency trading		
9.3	5.3	- Net conversion gain	9.3	5.3
2.1	3.1	- Net transaction gain	2.1	3.1
11.4	**8.4**	**Total net income from currency trading**	**11.4**	**8.4**
160.2	**26.4**	**Net value changes and gains/losses on financial instruments**	**160.2**	**26.7**

*For hedged financial liabilities, the hedged risk is measured at fair value, while the rest of the instrument is measured at amortised cost. Hedging derivatives are measured at fair value. The group uses hedge accounting on fixed interest bond loans and bond loans in foreign currency. The loans are hedged one-to-one.

Reference is made to Note 27 for dividends and other income from securities with variable yields.

Recognised in the statement of income

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		Value change in financial instruments available for sale		
-90.2	178.8	Value change in equity instruments through overall results - available for sale*	-90.2	178.8
-90.2	**178.8**	**Net value change in financial instruments available for sale**	**-90.2**	**178.8**

*Reference is made to Note 23 for a more detailed description regarding value change on equity instruments through profit and loss - available for sale.

NOTE 30 – OTHER OPERATING INCOME

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
27.2	25.3	Leasing income investment properties	0.0	0.0
6.6	6.6	Operating income, real estate	1.5	0.1
1.2	13.0	Profit on the sale of real estate	0.0	0.0
5.5	10.3	Other operating income	4.3	6.3
40.5	**55.2**	**Other operating income**	**5.8**	**6.4**

NOTE 31 – SALARIES AND OTHER REMUNERATION

Group 2014	Group 2013	Amounts in NOK thousands	Parent bank 2014	Parent bank 2013
120,419	122,592	Salaries	101,176	102,847
19,156	19,014	National Insurance contributions	16,020	15,844
		Pensions		
9,149	8,774	- defined-benefit	7,869	7,270
3,907	3,198	- defined-contribution	3,500	2,801
9,316	10,631	Social costs	7,536	8,659
161,947	**164,209**	**Total salaries, etc.**	**136,101**	**137,421**
225	233	Number of FTEs as at 31.12	195	202
234	242	Number of employees as at 31.12	202	211
225	228	Average total FTEs	194	197
233	239	Average number of employees	202	208

Remuneration 2014 – parent bank

Remuneration to the CEO was NOK 2,677,615. The retirement age of the CEO is 67 years. The CEO is a member of the bank's defined benefit-pension scheme and earns pension rights in the same way as other employees. If the CEO decides to leave the bank no severance pay will be due in excess of the salary agreed for the notice period of 6 months. If the bank terminates the CEO's employment the CEO has the right to claim severance pay for 3 years from the termination date. The salary basis is the annual salary at the time of termination. Apart from this no employee or employee representative has severance pay or subscription rights, options, or bonus agreements. No additional remuneration for special services in addition to normal functions for a manager have been given.

Remuneration to the senior management group in 2014

Amount in NOK thousands		Remuneration*	Salaries	Pensions	Paid one-off supplement	Payment in kind	Total	Earned, not paid one-off supplement	Loans
Pål Strand	CEO		2,216	223	100	138	2,678		1,171
Kjell Engen	Finance and internal operations manager		1,757	304	68	135	2,264		1,956
Lars-Runar Groven	Manager - Credit		951	203	27	125	1,306		2,499
Anne Siri Rhoden Jensen	HR manager	10	859	173	18	125	1,185		1,699
Per Øyvind Mørk	Manager – Marketing and communication		1,364	102	36	143	1,644		
Kristian Thowsen	Director – Business market		1,038	112	10	117	1,278		3,235
Jan-Roger Vrabel	Director - Private market		1,135	107	31	157	1,430		3,565
Total, senior management group		**10**	**9,320**	**1,224**	**290**	**940**	**11,785**		**14,126**

*Fees paid to members of the senior management group concern nomination committee posts. The senior management group are part of the bank's general scheme for interest-rate subsidised loans to employees. Loans to employees are granted at an interest rate that is lower than the interest rate that is the basis for taxation benefits for the employees. The loan limit for interest-rate subsidised loans in 2014 was NOK 2 million. For the CEO and the Deputy CEO the limits are NOK 4 million and NOK 3 million, respectively. Members of the Board of Directors and other control bodies have loans on ordinary terms. Subsidiary costs related to interest subsidisation of loans to employees are not booked as operating costs and affect the bank's interest account.

Remuneration, Board of Directors 2014

Amounts in NOK thousands		Remuneration*	Salaries	Pensions	Paid profit sharing	Payment in kind	Total	Loans
Jorund Rønning Indrelid	Chairman of the Board of Directors	200				9	209	
Knut Smedsrud	Deputy Chairman of the Board of Directors	175				8	183	2,187
Morten André Yttreeide	Board member	100				7	107	
Sverre Nedberg	Board member	141				9	150	
Roar Norheim Larsen	Board member	100				9	109	
Elly Therese Thoresen	Board member	100					100	
Hanne M. Lenes Solem	Board member	126				8	134	
Inger Helen Pettersen	Employee representative	100	546	62	12	34	754	2,370
Sissel Album Fjeld	Deputy employee representative	105	501	58	12	23	699	
Total, Board		**1,147**	**1,047**	**120**	**25**	**107**	**2,445**	**4,557**

Remuneration, other officers 2014

Amounts in NOK thousands		Remuneration*	Salaries	Pensions	Paid profit sharing	Payment in kind	Total	Loans
Øivind Andersson	Chairman of the control committee	65					65	
Randi H. Sandli	Member of the control committee	40					40	
Eli Kristin Nordsiden	Member of the control committee	45					45	
Sjur Kortgaard	Member of the control committee	40					40	819
Total, control committee		**190**					**190**	**819**
Frank Borgen	Chairman of the Board of Trustees	50					50	821
May-Britt Andersen	Trustee member	6					6	
Bent Inge Bye	Trustee member	8					8	
Siren Coward	Employee representative	4	765	126	12	25	932	2,587
Dag Fjeld Edvardsen	Trustee member	4					4	
Inger Haug Fjerdingstad	Trustee member	4					4	

Øivind Granlund	Trustee member	4					4	
Kåre J. Grøtta	Trustee member	15					15	10,842
Arne Gundersen	Trustee member	4					4	
Thomas F. Halvorsen	Trustee member	8					8	2,455
Asbjørn R. Hansen	Trustee member	4					4	
Hilde Elisabeth Hofgaard	Trustee member	4					4	
Jack A. Humlebekk	Trustee member	4					4	
Iver A. Juel	Trustee member	4					4	
Steinar Karlsen	Trustee member	4					4	
Bernt K. Krabberød	Trustee member	4					4	
Vegard Kvamme	Employee representative	4	872	119	12	135	1,143	3,325
Jørn Larsen	Trustee member	4					4	
Thor-Kristian Lien	Trustee member	10					10	
Frode Lindbeck	Employee representative	4	885	128	12	147	1,176	981
Lars M. Lunde	Trustee member	2					2	
Anne Irene Lunden	Employee representative	4	652	81	12	10	759	86
Frode Lund Nielsen	Trustee member	4					4	2,508
Kristin Nystrøm	Trustee member	2					2	
Borghild M. Dahler Nordlid	Trustee member	6					6	
Geir Opdahl	Employee representative	4	464	25	12	26	531	3,735
Rune Paule	Employee representative	4	503	54	12	24	597	1,893
Petter Qvam	Trustee member	4					4	
Gunnvor Ramnefjell	Trustee member	4					4	
Morten Ranvik	Trustee member	4					4	559
Nils Johan Rønniksen	Trustee member	2					2	
Gunnar Sanden	Employee representative	4	647	75	12	26	764	981
Marianne Seip	Trustee member	4					4	197
Jan Christian Skau	Employee representative	10	687	108	12	24	842	1,722
Ole-Martin Solberg	Employee representative	8	532	26	12	25	604	1,997
Nils Kr. Steenberg	Trustee member	4					4	256
Tom R. Svendsen	Trustee member	6					6	
Svein L. Syversen	Trustee member	4					4	
Turid Solberg Thomassen	Trustee member	4					4	
Øyvind Thorsby	Trustee member	4					4	
Kari Solberg Økland	Trustee member	4					4	
Andreas E. Øvrum	Trustee member	4					4	
Jon Aas	Trustee member	4					4	2,779
Total, Trustees		**253**	**6,008**	**741**	**111**	**442**	**7,554**	**37,723**

Remuneration to the senior management group in 2013

Amounts in NOK thousands		**Remuneration***	**Salaries**	**Pensions**	**Paid one-off supplement**	**Payment in kind**	**Total**	**Earned, not paid one-off supplement**	**Loans**
Pål Strand	CEO		2,064	183	200	131	2,578	100	1,307
Kjell Engen	Finance and internal operations manager		1,681	219	154	128	2,182	68	2,462
Lars-Runar Groven	Manager - Credit		902	136	60	137	1,235	27	2,542
Anne Siri Rhoden Jensen	HR manager	12	842	149	40	128	1,171	18	1,824
Per Øyvind Mørk	Manager – Marketing and communication		1,445	101	80	144	1,770	36	
Halvor Kirkebøen	Director, business market - up to and including 12.05.13		1,010		36	190	1,236	0	2,816
Kristian Thowsen	Director, business market – as from 25.09.13		315	108		40	463	10	
Jan-Roger Vrabel	Director - Private market		1,076	104	70	150	1,400	31	3,502
Total, senior management group		**12**	**9,335**	**1,000**	**640**	**1,048**	**12,035**	**290**	**14,453**

*Fees paid to members of the senior management group concern board of representative posts in AS Financiering and nomination committee posts. The senior management group are part of the bank's general scheme for loans to employees. Loans to employees are granted at an interest rate that is lower that the interest rate that is the basis for taxation benefits for the employees. Members of the Board of Directors and other control bodies have loans on ordinary terms. Subsidiary costs related to interest subsidisation of loans to employees are not booked as operating costs and affect the bank's interest account.

Remuneration, Board of Directors 2013

Amounts in NOK thousands		Remuneration*	Salaries	Pensions	Paid profit sharing	Payment in kind	Total	Loans
Jorund Rønning Indrelid	Chairman of the Board of Directors	255					255	
Knut Smedsrud	Deputy Chairman of the Board of Directors	152					152	
Morten André Yttreeide	Board member	100					100	
Sverre Nedberg	Board member	142					142	
Roar Norheim Larsen	Board member	100					100	
Elly Therese Thoresen	Board member	100					100	
Hanne M. Lenes Solem	Board member	126					126	
Inger Helen Pettersen	Employee representative	102	523	56	20	20	721	2,418
Total, Board		**1,077**	**523**	**56**	**20**	**20**	**1,696**	**2,418**

Remuneration, other officers 2013

Amounts in NOK thousands		Remuneration*	Salaries	Pensions	Paid profit sharing	Payment in kind	Total	Loans
Øivind Andersson	Chairman of the control committee	69					69	
Randi H. Sandli	Member of the control committee	40					40	
Eli Kristin Nordsiden	Member of the control committee	45					45	
Sjur Kortgaard	Member of the control committee	40					40	641
Total, control committee		**194**					**194**	**641**
Frank Borgen	Manager of the Board of Trustees	50					50	860
May-Britt Andersen	Trustee member	7					7	
Bent Inge Bye	Trustee member	8					8	
Siren Coward	Employee representative	4	746	107	20	17	894	2,727
Sissel Album Fjeld	Employee representative	8	509	51	20	23	611	1,620
Inger Haug Fjerdingstad	Trustee member	4					4	
Øivind Granlund	Trustee member	4					4	
Kåre J. Grøtta	Trustee member	4					4	
Arne Gundersen	Trustee member	4					4	
Thomas F. Halvorsen	Trustee member	10					10	2,454
Ole B. Hoen	Trustee member	4					4	
Hilde Elisabeth Hofgaard	Trustee member	4					4	
Jack A. Humlebekk	Trustee member	4					4	
Iver A. Juel	Trustee member	4					4	
Steinar Karlsen	Trustee member	4					4	
Vegard Kvamme	Employee representative	4	772	99	20	75	970	3,363
Jørn Larsen	Trustee member	4					4	
Thor-Kristian Lien	Trustee member	13					13	
Frode Lindbeck	Employee representative	2	854	113	20	0	989	981
Anne Irene Lunden	Employee representative	4	699	61	20	12	796	155
Frode Lund Nielsen	Trustee member	4					4	2,550
Borghild M. Dahler Nordlid	Trustee member	4					4	
Geir Opdahl	Employee representative	4	463	24	20	18	529	3,553
Rune Paule	Employee representative	4	495	44	18	17	578	1,946
Ståle Pettersen	Trustee member	4					4	
Petter Qvam	Trustee member	2					2	
Gunnvor Ramnefjell	Trustee member	4					4	
Morten Ranvik	Trustee member	4					4	403
Gunnar Sanden	Employee representative	4	642	53	20	20	739	1,041
Marianne Seip	Trustee member	4					4	211
Jan Christian Skau	Employee representative	10	682	95	18	16	821	1,755
Ole-Martin Solberg	Employee representative	4	474	24	20	17	539	2,075
Nils Kr. Steenberg	Trustee member							270
Tom R. Svendsen	Trustee member	4					4	
Svein L. Syversen	Trustee member	4					4	
Turid Solberg Thomassen	Trustee member	4					4	
Øyvind Thorsby	Trustee member	4					4	
Kari Solberg Økland	Trustee member	2					2	
Andreas E. Øvrum	Trustee member	2					2	
Jon Aas	Trustee member	4					4	2,834
Total, Trustees		**226**	**6,336**	**671**	**196**	**215**	**7,644**	**28,798**

NOTE 32 – RELATED PARTIES

Amounts in NOK thousands	Senior management group 2014	Senior management group 2013	The Board and control committee 2014	The Board and control committee 2013	Other related parties 2014	Other related parties 2013
Loans						
Outstanding loans as at 01.01.	11,637	15,606	3,059	1,683	28,799	35,467
Net changes in loans in the period	2,489	-3,969	2,317	1,376	8,924	-6,668
Outstanding loans as at 31.12.	**14,126**	**11,637**	**5,376**	**3,059**	**37,723**	**28,799**
Interest income	270	244	116	81	986	1,184
Loan losses	0	0	0	0	0	0
Deposits						
Deposits as at 01.01.	3,536	2,199	6,541	5,897	14,068	14,910
Net changes in deposits in the period	-603	1,337	484	644	-209	-842
Deposits as at 31.12.	**2,933**	**3,536**	**7,025**	**6,541**	**13,859**	**14,068**
Interest expenses	48	66	210	184	389	333
Other income	0	0	0	0	0	0
Guarantees issued	0	0	5,250	5,250	0	0

NOTE 33 – OTHER OPERATING COSTS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
2.9	2.6	Operating costs - investment properties	0.0	0.0
2.2	3.8	Operating costs - real estate	1.8	3.1
53.7	48.6	Other operating expenses	48.4	43.4
58.8	**55.0**	**Other operating expenses**	**50.2**	**46.5**

NOTE 34 – AUDITOR'S REMUNERATION

Group 2014	Group 2013	Amounts in NOK thousands	Parent bank 2014	Parent bank 2013
2,248	2,165	Audit	1,350	1,294
139	105	Other confirmation services	0	0
210	185	Taxation and excise consultancy	130	68
661	872	Other services	277	307
3,258	**3,327**	**Total**	**1,757**	**1,669**

These amounts include value-added tax.

NOTE 35 – TAXES

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		Tax expenses for the year in the statement of income are as follows		
100.0	95.7	Current tax on the profit for the year	51.6	75.5
3.3	11.9	Recognised deferred tax	4.2	9.5
0.0	-1.1	Recognised deferred tax due to change in tax rate	0.0	0.2
0.1	-0.3	Excess/deficit tax, previous year	0.1	-0.8
1.0	0.0	Tax at source	1.0	0.0
104.4	**106.2**	**Total tax for the year**	**56.9**	**84.4**
		Tax on other income and expenses – recognised in profit and loss		
		Changes in net deferred tax assets		
-12.3	-2.7	- Actuarial gains and losses on defined-benefit plans	-11.3	-3.1
0.0	0.0	- Change in investments available for sale	0.0	0.0
-12.3	**-2.7**	**Tax on other income and expenses**	**-11.3**	**-3.1**
		Changes in net deferred tax assets		
3.3	11.9	Recognised deferred tax in statement of income	4.2	9.5
0.0	-1.1	Change in deferred tax, effect of change in tax rate	0.0	0.2
-12.3	-2.7	Recognised deferred tax in overall result	-11.3	-3.1
0.0	0.0	Changes in net deferred tax assets entered directly in the balance sheet	0.0	0.0
-9.0	**8.1**	**Total changes in net deferred tax**	**-7.1**	**6.6**
		Reconciliation of annual tax costs		
533.1	388.9	Pre-tax profit	417.5	307.9
143.9	108.9	Tax at nominal 27% rate (28% in 2013)	112.7	86.2
-40.6	-1.3	Tax effect of permanent differences	-56.9	-1.2
0.0	-1.1	Tax effect of changed tax rate from 28% to 27% for deferred tax recognised in the balance sheet	0.0	0.2
0.1	-0.3	Excess/deficit tax, previous year	0.1	-0.8
1.0	0.0	Tax at source	1.0	0.0
104.4	**106.2**	**Tax costs**	**56.9**	**84.4**
		Current tax is recognised in the balance sheet as follows:		
100.0	95.7	Tax payable on net income for the year	51.6	75.5
0.0	0.0	Tax payable on group contribution	0.0	-27.6
5.5	4.3	Annual property tax	5.5	4.3
105.5	**100.0**	**Total current tax**	**57.1**	**52.2**

Group 2014	Group 2013	Group Change 2014	Group Change 2013	Deferred tax obligation/deferred tax assets	Parent bank 2014	Parent bank 2013	Parent bank Change 2014	Parent bank Change 2013
				Positive temporary differences				
127.1	129.9	2.8	-3.4	Operating assets	4.1	1.8	-2.3	-1.8
59.4	24.7	-34.7	-24.7	Securities	59.4	26.4	-33.0	-26.4
0.5	0.0	-0.5	0.0	Other positive temporary differences	0.4	0.0	-0.4	3.7
187.0	154.6	-32.4	-28.1	Total positive temporary differences	63.9	28.2	-35.7	-24.5
50.5	41.7	-8.7	-7.9	Deferred tax obligation	17.3	7.6	-9.6	-6.9
				Negative temporary differences and loss to carry forward				
0.0	0.0	0.0	0.0	Operating assets	0.0	0.0	0.0	0.8
0.0	0.0	0.0	9.7	Securities	0.0	0.0	0.0	7.4
16.2	4.7	-11.5	4.6	Derivatives	16.2	4.7	-11.5	4.5
0.0	0.1	0.1	0.1	Receivables	0.0	0.0	0.0	0.0
7.6	2.7	-4.9	3.0	Other liabilities	6.7	2.4	-4.3	0.0
87.1	37.6	-49.5	-12.6	Pension commitments	82.0	35.9	-46.1	-14.2
0.2	0.2	0.0	-0.2	Deficit to carry forward	0.0	0.0	0.0	0.0
111.1	45.3	-65.8	4.6	Total negative temporary differences and loss to carry forward	104.9	43.0	-61.9	-1.5
30.0	12.2	-17.8	1.3	Deferred tax assets	28.3	11.6	-16.7	-0.4
-20.5	**-29.5**	**-9.0**	**9.2**	**Net deferred tax liability (-) / net deferred tax asset (+)**	**11.1**	**4.0**	**-7.1**	**6.4**

Deferred tax assets are in their entirety recognised in the balance sheet as the group expects to be able to utilise this in the future.

NOTE 36 - CERTIFICATES AND BONDS

Certificates and bonds distributed by issuing sector and category as at 31.12.14 - group

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Value entered in the balance sheet
State and government guarantees	488.0	506.1	0.0	0.0	200.0	205.8
Other public issuer	560.0	572.8	0.0	0.0	0.0	0.0
Covered bonds	2,368.5	2,412.1	0.0	0.0	0.0	0.0
Financial companies	299.7	312.7	0.0	0.0	0.0	0.0
Non-financial companies	100.0	100.3	0.0	0.0	0.0	0.0
Total certificates and bonds	**3,816.2**	**3,904.0**	**0.0**	**0.0**	**200.0**	**205.8**

Certificates and bonds distributed by issuing sector and category as at 31.12.14 - Parent bank

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Value entered in the balance sheet
State and government guarantees	488.0	506.1	0.0	0.0	200.0	205.8
Other public issuer	560.0	572.8	0.0	0.0	0.0	0.0
Covered bonds	2,368.5	2,412.1	0.0	0.0	0.0	0.0
Financial companies	299.7	312.7	0.0	0.0	0.0	0.0
Non-financial companies	100.0	100.3	0.0	0.0	0.0	0.0
Total certificates and bonds	**3,816.2**	**3,904.0**	**0.0**	**0.0**	**200.0**	**205.8**

Certificates and bonds distributed by issuing sector and category as at 31.12.13 - group

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Value entered in the balance sheet
State and government guarantees	427.5	431.3	0.0	0.0	200.0	206.0
Other public issuer	335.0	345.9	0.0	0.0	0.0	0.0
Covered bonds	2,042.4	2,061.6	0.0	0.0	0.0	0.0
Financial companies	420.0	425.4	0.0	0.0	0.0	0.0
Non-financial companies	54.0	50.1	0.0	0.0	0.0	0.0
Total certificates and bonds	**3,278.9**	**3,314.3**	**0.0**	**0.0**	**200.0**	**206.0**

Certificates and bonds distributed by issuing sector and category as at 31.12.13 - Parent bank

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal	Fair value	Nominal	Fair value	Nominal	Value entered in the balance sheet
State and government guarantees	427.5	431.3	0.0	0.0	200.0	206.0
Other public issuer	335.0	345.9	0.0	0.0	0.0	0.0
Covered bonds	2,282.4	2,303.9	0.0	0.0	0.0	0.0
Financial companies	420.0	425.4	0.0	0.0	0.0	0.0
Non-financial companies	54.0	50.1	0.0	0.0	0.0	0.0
Total certificates and bonds	**3,518.9**	**3,556.6**	**0.0**	**0.0**	**200.0**	**206.0**

Certificates and bonds distributed by maturity as at 31.12.14 - Group

	Accrued interest	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	9.2	0.0	50.0	652.7	0.0	711.9
Other public issuer	4.4	325.2	100.2	143.0	0.0	572.8
Covered bonds	4.8	195.4	225.8	1,532.8	453.3	2,412.1
Financial companies	1.4	0.0	25.2	214.1	72.0	312.7
Non-financial companies	0.3	100.0	0.0	0.0	0.0	100.3
Total certificates and bonds	**20.1**	**620.6**	**401.2**	**2,542.6**	**525.3**	**4,109.8**

Certificates and bonds distributed by maturity as at 31.12.14 - Parent bank

	Accrued interest	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	9.2	0.0	50.0	652.7	0.0	711.9
Other public issuer	4.4	325.2	100.2	143.0	0.0	572.8
Covered bonds	4.8	195.4	225.8	1,532.8	453.3	2,412.1
Financial companies	1.4	0.0	25.2	214.1	72.0	312.7
Non-financial companies	0.3	100.0	0.0	0.0	0.0	100.3
Total certificates and bonds	**20.1**	**620.6**	**401.2**	**2,542.6**	**525.3**	**4,109.8**

Modified duration

	Group	Parent bank
State and government guarantees	0.83	0.83
Other public issuer	0.38	0.38
Covered bonds	0.21	0.21
Financial companies	0.75	0.75
Non-financial companies	0.20	0.20
Total duration	0.38	0.38

Modified duration is used as a measure of interest rate sensitivity for issuer sectors and categories.

Certificates and bonds distributed by maturity as at 31.12.13 - Group

	Accrued interest	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	7.2	50.1	0.0	554.7	25.3	637.3
Other public issuer	4.0	100.0	0.0	187.7	54.2	345.9
Covered bonds	4.8	10.0	75.2	1,724.6	247.0	2,061.6
Financial companies	1.6	126.2	50.3	247.3	0.0	425.4
Non-financial companies	0.1	0.0	0.0	0.0	50.0	50.1
Total certificates and bonds	**17.7**	**286.3**	**125.5**	**2,714.3**	**376.5**	**3,520.3**

Certificates and bonds distributed by maturity as at 31.12.13 - Parent bank

	Accrued interest	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	7.2	50.1	0.0	554.7	25.3	637.3
Other public issuer	4.0	100.0	0.0	187.7	54.2	345.9
Covered bonds	5.4	10.0	75.2	1,966.3	247.0	2,303.9
Financial companies	1.6	126.2	50.3	247.3	0.0	425.4
Non-financial companies	0.1	0.0	0.0	0.0	50.0	50.1
Total certificates and bonds	**18.3**	**286.3**	**125.5**	**2,956.0**	**376.5**	**3,762.6**

NOTE 37 - SHARES AND EQUITY CERTIFICATES

Specification of shares and equity certificates as at 31.12.14

	Number of shares	Ownership in %	Book cost	Fair value
Fair value through profit or loss				
Eltek ASA	59,512	0.02	0.7	0.7
Ringerike Sparebank	6,650	0.05	0.9	1.0
Visa Inc.	4,739	0.00	2.0	9.3
Voss Veksel- og Landmandsbank ASA	155,020	8.16	18.2	18.5
Total fair value through profit and loss			**21.8**	**29.5**
Available for sale				
BankAxept AS	560	0.56	0.3	0.3
Bankenes ID-tjeneste AS	6,700	6.70	0.0	0.0
BankID Norge AS	260	0.52	0.4	0.4
Eiendomskreditt AS	126,594	4.12	12.7	12.7
Eksportfinans ASA	12,787	4.84	139.4	208.3
Frende Holding AS	891,491	13.19	107.3	200.8
Kredittforeningen for Sparebanker	2,760	5.52	2.8	2.8
Nordito Property AS	269,244	2.65	1.0	1.0
Norne Eierselskap	4,553,571	2.55	1.3	1.3
Sparebankmateriell AS	302	0.96	0.0	0.0
Total available for sale			**265.2**	**427.6**
Cost				
Other shares			0.4	0.4
Total cost			**0.4**	**0.4**
Total shares and equity certificates			**287.4**	**457.5**

Specification of shares and equity certificates as at 31.12.13

	Number of shares	Ownership in %	Book cost	Fair value
Fair value through profit or loss				
Eltek ASA	59,512	0.02	0.7	0.4
Ringerike Sparebank	6,650	0.05	0.9	0.8
Visa Inc.	4,739	0.00	2.0	6.4
Voss Veksel- og Landmandsbank ASA	7,751	8.16	18.2	15.9
Total fair value through profit and loss			**21.8**	**23.5**
Available for sale				
Bankenes ID-tjeneste AS	6,700	6.70	0.0	0.0
Eiendomskreditt AS	126,594	4.12	12.7	12.7
Eksportfinans ASA	12,787	4.84	139.4	208.3
Frende Holding AS	1,003,248	14.84	120.8	226.0

Kredittforeningen for Sparebanker	2,760	5.52	2.8	2.8
Nets Holding AS	2,223,883	1.21	96.4	174.9
Nordito Property AS	269,244	2.65	1.0	1.0
Norne Eierselskap	4,553,571	2.55	1.3	1.3
Sparebankmateriell AS	302	0.96	0.0	0.0
Total available for sale			**374.4**	**627.0**
Cost				
Other shares			0.4	0.4
Total cost			**0.4**	**0.4**
Total shares and equity certificates			**396.6**	**650.9**

NOTE 38 - OWNERSHIP OF GROUP COMPANIES

Subsidiary companies	Acquisition time	Business office	Ownership stake	Number of votes
Sparebanken Øst Eiendom AS	29.12.88	Drammen	100%	100%
AS Financiering	01.10.91	Oslo	100%	100%
Øst Prosjekt AS	22.12.97	Drammen	100%	100%
Grev Wedels Have AS *	01.07.08	Drammen	100%	100%
Sparebanken Øst Boligkreditt AS	14.04.09	Drammen	100%	100%
Hawø Eiendom AS *	01.07.11	Drammen	100%	100%
EngeneKvartalet AS*	26.06.12	Drammen	100%	100%
Arbeidergaten 28 AS*	29.08.12	Drammen	100%	100%
Krokstad Terrasse AS*	29.08.12	Drammen	100%	100%
Stasjonsgaten 14 AS*	29.08.12	Drammen	100%	100%
Tollbugt 49-51 AS*	29.08.12	Drammen	100%	100%
Ingeniør Rybergsgate 101 AS*	15.07.14	Drammen	100%	100%
Øst Næringsbygg AS**	28.10.14	Drammen	100%	100%

* 100% owned subsidiary of Sparebanken Øst Eiendom AS.
** 100% owned subsidiary of Øst Prosjekt AS.

None of the subsidiaries are listed on the stock exchange.

NOTE 39 - FIXED ASSETS AND INVESTMENT PROPERTIES

Capital equipment as at 31.12.14

Group Machinery/ inventory/ vehicles etc.	Group Property	Group Investment property		Parent bank Machinery/ inventory/ vehicles etc.	Parent bank Properties	Parent bank Investment property
121.7	110.6	429.1	Purchase price as at 01.01.	98.3	54.7	0.0
15.0	5.8	1.2	Additions	13.2	3.3	0.0
6.4	0.0	1.4	Disposals	5.8	0.0	0.0
130.3	**116.4**	**428.9**	**Purchase price as at 31.12.**	**105.7**	**58.0**	**0.0**
94.1	18.1	33.1	Total ordinary depreciation and write-downs	73.8	9.4	0.0
36.2	**98.3**	**395.8**	**Book value as at 31.12.**	**31.9**	**48.6**	**0.0**
10.5	1.9	7.5	Ordinary depreciation for the year	7.9	0.9	
0.0	0.0	0.0	Write-downs for the year	0.0	0.0	
2-8 years	10-50 years	10-50 years	Economic lifetime	2-5 years	10-50 years	
Linear	Linear	Linear	Depreciation plan	Linear	Linear	
0.0	**14.0**		**Annual hire of assets not entered in the balance sheet**	**0.0**	**19.5**	

Capital equipment as at 31.12.13

Group Machinery/ inventory/ vehicles etc.	Group Properties	Group Investment property		Parent bank Machinery/ inventory/ vehicles etc.	Parent bank Properties	Parent bank Investment property
113.6	108.9	479.6	Purchase price as at 01.01.	90.6	53.3	0.0
13.2	1.7	1.9	Additions	11.0	1.4	0.0
5.1	0.0	52.4	Disposals	3.3	0.0	0.0
121.7	**110.6**	**429.1**	**Purchase price as at 31.12.**	**98.3**	**54.7**	**0.0**
89.7	16.2	25.6	Total ordinary depreciation and write-downs	71.7	8.6	0.0
32.0	**94.4**	**403.5**	**Book value as at 31.12.**	**26.6**	**46.1**	**0.0**
8.4	1.5	8.0	Ordinary depreciation for the year	6.2	0.5	
0.0	0.0	0.0	Write-downs for the year	0.0	0.0	
2-8 years	10-50 years	10-50 years	Economic lifetime	2-5 years	10-50 years	
Linear	Linear	Linear	Depreciation plan	Linear	Linear	
0.2	**13.2**		**Annual hire of assets not entered in the balance sheet**	**0.0**	**18.1**	

Valuation of investment properties

The group uses the following valuation hierarchy:
Level 1: Observable market value in active market.
Level 2: Valuation techniques based on observable market data, external valuations.
Level 3: Valuation techniques that are not based on observable market data.

All the group’s investment properties are categorised in level 3.

Group	Fair value	Book value
Investment properties at fair value as at 31.12.14	464.0	395.8
Investment properties at fair value as at 31.12.13	472.4	403.5

The fair value of the investment properties is based on assessments by external parties. The valuation method used is discounted estimated cash flows. The average required rate of return is 7.1 per cent. All the properties are situated in Drammen and the surrounding areas. Most of the properties relate to office buildings. No changes have been made to the valuation techniques compared with the previous year.

The group’s assessment is that the best possible use of the investment properties does not differ significantly from the current use.

For leasing income and operating costs on investment properties reference is made to Note 30 Other operating income and Note 33 Other operating costs.

In January 2015, the bank entered into an agreed for the sale of EngeneKvartalet in Drammen, on the sale of all shares in the subsidiary EngeneKvartalet AS. EngeneKvartalet is a modern commercial property in the centre of Drammen and is classified as an investment property in the accounts. Under the sales agreement, the property was transferred to the new owner on 22 Janauary 2015. The sale is expected to realise a gain after tax of around NOK 31 million at Group level in Q1 2015.

Real estate for own activities 2014

Group Area - m2 Own use	Group Area - m2 Leasing	Group Book value 2014*	Commercial building	Parent bank Area - m2 Own utilisation	Parent bank Area - m2 Leasing	Parent bank Book value 2014*
2,326	17,438	321.9	Drammen	2,087	0	33.6
4,622	4,948	67.1	Øvre Eiker	0	0	0.0
1,255	3,382	36.2	Nedre Eiker	0	0	0.0
180	555	16.7	Asker	0	0	0.0
8,383	**26,323**	**441.9**	**Total commercial buildings**	**2,087**	**0**	**33.6**

* Total book value in the balance sheet also includes property which does not comprise commercial buildings.

Liabilities
There are no liabilities relating to projects or purchases of operating equipment.
Real estate for own activities 2013

Group Area - m2 Own utilisation	Group Area - m2 Leasing	Group Book value 2013*	Commercial building	Parent bank Area - m2 Own utilisation	Parent bank Area - m2 Leasing	Parent bank Book value 2013*
3,393	15,958	360.7	Drammen	2,087	0	31.0
4,622	4,964	66.7	Øvre Eiker	0	0	0.0
1,255	1,939	35.8	Nedre Eiker	0	0	0.0
180	555	16.8	Asker	0	0	0.0
9,450	**23,416**	**480.0**	**Total commercial buildings**	**2,087**	**0**	**31.0**

* Total book value in the balance sheet also includes property which does not comprise commercial buildings.

NOTE 40 - OPERATIONAL LEASING AGREEMENTS

The parent bank and group have entered into operational leasing agreements for premises, office equipment and vehicles.

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
14.0	13.3	Annual rental costs	19.5	18.1
		Annual rental costs correspond to minimum rent payments		
		Minimum future rental payments		
10.8	11.5	Within 1 year	14.9	15.2
11.1	20.3	Between 1 and 5 years	24.7	35.9
0.7	0.8	After 5 years	0.7	0.8
22.6	**32.6**	**Total**	**40.3**	**51.9**

NOTE 41 - OTHER ASSETS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
6.3	7.2	Membership contribution for Kredittforeningen for Sparebanker (Savings Bank Credit Association)	6.3	7.2
102.6	32.8	Other receivables	3.7	6.2
108.9	**40.0**	**Other assets**	**10.0**	**13.4**

NOTE 42 - PREPAID NON-ACCRUED COSTS AND EARNED NOT RECEIVED INCOME

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
0.3	1.6	Accrued income not received	1.4	2.7
8.4	7.9	Other prepaid non-accrued costs	7.7	7.3
8.7	**9.5**	**Prepaid non-accrued costs and earned not received income**	**9.1**	**10.0**

NOTE 43 - DEBT TO CREDIT INSTITUTIONS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
0.1	0.1	Loans and receivables with credit institutions without agreed maturities or deadline for dismissal	8.5	5.2

210.4	775.5	Loans and receivables with credit institutions with agreed maturities or deadline for dismissal	461.1	985.9
210.5	**775.6**	**Liabilities to credit institutions**	**469.6**	**991.1**

NOTE 44 - DEPOSITS FROM AND DEBT TO CUSTOMERS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
11,201.5	10,373.2	Deposits from and debt to customers without agreed maturity date	11,224.3	10,385.9
2,195.5	2,173.6	Deposits from and debt to customers with agreed maturity date	2,195.7	2,173.8
13,397.0	**12,546.8**	**Deposits from and liabilities to customers**	**13,420.0**	**12,559.7**

Geographical distribution of deposits

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
2,603.5	2,541.4	Drammen	2,646.3	2,570.7
1,726.6	1,632.6	Nedre Eiker	1,724.6	1,630.7
1,678.8	1,632.0	Øvre Eiker	1,678.7	1,631.5
822.4	732.4	Other parts of Buskerud	821.4	731.7
2,729.4	2,520.0	Oslo	2,722.5	2,515.1
1,119.3	1,051.9	Akershus	1,113.8	1,047.0
577.6	487.7	Vestfold	576.4	486.3
206.0	163.7	Østfold	203.7	162.4
1,827.1	1,675.1	Rest of the country	1,826.3	1,674.3
106.3	110.0	Abroad	106.3	110.0
13,397.0	**12,546.8**	**Total**	**13,420.0**	**12,559.7**

Distribution of deposits by sector and industry

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
8,570.3	7,837.5	Salaried employees	8,558.5	7,828.3
270.9	228.5	Public administration	270.9	228.5
128.7	130.2	Agriculture, forestry and fishing	128.7	130.2
493.0	478.9	Industry and mining, power and water supplies	493.0	478.9
361.7	403.0	Construction and civil engineering	359.7	401.9
400.7	412.7	Retail, hotel and catering	400.6	412.5
143.3	154.6	Transport and communications	143.2	154.3
1,355.7	1,403.8	Financial services	1,352.1	1,400.1
688.0	574.7	Other service industries	686.6	573.3
878.4	812.9	Real estate turnover and operations	920.4	841.7
106.3	110.0	Abroad	106.3	110.0
13,397.0	**12,546.8**	**Total**	**13,420.0**	**12,559.7**

NOTE 45 - DEBT CONTRACTED THROUGH THE ISSUING OF SECURITIES

Group	Outstanding volume 2014*	Average balance 2014	Weighted interest rate 2014	Outstanding volume 2013*	Average balance 2013	Weighted interest rate 2013
Certificates	0.0	0.0	0.00%	0.0	0.0	0.00%
Bond loan	17,382.1	16,305.2	2.56%	14,037.0	13,661.3	2.82%
Own holdings – bond loans	0.0	-11.0	3.59%	0.0	-108.2	3.29%
Liabilities incurred on the issue of securities	**17,382.1**	**16,294.2**	**2.56%**	**14,037.0**	**13,553.1**	**2.82%**

* Measured at amortised cost, excluding accrued interest, on the balance sheet date.

Parent bank	Outstanding volume 2014*	Average balance 2014	Weighted interest rate 2014	Outstanding volume 2013*	Average balance 2013	Weighted ıterest rate 2013
Certificates	0.0	0.0	0.00%	0.0	0.0	0.00%
Bond loan	10,251.9	9,468.1	2.73%	7,861.6	8,017.4	3.05%
Own holdings – bond loans	0.0	-11.0	3.59%	0.0	-108.2	3.29%
Liabilities incurred on the issue of securities	**10,251.9**	**9,457.1**	**2.73%**	**7,861.6**	**7,909.2**	**3.04%**

* Measured at amortised cost, excluding accrued interest, on the balance sheet date.

NOTE 46 – SUBORDINATE LOAN CAPITAL

	Outstanding volume 2014*	Average balance 2014	Weighted interest rate 2014	Outstanding volume 2013*	Average balance 2013	Weighted interest rate 2013
Eternal subordinate loan capital	349.1	369.7	4.87%	502.2	337.8	4.42%
Subordinate bond loans	349.3	350.0	3.81%	349.1	253.6	3.87%
Subordinate loan capital	**698.4**	**719.7**	**4.36%**	**851.3**	**591.4**	**4.26%**

* Measured at amortised cost, excluding accrued interest, on the balance sheet date.

NOTE 47 – LONG-TERM DEPOSITS DISTRIBUTED BY MATURITY

Long-term deposits as at 31.12.14 - group

	Loans from credit institutions	Bond loan	OMF (Covered bonds)	Subordinate loans	Total
2015	60.1	2,040.5	455.0	0.0	2,555.6
2016	60.0	1,800.0	1,437.9	0.0	3,297.9
2017	60.0	2,150.0	1,000.0	0.0	3,210.0
2018	30.0	1,750.0	1,000.0	550.0	3,330.0
2019	0.0	1,300.0	1,000.0	150.0	2,450.0
2020	0.0	750.0	700.0	0.0	1,450.0
2021	0.0	0.0	600.0	0.0	600.0
2022	0.0	0.0	0.0	0.0	0.0
2023 and later	0.0	200.0	750.0	0.0	950.0
Gross deposits	210.1	9,990.5	6,942.9	700.0	17,843.5
Accrued interest	0.4	123.8	44.0	4.7	172.9
Direct costs and premium/discount	0.0	4.3	-5.5	-1.6	-2.8
Value adjustments	0.0	257.1	192.8	0.0	449.9
Net deposits	**210.5**	**10,375.7**	**7,174.2**	**703.1**	**18,463.5**

Call/put loans distributed by call/put date.

Long-term deposits as at 31.12.13 - group

	Loans from credit institutions	Bond loan	OMF (Covered bonds)	Subordinate loans	Total
2014	463.5	723.0	210.0	300.0	1,696.5
2015	160.0	2,460.0	760.0	0.0	3,380.0
2016	60.0	1,600.0	1,434.2	0.0	3,094.2
2017	60.0	465.0	1,000.0	0.0	1,525.0
2018	30.0	1,750.0	1,000.0	550.0	3,330.0
2019	0.0	0.0	1,000.0	0.0	1,000.0
2020	0.0	750.0	0.0	0.0	750.0
2021	0.0	0.0	0.0	0.0	0.0
2022 and later	0.0	0.0	750.0	0.0	750.0
Gross deposits	773.5	7,748.0	6,154.2	850.0	15,525.7
Accrued interest	2.1	93.8	25.4	12.8	134.1
Direct costs and premium/discount	0.0	2.9	-7.0	-1.9	-6.0
Value adjustments	0.0	110.7	28.2	3.2	142.1
Net deposits	**775.6**	**7,955.4**	**6,200.8**	**864.1**	**15,795.9**

Call/put loans distributed by call/put date.

Long-term deposits as at 31.12.14 - Parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Total
2015	319.2	2,040.5	0.0	2,359.7
2016	60.0	1,800.0	0.0	1,860.0
2017	60.0	2,150.0	0.0	2,210.0
2018	30.0	1,750.0	550.0	2,330.0
2019	0.0	1,300.0	150.0	1,450.0
2020	0.0	750.0	0.0	750.0
2021	0.0	0.0	0.0	0.0
2022	0.0	0.0	0.0	0.0
2023 and later	0.0	200.0	0.0	200.0
Gross deposits	469.2	9,990.5	700.0	11,159.7
Accrued interest	0.4	123.8	4.7	128.9
Direct costs and premium/discount	0.0	4.3	-1.6	2.7
Value adjustments	0.0	257.1	0.0	257.1
Net deposits	**469.6**	**10,375.7**	**703.1**	**11,548.4**

Call/put loans distributed by call/put date.

Long-term deposits as at 31.12.13 - parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Total
2014	679.0	723.0	300.0	1,702.0
2015	160.0	2,460.0	0.0	2,620.0
2016	60.0	1,600.0	0.0	1,660.0
2017	60.0	465.0	0.0	525.0
2018	30.0	1,750.0	550.0	2,330.0
2019	0.0	0.0	0.0	0.0
2020	0.0	750.0	0.0	750.0
2021	0.0	0.0	0.0	0.0
2022 and later	0.0	0.0	0.0	0.0
Gross deposits	989.0	7,748.0	850.0	9,587.0
Accrued interest	2.1	93.8	12.8	108.7
Direct costs and premium/discount	0.0	2.9	-1.9	1.0
Value adjustments	0.0	110.7	3.2	113.9
Net deposits	**991.1**	**7,955.4**	**864.1**	**9,810.6**

Call/put loans distributed by call/put date.

NOTE 48 – OTHER LIABILITIES

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
2.3	3.6	Liabilities associated with payment transfers	2.3	3.6
9.5	9.4	Accounts payable	2.1	5.0
63.0	46.2	Other liabilities	47.0	30.5
74.8	**59.2**	**Other liabilities**	**51.4**	**39.1**

NOTE 49 – ALLOCATIONS FOR COSTS AND COMMITMENTS INCURRED

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
87.1	37.6	Pension obligations (see note 50)	82.0	35.9
0.5	1.0	Specified allocations to guarantee commitments	0.5	1.0
87.6	**38.6**	**Provisions for accrued costs and liabilities**	**82.5**	**36.9**

NOTE 50 – PENSION OBLIGATIONS

Mandatory Occupational Pensions (OTP) are mandatory, and the group has schemes that satisfy these requirements. Sparebanken Øst has both defined-contribution and defined-benefit plans.

The defined-benefit plans in the group are closed schemes. New employees receive a pension based on a defined-contribution plan.

Defined-benefit pension scheme
Sparebanken Øst has a collective pension scheme in Storebrand Livsforsikring AS. This is a defined-benefit scheme and covers old age and disability pensions to scheme members, and spouse and child pensions to members' surviving families. The defined-benefit scheme currently covers 232 persons, 126 active and 106 retired, of whom 19 are completely or partly disabled. The scheme has been closed. Pension obligations are entered to accounts in accordance with IAS 19, which requires that the present value of pension obligations minus the market value of pension funds should be included in the balance sheet. Actuarial calculations are carried out each year on the basis of the information provided by the bank.

Defined-contribution pension scheme

As from 1 January 2007, Sparebanken Øst introduced a defined-contribution pension scheme for all new employees in the bank. The scheme is managed by Storebrand Livsforsikring AS. Five per cent of salaries between 1 and 6 G (national insurance basis amount or in Norwegian "Folketrygdens grunnbelop"), plus 8 percent of salaries between 6 and 12 G, are paid. The paid contributions are managed in various Storebrand funds. The defined-contribution scheme now includes 85 employees, of whom 2 receive disability pensions. The premiums for these are paid and expensed in salaries, etc. in the accounts on an ongoing basis.

Subsidiary companies

AS Financiering has a collective pension scheme which comprises 19 persons, of whom 12 are active and 7 disabled/retired. The scheme has been closed. 12 employees have defined-contribution schemes. Sparebanken Øst Eiendom AS has a defined-benefit scheme for 3 persons, all of whom are active. The scheme has been closed. 3 employees have defined-contribution schemes.

Operating pensions
The bank has separate pension agreements in place for 5 persons on salaries above 12G, of whom 4 persons are no longer employed by the bank. Sparebanken Øst Eiendom AS has a pension scheme for salaries above 12 G that is covered via operations. These operating pensions are taken into account in the calculations from the actuary.

Agreement-based early retirement pension (AFP)
The parent bank is a member of the AFP scheme, which is a collective pension scheme for the sector regulated by tariff agreements in Norway. The AFP scheme is based on a tripartite collaboration between employer organisations, employee organisations and the state. The state covers 1/3 of the AFP pension costs, while companies that are members of the scheme cover 2/3. Companies that participate in the AFP scheme are joint and severally liable for that which shall be paid to the employees who fulfil the terms of the scheme at any given time. All the parent bank's employees (202 persons) are members of the scheme.

For accounting purposes, the scheme is regarded as a defined-benefit multi-company scheme. The bank is unable to identify its share of the scheme's underlying financial position and result with any sufficient degree of reliability, and for this reason the scheme is entered in the accounts as a defined-contribution scheme. This means that liabilities from the AFP scheme are not recognised in the balance sheet. Premiums for the scheme are expensed as they are incurred.

Contributions to the AFP scheme are included in the accounts under salaries, etc., and comprised NOK 1.6 million in 2014 and NOK 1.2 million in 2013. Next year's premium is estimated at approximately NOK 1.7 million.

In order to be entitled to an early retirement pension (AFP), the employee (member) must fulfil several conditions. These include that the member must be an employed and actual employee of an organisation that is affiliated with the scheme at the time of drawing his/her pension, and the member must have been continuously employed for the past three years, and have been employed in an organisation affiliated with the scheme for seven of the past nine years. The new AFP provides employees with a lifelong premium to the retirement pension from National Insurance.

The scheme is administrated by the “Fellesordningen for AFP”, which also determines and collects the scheme’s premium. The premium shall be determined so that it is sufficient to cover current expenses and furthermore provide a basis for the arrangement of a pension fund.

In 2014, the premium constituted 2.2 per cent of salary between 1G and 7.1G. For 2015, the premium will constitute 2.4 per cent.

There is a shortfall in the scheme. In the event of any discontinuation of the scheme, the organisations participating in the scheme are obligated to continue premium payments for the coverage of pension payments to employees who have joined or who fulfil the requirements for the early retirement pension scheme (AFP) at the time of discontinuation.

Discontinued early retirement (AFP) scheme
The banking and finance industry’s old AFP scheme was an early retirement pension. The scheme is partly deducted based on the closure and discontinuation of the scheme in 2010. A remaining allocation applies to the portion for persons who have taken early retirement under the old scheme. At the end of 2014, there was 1 person receiving pensions within the old/phased out scheme. The balance sheet liability as at 31.12.14 totalled NOK 0.2 million.

Further information about defined-benefit schemes

Remaining qualification period
For secured schemes Sparebanken Øst’s calculations are based on a remaining qualification period for active members of 9 years, whilst Sparebanken Øst Eiendom AS and AS Financiering’s calculations are based on 7 and 12 years, respectively. The average remaining qualification period for operational pensions lies in intervals of 1-5 years.

Actuarial assumptions
Calculations are based on death table K2013 and disability tariff KU. The calculations are based on standardised assumptions concerning death and disability trends. A retirement rate is expected that slowly decreases from 8 per cent for the age group 20-24 years, and down to 0 per cent for 51-year-olds and older.

Qualification
The qualification period for individual pension rights is calculated from employment by the company until the established retirement age. The actuarial calculation methods are based on the principle of linear earning and allow for future salary and G (national insurance amount) growth.

Economic criteria	**2014**	**2013**
Expected return on pension funds	2.30%	4.10%
Discount rate	2.30%	4.10%
Annual salary growth	2.25%	3.00%
Annual G adjustment	2.50%	3.50%
Annual pension regulation	0.00%	0.60%

When calculating the pension costs and net pension liabilities, a number of assumptions are used. According to IAS 19, the discount interest rate on each balance sheet date must be determined with reference to the interest rate for corporate bonds of high quality or to government bonds in the absence of a deep market for corporate bonds of high quality, in accordance with the standard’s description. The Norwegian market for covered bonds is assessed to have the characteristics that make them suitable to be the basis for the calculation of the discount interest rate.

Sparebanken Øst sets the discount rate on the basis of covered bonds.

Risk assessment
Via defined-benefit pension schemes, the group is affected by individual risks as a result of uncertainty in conditions and future development. The most central risks are:

Life expectancy: The group has undertaken to pay the pension for the entirety of the employee’s life. Therefore an increase in life expectancy among the members will result in an increased liability for the group.

Yield risk: The group will be affected by a reduction in actual yield on the pension funds, which will result in increased liabilities for the company, since the yield on the funds will not be sufficient to settle the liability.

Inflation and salary growth risk: The group's pension obligation has risk relating to both inflation and salary development, even though salary development is closely related to inflation. Higher inflation and salary developments than those used in the pension calculations will result in increased liabilities for the group.

Pension costs in ordinary result

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		Net pension costs, defined-benefit scheme		
7.7	8.0	Present value of annual pension savings	6.5	6.5
1.5	0.9	Interest expenses for pension obligations	1.4	0.8
9.1	**8.9**	**Net pension costs including employer's contribution**	**7.9**	**7.3**
2.2	1.9	Premium paid, defined-contribution scheme	1.9	1.6
1.6	1.2	Premium paid, AFP scheme	1.6	1.2
12.9	**12.0**	**Total pension costs in ordinary result**	**11.4**	**10.1**

Specification of pension obligations and pension funds - group

2014 Funded	2014 Unfunded	2014 Total		2013 Funded	2013 Unfunded	2013 Total
			Changes in gross pension obligations			
229.3	28.4	257.7	Pension obligations as at 01.01.	218.1	28.7	246.8
0.0	0.0	0.0	Access and retirement	0.0	0.0	0.0
7.5	0.2	7.7	Costs of current period's pension earnings	7.7	0.3	8.0
9.2	1.0	10.2	Interest costs	8.1	1.0	9.1
52.2	4.2	56.4	Actuarial gains and losses	1.9	1.9	3.8
-7.6	-3.0	-10.6	Payment pension/paid-up policies	-6.5	-3.5	-10.0
290.6	**30.8**	**321.4**	**Gross pension obligations as at 31.12.**	**229.3**	**28.4**	**257.7**
			Changes in gross pension funds			
220.1	0.0	220.1	Fair value of pension funds as at 01.01.	221.8	0.0	221.8
8.7	0.0	8.7	Yield on pension funds	8.2	0.0	8.2
10.5	0.0	10.5	Actuarial gains and losses	-6.0	0.0	-6.0
2.3	0.0	2.3	Premium payments	2.3	0.0	2.3
-7.3	0.0	-7.3	Payment of pension/paid-up policies	-6.2	0.0	-6.2
234.3	**0.0**	**234.3**	**Fair value of pension funds as at 31.12.**	**220.1**	**0.0**	**220.1**
56.3	**30.8**	**87.1**	**Net pension obligations (+)/- pension funds (-)**	**9.2**	**28.4**	**37.6**
0.0	0.0	0.0	Unrecognised actuarial gains	0.0	0.0	0.0
0.0	0.0	0.0	Unrecognised plan changes	0.0	0.0	0.0
56.3	**30.8**	**87.1**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**9.2**	**28.4**	**37.6**

2014		2013
37.6	**Net pension obligations as at 01.01.**	**25.0**
9.1	Recognised pension cost	8.9
45.9	Actuarial gains and losses	9.8
-2.3	Paid-in pension premiums	-2.6
-3.2	Pension payments	-3.5
87.1	**Net balance sheet pension obligations as at 31.12.**	**37.6**
10.2	Expected premium payment next year, defined-benefit scheme	2.8
2.4	Expected premium payment next year, defined-contribution scheme	2.2
1.7	Expected premium payment next year, new AFP scheme	1.4
	Placement of pension funds, percentage:	
33.7%	Money market/bonds	24.0%
45.9%	Construction bonds	48.3%
1.5%	Shares, Norwegian	1.7%

5.2%	Shares, global	8.4%
2.6%	Private Equity	3.1%
8.7%	Property	11.4%
2.4%	Other	3.1%
5.4%	Booked returns totalled	3.3%

Sensitivity analysis, defined-benefit schemes

The sensitivity analysis is undertaken by changing an actuarial assumption while simultaneously keeping the other assumptions unchanged. Actual results may differ significantly from these estimates.

	Discount rate		Annual salary growth/ basic amount		Annual adjustment of pensions	
Change in percentage points	**+ 0.5%**	**- 0.5%**	**+ 0,5%**	**- 0,5%**	**+ 0,5%**	**- 0,0%**
Percentage change in pension						
- Pension liability (PBO)	-8.9%	10.1%	2.7%	-2.5%	7.4%	0.0%
- Net pension costs for the period	-10.3%	11.9%	5.2%	-4.9%	7.0%	0.0%

The pension obligation is particularly sensitive to changes in the discount rate. A reduction in the discount rate will in isolation result in an increase in the pension obligation. A reduction in the discount rate of 0.5 percentage point will give an increase in the pension obligation of around 10 per cent. An increase in salary adjustments and the adjustment of pensions will result in an increase in the pension obligation.

The group's net pension obligations as at 31.12.14 have the following maturity structure over the next 10 years.

	Amount	**In % of gross pension obligation**
Under 1 year	9.0	2.8%
Year 2	9.1	2.8%
Year 3	9.3	2.9%
Year 4	9.6	3.0%
Year 5	10.1	3.1%
Year 6-10	59.7	18.6%
Total	106.9	33.3%

Specification of pension obligations and pension funds - parent bank

	2014				**2013**	
Funded	**Unfunded**	**Total**		**Funded**	**Unfunded**	**Total**
			Changes to gross pension obligations			
209.0	28.0	237.0	Pension obligations as at 01.01.	197.5	28.0	225.5
0.0	0.0	0.0	Access and retirement	0.0	0.0	0.0
6.3	0.2	6.5	Costs of current period's pension earnings	6.3	0.2	6.5
8.2	1.1	9.3	Interest costs	7.4	1.0	8.4
48.5	3.6	52.0	Actuarial gains and losses	3.5	2.3	5.8
0.0	0.0	0.0	Transfer of employee from subsidiary	0.0	0.0	0.0
-6.9	-3.0	-9.9	Payment pension/paid-up policies	-5.7	-3.5	-9.2
265.1	**29.9**	**295.0**	**Gross pension obligations as at 31.12.**	**209.0**	**28.0**	**237.0**
			Changes in gross pension funds			
201.1	0.0	201.1	Fair value of pension funds as at 01.01.	203.9	0.0	203.9
7.9	0.0	7.9	Yield on pension funds	7.5	0.0	7.5
10.0	0.0	10.0	Actuarial gains and losses	-5.3	0.0	-5.3
0.8	0.0	0.8	Premium payments	0.6	0.0	0.6
-6.8	0.0	-6.8	Payment of pension/paid-up policies	-5.6	0.0	-5.6
213.0	**0.0**	**213.0**	**Fair value of pension funds as at 31.12.**	**201.1**	**0.0**	**201.1**
52.1	**29.9**	**82.0**	**Net pension obligations (+)/- pension funds (-)**	**7.9**	**28.0**	**35.9**
0.0	0.0	0.0	Unrecognised actuarial gains	0.0	0.0	0.0
0.0	0.0	0.0	Unrecognised plan changes	0.0	0.0	0.0
52.1	**29.9**	**82.0**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**7.9**	**28.0**	**35.9**

2014		2013
35.9	**Net pension obligations as at 01.01.**	**21.6**
7.9	Recognised pension cost	7.3
42.0	Actuarial gains and losses	11.1
-0.9	Paid-in pension premiums	-0.6
-3.0	Pension payments	-3.6
82.0	**Net balance sheet pension obligations as at 31.12.**	**35.9**
8.3	Expected premium payment next year, defined-benefit scheme	0.7
2.3	Expected premium payment next year, defined-contribution scheme	1.8
1.7	Expected premium payment next year, new AFP scheme	1.4
	Placement of pension funds, percentage:	
33.7%	Money market/bonds	24.0%
45.9%	Construction bonds	48.3%
1.5%	Shares, Norwegian	1.7%
5.2%	Shares, global	8.4%
2.6%	Private Equity	3.1%
8.7%	Property	11.4%
2.4%	Other	3.1%
5.4%	Booked returns totalled	3.3%

Sensitivity analysis, defined-benefit schemes

The sensitivity analysis is undertaken by changing an actuarial assumption while simultaneously keeping the other assumptions unchanged. Actual results may differ significantly from these estimates.

	Discount rate		**Annual salary growth/ basic amount**		**Annual adjustment of pensions**	
Change in percentage points	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0,5%**	**+ 0.5%**	**- 0,0%**
Percentage change in pension						
- Pension liability (PBO)	-9.0%	10.2%	2.7%	-2.5%	7.5%	0.0%
- Net pension costs for the period	-10.7%	12.4%	5.5%	-5.1%	7.3%	0.0%

The pension obligation is particularly sensitive to changes in the discount rate. A reduction in the discount rate will in isolation result in an increase in the pension obligation. A reduction in the discount rate of 0.5 percentage point will give an increase in the pension obligation of around 10 per cent. An increase in salary adjustments and the adjustment of pensions will result in an increase in the pension obligation.

The parent bank's net pension obligations as at 31.12.14 have the following maturity structure over the next 10 years.

	Amount	**In % of gross pension obligation**
Under 1 year	8.5	2.9%
Year 2	8.6	2.9%
Year 3	8.9	3.0%
Year 4	9.1	3.1%
Year 5	9.4	3.2%
Year 6-10	54.0	18.3%
Total	98.5	33.4%

Development in pensions - group

	2014	**2013**	**2012**	**2011**	**2010**
Gross pension obligations (hedged and non-hedged schemes)	321.4	257.7	246.8	279.2	263.1
Gross fair value of pension funds	234.3	220.1	221.8	227.4	210.6
Net pension obligations	**87.1**	**37.6**	**25.0**	**51.8**	**52.5**

Development in pensions - parent bank

	2014	**2013**	**2012**	**2011**	**2010**

Gross pension obligations (hedged and non-hedged schemes)	295.0	237.0	225.5	251.4	239.7
Gross fair value of pension funds	213.0	201.1	203.9	209.9	194.2
Net pension obligations	**82.0**	**35.9**	**21.6**	**41.5**	**45.5**

NOTE 51 - GUARANTEE LIABILITIES

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
78.7	68.6	Payment guarantees	77.9	67.9
64.8	92.6	Contract guarantees	64.8	92.6
5.8	2.2	Loan guarantees	5.8	2.2
17.2	19.0	Other guarantee liabilities	17.2	19.0
166.5	**182.4**	**Total guarantee liabilities to customers**	**165.7**	**181.7**
100.0	100.0	Guarantee to Eksportfinans ASA*	100.0	100.0
266.5	**282.4**	**Total guarantee liabilities**	**265.7**	**281.7**

*The net guarantee liability is NOK 100 million. The guarantee is a derivative. The value of the derivative excluding the swap settlement was positive at NOK 41.4 million as at 31.12.14 compared with NOK 22.4 million as at 31.12.13. Reference is made to Note 21 Financial derivatives.

For the rating process in Sparebanken Øst Boligkreditt AS, the parent bank has issued a guarantee for all preferential bond (OMF) commitments in the housing credit company. The nominal amount of the covered bond commitments is NOK 6,942.9 million as at 31.12.14 and nominal NOK 6,154.2 million as at 31.12.13. The parent bank's holdings of OMF for nominal NOK 240.0 million as of 31.12.13 have been deducted. As at 31.12 14 the parent bank has no holdings of OMF in the housing credit company.

NOTE 52 - PLEDGES AND RIGHTS

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
1,195.0	1,620.0	Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	1,195.0	1,620.0
1,195.0	**1,620.0**	**Pledges**	**1,195.0**	**1,620.0**
0.0	**0.0**	**Preferential exchange scheme**	**0.0**	**0.0**
6,942.9	**6,394.2**	**Preferential rights in accordance with the Financial Activities Act, Section 2-35 ****	**0.0**	**0.0**

* Including holdings owned by the parent bank at a nominal value of NOK 240 million as at 31.12.13. The parent bank has no holdings as at 31.12.14.

NOTE 53 - COSTS RELATED TO THE BANKS' COMPENSATION SCHEME

The act related to compensation scheme for banks and public administration etc. of financial institutions obligates all Norwegian banks to be members of the Bank's compensation scheme. The scheme guarantees to cover all losses up to NOK 2 million that a deposit customer has on deposit in a Norwegian bank. The term deposit means all credit balances in the bank with regard to accounts under the name of, as well as liabilities according to deposit certificates of the named person, with the exception of deposits from other financial institutions.

Parent bank

	2014	2013
	10.4	9.0

NOTE 54 - ADDITIONAL INFORMATION CASH FLOW STATEMENT

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
		Cash and cash equivalents		
481.5	357.5	Cash and receivables at central banks	481.5	357.5
7.5	8.6	Loans to and receivables from credit institutions that are clean placements	7.5	8.6
489.0	**366.1**	**Total**	**489.0**	**366.1**
		Changes in other assets in connection with operations		
-6.0	503.8	Net changes in financial assets held for trading	-6.0	503.8
33.4	31.3	Net changes in financial derivatives (net assets and liabilities)	33.5	31.4
-68.6	2.7	Net changes in other assets	3.7	12.4
-41.2	**537.8**	**Total**	**31.2**	**547.6**
		Non-cash items included in profit before tax		
19.8	17.9	Depreciation of fixed assets	8.8	6.7
0.2	0.6	Amortisation of financial investments held to maturity	0.2	0.6
-3.2	-5.4	Impairment of financial assets	-7.1	-10.1
1.6	10.5	Amortisation of financing activities measured at amortised cost	-0.1	6.9
18.4	**23.6**	**Total**	**1.8**	**4.1**

NOTE 55 - EQUITY CERTIFICATES

Profit per equity certificate

Earnings per equity certificate are calculated by dividing the portion of profit after tax that goes to equity capital holders by the weighted average number of outstanding equity certificates during the year. If the annual report shows a deficit this is covered by transfer from the primary capital fund, donation fund and equalisation fund. The earnings per equity certificate in this case are calculated on the basis of the proportion of the deficit that is drawn from the Cohesion fund.

Sparebanken Øst has not issued any options or other instruments that might lead to a dilution of earnings per equity certificate. Diluted earnings per equity certificate are therefore not equivalent to earnings per equity certificate.

Group 2014	Group 2013		Parent bank 2014	Parent bank 2013
428.7	282.7	Profit after tax (NOK million)	360.6	223.5
177.7	122.4	Profit after tax allocated to equity certificate owners (NOK million)	149.4	96.7
20.7	20.7	Weighted average of number of outstanding equity certificates (NOK million)	20.7	20.7
8.57	5.90	Profit per equity certificate (NOK million)	7.21	4.67

Weighted number of equity certificates

2014	
Number of equity certificates in 2014	20,731,183
Total number of equity certificates in 2014	20,731,183
2013	
Number of equity certificates in 2013	20,731,183
Total number of equity certificates in 2013	20,731,183

The nominal value of each equity certificate is NOK 10.

Equity certificates registered in the CSD give voting rights in accordance with the Articles of Association. There are no other limitations to voting rights in the Articles of Association.

Ownership ratio, parent bank

	01.01.13	**01.01.13**
Equity certificate capital	207.3	207.3
Premium reserve	387.8	387.8
Equalisation fund (excl. dividends)	262.6	229.5
Available for sale reserve	63.0	104.7
Total numerator (A)	920.7	929.3
Total equity (year's allocation for dividends excluded)	2,373.6	2,242.6
Total denominator (B)	2,373.6	2,242.6
Ownership ratio (A/B), %	**38.79**	**41.44**

Dividend

The Board's proposal for dividends is NOK 103,655,915, which amounts to NOK 5 per equity certificate.

In NOK	**2014**	**2013**
Total dividends paid out	103,655,915	62,193,549
Paid out per equity certificate	5	3

The largest equity certificate holders as at 31.12.14

	Name	**Number**	**%**		**Name**	**Number**	**%**
1	MP Pensjon	2,049,218	9.88%	11	Profond AS	269,741	1.30%
2	Skagen Vekst VPF	1,124,204	5.42%	12	Hustadlitt AS	264,040	1.27%
3	Directmarketing Invest AS	999,500	4.82%	13	Foretakskonsulenter AS	243,600	1.18%
4	Pareto AS	677,070	3.27%	14	Jal Holding AS	239.665	1.16%
5	Storetind AS	587,000	2.83%	15	Citibank NA New York (NOM.)	204,468	0.99%
6	Hansen, Asbjørn Rudolf	466,443	2.25%	16	Wenaasgruppen AS	200,000	0.96%
7	AS Andersen Eiendomselskap	354,500	1.71%	17	Danske Bank AS (NOM.)	179,683	0.87%
8	Sparebankstiftelsen DNB	308,320	1.49%	18	Citibank NA New York (NOM.)	176,779	0.85%
9	Verdipapirfondet Eika Utbytte	283,894	1.37%	19	Atlas Absolutt	175,000	0.84%
10	Jag Holding AS	272,000	1.31%	20	RWA Invest AS	150,875	0.73%

Development in equity certificate capital

Year	**Issue type**		**Payments to equity certificate capital**		**Total equity certificate capital**
1988	Public issue	NOK	25,000,000	NOK	25,000,000
1989	Issue 1:1	NOK	25,000,000	NOK	50,000,000
1991	Issue 1:2	NOK	25,000,000	NOK	75,000,000
1991	Private placing issue	NOK	20,000,000	NOK	95,000,000
1993	Converted subordinate loan	NOK	15,531,000	NOK	110,531,000
1993	Issue 1:3	NOK	36,843,700	NOK	147,374,700
1993	Converted subordinate loan	NOK	245,000	NOK	147,619,700
1994	Converted subordinate loan	NOK	5,128,000	NOK	152,747,700
1994	Issue 1:3	NOK	50,915,900	NOK	203,663,600
1995	Converted subordinate loan	NOK	395,000	NOK	204,058,600
1996	Converted subordinate loan	NOK	808,000	NOK	204,866,600
1997	Converted subordinate loan	NOK	7,893,000	NOK	212,759,600
1997	Public issue	NOK	60,000,000	NOK	272,759,600
1999	Issue 1:3	NOK	90,919,900	NOK	363,679,500
2008	Dividend issue	NOK	24,252,400	NOK	387,931,900
2009	Impairment of face value from NOK 100 to NOK 20	NOK	310,345,520	NOK	77,586,380
2009	Impairment of face value from NOK 20 to NOK 10	NOK	38,793,190	NOK	38,793,190
2009	Rights issue	NOK	168,518,640	NOK	207,311,830

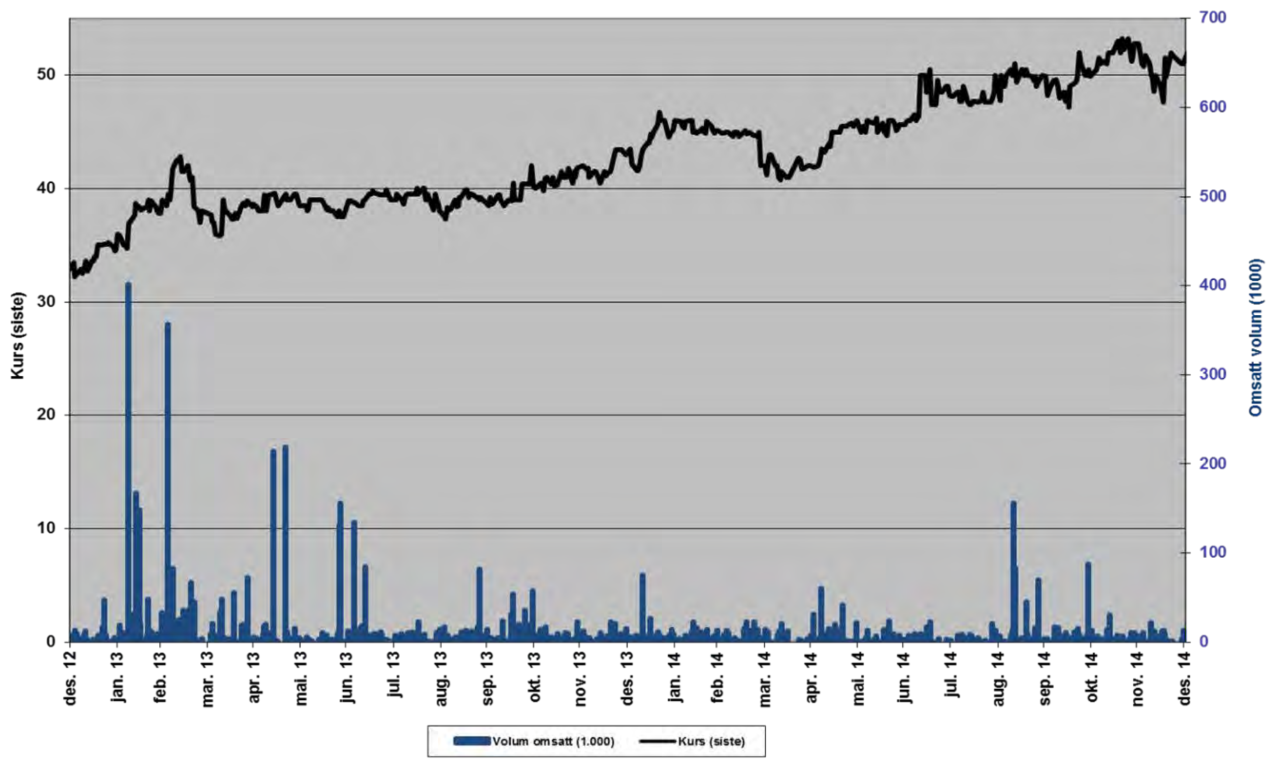
Owner statistics – geographical distribution

	Number of owners	%	Number of equity certificates	%
Abroad	84	2.8%	1,138,479	5.5%
Øvre Eiker	276	9.3%	688,299	3.3%
Nedre Eiker	168	5.7%	555,400	2.7%
Drammen	214	7.2%	2,909,882	14.0%
Other parts of Buskerud	247	8.3%	630,250	3.0%
Asker/Bærum	138	4.7%	1,618,908	7.8%
Oslo	411	13.9%	7,584,127	36.6%
Trondheim	584	19.7%	425,268	2.1%
Bergen	83	2.8%	867,277	4.2%
Other parts of Norway	758	25.6%	4,313,293	20.8%
Total	**2,963**	**100.0%**	**20,731,183**	**100.0%**

Distribution of equity certificates

Number of equity certificates per owner	Number of owners	%	Number of equity certificates	%
1-100	430	14.5%	21,244	0.1%
101-1,000	1,425	48.1%	573,730	2.8%
1,001-10,000	867	29.3%	3,111,086	15.0%
10,001- 100,000	208	7.0%	6,143,184	29.6%
100,001-	33	1.1%	10,881,939	52.5%
Total	**2,963**	**100.0%**	**20,731,183**	**100.0%**

Revenue and exchange rate developments over the last two years



NOTE 56 - ELECTED REPRESENTATIVES

Board of Trustees	Number equity certificates
Jon Aas	0
Thor-Kristian Lien	0
May-Britt Andersen	0
Nils Kr. Steenberg	0
Kari Solberg Økland	0
Morten Ranvik	0
Thomas F. Halvorsen	0
Ståle Pettersen	0
Øyvind Thorsby	0
Øivind Granlund	0
Arne Gundersen	0
Steinar Karlsen	333
Bent Inge Bye	0
Turid Solberg Thomassen	10,714
Jack A. Humlebekk	0
Dag Fjeld Edvardsen	0
Nils Johan Rønniksen	0
Frode Lund Nielsen	0
Geir Opdahl	0
Jan Christian Skau	0
Anne Irene Lunden	1,000
Frode Lindbeck	3,428
Vegard Kvamme	3,000
May-Britt Borge	0
Siren Coward	117
Ole-Martin Solberg	0
Anne Siri Rhoden Jensen	416
Rune Paule	300
Gunnar Sanden	428
Camilla Schenk	0
Gunnvor Ramnefjell	34,187
Inger Haug Fjerdingstad	3,215
Lars M. Lunde (representative of MP Pensjon)	2,049,218
Tom R. Svendsen	3,003
Frank Borgen	33,123
Hilde Elisabeth Hofgaard	7,000
Iver A. Juel	126,306
Asbjørn R. Hansen	466,443
Svein L. Syversen	15,000
Petter Thoresen (representative of Sparebankstiftelsen DNB)	308,320
Borghild M. Dahler Nordlid	6,000
Marianne Seip	1,000
Bernt K. Krabberød	5,900
Petter Qvam (representative of Skagen funds)	1,124,204
Kåre J. Kåre J. Grøtta (representative of Storetind AS)	587,000
Jørn Larsen (representative of Bondeungdomslaget in Drammen)	17,500
Andreas E. Øvrum (representative of Øvrum Invest AS)	137,934
Kristin Nystrøm	38,303

Board of Directors with personal close relationships	Number of equity certificates
Jorund Rønning Indrelid	34,485
Roar Norheim Larsen	0
Elly Therese Thoresen	18
Morten André Yttreeide	25,000
Sverre Nedberg	166,375
Hanne Margrete Lenes Solem	0
Knut Smedsrud	0
Inger Helen Pettersen	20

Senior employees with personal close relationships	Number of equity certificates
Pål Strand	20,000
Kjell Engen	0
Per Øyvind Mørk	20,000
Kristian Thowsen	0
Jan-Roger Vrabel	0
Anne Siri Rhoden Jensen	416
Lars-Runar Groven	0

Control committee	Number of equity certificates
Randi H. Sandli	0
Sjur Kortgaard	0
Eli Kristin Nordsiden	897
Øivind Andersson	10,000