169th year

ANNUAL REPORT 2011

Sparebanken Øst

CONTENTS

Key figures - group

Key figures - group	2011	2010	2009	2008	2007
Average number of outstanding PCCs (Primary Capital Certificates)	20.731.183	20.731.183	15.606.370	3.778.267	3.636.795
Average equity (NOK mill.)	1.814,5	1.632,2	1.343,4	1.305,4	1.432,3
Average total assets (NOK mill.)	26.502,2	23.515,3	23.556,2	22.885,9	20.965,6
Return on equity capital (%)	8,58	18,70	21,92	-29,56	14,46
Result - level I (%)	0,59	1,30	1,25	-1,69	0,99
Result - level II (%)	0,86	1,66	1,81	-1,15	1,35
Net interest income (%)	1,66	1,78	2,05	1,91	1,72
Costs/income (before credit losses) (%)	55,95	41,82	42,04	1.033,91	49,26
Kostnader/inntekter eksl avkastn. på finansielle invest. (%)	55,77	56,77	55,43	57,06	49,62
Cost effectiveness - personnel costs (%)	0,63	0,60	0,75	0,68	0,70
Cost effectiveness - other costs (%)	0,42	0,54	0,51	0,54	0,55
Cost effectiveness - total operating costs (%)	1,09	1,19	1,31	1,28	1,31
Equity capital ratio (%)	6,55	7,12	6,84	4,42	6,77
Asset growth during the last 12 months (%)	15,16	12,65	-12,76	14,28	3,27
Growth in lending to customers during the last 12 months (%)	13,65	17,12	-4,91	4,15	11,62
Losses in relation to net lending (%)	0,09	0,06	0,17	0,56	-0,02
Loss provisions to gross lending (%)	0,64	0,86	0,92	0,87	0,38
Overall deposit coverage (%)	40,27	39,18	43,91	43,68	43,27
Capital adequacy ratio (%)	15,77	17,16	17,11	11,51	15,61
Core capital ratio (Tier I) (%)	14,23	15,39	14,15	8,39	13,13
Number of man-years	252	261	267	271	258
Dividend (NOK)	2,00	5,00	4,00	0,00	15,00
Profit per PCC after tax, NOK	3,46	7,22	7,05	-8,05	19,85
Profit coverage per PCC after tax, NOK	7,51	14,73	14,20	-102,13	56,93
Primary Capital ratio as at 01.01. (%)	46,04	49,05	49,63	33,39	34,87
Equity per PCC (NOK)	40,49	39,14	35,56	124,47	134,14
PCC Turnover (traded volume/total)	21,61	45,09	103,10	8,21	12,57

Definitions

After-tax result as a pecentage of average equity capital
After-tax result as a pecentage of average assets
Result before losses as a percentage of average assets
Net interest- and comminssion income as a percentage of average assets
Total operating costs as a percentage of net interest- and commision income and total other income
Personnel costs as a percentage of average assets
Other operating costs as a percentage of average assets
Total operating costs as a percentage of average assets
Equity excl. dividends in % of total assets
Credit losses customers as a percentage of net lending at the start of the period
Loan loss provisions as a percentage of gross lending to customers
Deposits from customers as a percentage of net lending to customers
PCC owners' ratio of profit after tax, based on primary capital ratio january 1st.
Profit after tax divided on average number of PCCs
PCC holders capital in % of total equity capital as at january 1st.
Primary Capital divided by average number of PCCs

BOARD OF DIRECTOR'S REPORT 2011

This is the annual report for the bank's 169th year of operation.

INTRODUCTION

Sparebanken Øst was founded on 11 January 1843.

The bank's founding principles have remained the same for many years. The bank operates in the central, eastern area of Norway, with 20 offices. During the year the activities of two offices were moved to the remaining office network in the respective municipalities. No new offices were established in 2011.

The Board understands that the bank's strategic degree of freedom is dependent on its financial and competence developments.

The bank has a total effective customer spread of almost 1.7 million people within an hour's drive from Drammen, which represents almost 40 per cent of Norway's population. Sparebanken Øst wishes to be a small operator in this area, at the same time as being a major operator in the Lower Buskerud area.

The Board believes that the bank's growth can be most easily managed with organic growth.

VISION AND STRATEGY

Vision

Sparebanken Øst wishes to be a leading savings bank in south-eastern Norway.

Business idea

Sparebanken Øst shall be a freestanding, independent and locally managed provider of financial services which will position people in general along with small and medium sized enterprises to exploit their financial resources in the best possible manner.

General financial goals

Sparebanken Øst is to be a profitable bank, run according to correct business principles.

<u>Liquidity</u>
Illiquid assets must be funded in the long term. Long-term financing (running time > 12 months) shall as a minimum constitute 105 per cent of illiquid assets.

<u>Return on equity</u>
Return on equity defined as profit after booked losses and taxes, in percentage of average equity should amount to at least 11 per cent (group).

<u>Capital adequacy</u>
Capital backing for the group is to be a minimum of 5 per cent above the official requirement of 8 per cent, where core capital is to amount to at least 11 per cent.

Savings bank identity

Sparebanken Øst shall be

- Socially minded and have high ethical requirements
- Contributor to wealth creation – not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen
- Development-oriented and anchored locally
- Solid, long-term and trustworthy

Market

We define our primary market as being the central part of Eastern Norway, meaning the axis Skotselv, Drammen, Asker, Sandvika, Oslo and Jessheim, as well as the counties of Vestfold and Østfold. Another way of putting this: all areas which can be reached within approx. 1 hour's drive of Drammen.

We view the municipalities of Øvre Eiker, Nedre Eiker and Drammen as our local market. The central area of Eastern Norway is otherwise defined as our niche market. All of Norway is regarded as a potential market for our self-service concept for the consumer market.

Products

We wish to cover our customers' requirements for standard financial services products. Our main products are savings, loans and guarantees, payment services and insurance.

Organisation and employee development

Sparebanken Øst will have a market-oriented organisation that offers interesting challenges for responsible and qualified employees.

We want to develop our employees so that they may be in a position to meet future skills and reorganisation needs.

With a good working environment and competitive conditions, Sparebanken Øst shall be an attractive employer.

The bank is affiliated with the authorization scheme for financial advisors (AFR). At the beginning of the year the bank had 56 authorized financial advisors.

Growth

Sparebanken Øst sees growth as imperative in ensuring that the bank is able to achieve its goals and maintain its independence.

In our local market we want to at a minimum retain the portion of the market that is ours. Our office channel, with a high service level, our concepts and our self-service channels are used to work with the local market.

We want to grow as quickly as is feasible in our niche market without compromising our desire for a general low risk profile. Our office channel - including concepts with limited service levels - and our self-service channels are used to work with the market.

Through our self-service channels for private and business customers we wish to grow with a clear low-risk profile in the rest of the country.

All growth must comply with the conditions established for the bank's four central financial objectives.

Risk tolerance

In general, Sparebanken Øst wishes to maintain a low risk profile. *Losses on loans and guarantees to customers shall over time amount to a maximum of 0.2 per cent of net loans.*

Bank business requires a certain amount of risk taking, but we wish to take an aware and as measurable as possible approach to the risks 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 must systematically monitor changes in our risk profile in quarterly reviews and risk reports within all important areas.

Subsidiary companies

<u>AS Financiering</u>
The company aims to be a leading player in financing purchases of second-hand cars. The Sparebanken Øst Group shall be provided with a good annual contribution.

<u>Sparebanken Øst Eiendom AS</u>
The company shall be an active and leading player in the development, management and leasing of real estate. Investments shall primarily be long-term and part of Sparebanken Øst's local market development. Endeavours will be made to avoid competing directly with customers of Sparebanken Øst.

An acceptable annual profit shall be injected into Sparebanken Øst, at the same time real estate shall achieve increased market value.

<u>Sparebanken Øst Boligkreditt AS</u>
The purpose of Sparebanken Øst Boligkreditt AS is to issue preferential bonds in mortgages purchased from the bank to achieve lower financing costs for the group.

Multi-branding

<u>DinBANK.no</u>
DinBANK.no is Sparebanken Øst's online service which started up on 4 September 2006 and is now established as an extremely simple-to-use, efficient and practical banking alternative for self-service customers. Din BANK.no has mainly provided loans for customers with security in property up to a level of 70 per cent of value. Its customer base is across Norway, with a majority of customers in the counties of Oslo, Akershus and Buskerud.

Sparebanken Øst has chosen to establish the concept with a long-term perspective. Building knowledge and experience on new future-oriented operating models is regarded as imperative.

<u>YoungBank.no</u>
Sparebanken Øst has chosen to establish several niche concepts in the past two years, one of these being YoungBank.no. This concept intends to offer young people a bank which is tailored to their needs both technically and in terms of communication. At the end of the year YoungBank.no had 7,500 customers, which superseded all expectations the bank had.

NORWEGIAN ECONOMY IN 2011

At the beginning of 2011 it appeared that activity in the Norwegian economy has returned after the financial crisis. A high level of labour immigration, rising property and oil prices and signals on increased wage growth produced expectations of higher interest rates. Only a strong Kroner exchange rate and low price growth seemed to be reasons to keep the interest rate unchanged. Uprising and war in North Africa intensified during the year. In March there was an earthquake, tsunami and major problems with an atomic power plant in Japan. Throughout the year problems grew in the Euro zone and the sovereign debt problem spread from Greece, Portugal and Ireland to Italy. These problems have characterized 2011 and severely affected banks' granting of credit and deposit terms. Heightened risk and uncertainty have been transferred to the Norwegian economy and the prospect of lower growth led to Norges Bank cutting interest rates deeply in December.

In 2011 the mainland Norwegian economy was characterized by increased investment in the petroleum industry and increased property investment. The economy has begun to show signs of a split; reduced traditional export due to the strong Norwegian exchange rate as well as lower demand from the Euro zone and an increased level of activity in the oil an oil-related sectors due to new discoveries and a high oil price. In total, GDP growth was 1.6 per cent in 2011 – 2.6 per cent for mainland Norway. Low consumer price inflation both for private households and in the public sector had a negative effect on growth. Price inflation was halved from 2010 to 1.2 per cent, and in particular the fall in electricity prices and low price inflation for imported goods cause the decline.

Unemployment in Norway is stable and low (3.3 per cent), and employment has increased, due to reasons including a high level of labour immigration from Northern Europe. Growth in house prices of 8 per cent in 2011 and lower interest rates give higher growth in credit for households and increased incentives for house building. SSB does not expect the Financial Supervisory Authority of Norway's recently introduced measures to dampen mortgage lending to affect property investment to any great extent, even if house prices may be suppressed. Disposable real income grew by some 4.0 per cent last year; SSB expects real income and wage growth to be somewhat lower in 2012.

Throughout 2012 lending to private households rose by 7.3 per cent while credit growth to businesses was 5.3 per cent. The difference between the key interest rate and the money market rate has widened recently and the risk premium Norwegian banks must pay for their borrowing has almost doubled during the year. While interest rates to companies have increased as a result, the increased use of mortgage bonds and high level of competition has led to stable, low interest rates on mortgages.

Growth in the Norwegian economy is reliant on international development. The sovereign debt crisis and bank problems have affected the Euro zone and the USA for many years. It does not seem as if the EU is able to agree on a solution that means that weak growth is avoided, and Greece's situation remains extremely uncertain. Major financial assistance packages have helped the situation somewhat, but the need for structural changes and cuts in government expenses make for a situation where many of the countries with high national debt will struggle for many years ahead. This would appear to dampen growth in the international economy for a long time.

BUSINESS IN 2011

IFRS (International Financial Reporting Standards)

Sparebanken Øst's consolidated and financial statements for 2011 have been prepared in accordance with applicable IFRS standards approved by EU and IFRIC interpretations

The financial accounts are based on the historic cost principle, with the exception of financial derivatives and investments that are held for trading or available for sale, as well as the part of the securities portfolio for which 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.

Profit for the period

In 2011 the Group achieved a pre-tax profit of NOK 210.5 million compared to NOK 380.3 million in 2010. Profits from ordinary banking operations saw an increase in 2011 compared to 2010, owing to an increase in net interest income and lower costs. The increase from ordinary banking operations is NOK 39.3 million. The results for 2010 were affected by once-off effects associated with changes to the AFP scheme which resulted in reduced costs totalling NOK 30.7 million, and income totalling NOK 79.5 million from the merger between PBS Holding AS (now Nets Holding AS) and Nordito AS. Additionally, financial investments also had a positive effect on the results in 2010. For 2011 the financial investments have had a significant negative impact on the accounts. This amounts to a negative difference of NOK 178.4 million for financial investments.

As a percentage of average total assets, profit before tax was 0.79 per cent, compared with 1.62 per cent for the same period the previous year.

The profit after tax shows a surplus of NOK 155.7 million as compared NOK 305.3 in 2010 and gives an 8.58 per cent return on equity.

Net interest income

Net interest income and credit commissions amounted to NOK 441.0 million, showing an increase of NOK 22.5 million compared with the same period last year. No hedge fund fees have accrued in 2011.

The bank saw an increase in financing costs in the second half of 2011, which is a result of an increase in money market interest rates and increased margins on lending due to the financial uncertainty.

Net interest and credit commission income is equivalent to 1.66 per cent of average total assets, compared with 1.78 per cent in 2010, i.e. a decrease of 0.12 percentage points.

Operating income

Dividends received from equity instruments amounts to NOK 31.1 million in 2011 compare to NOK 54.9 million in 2010. The largest single entry relates to dividends of NOK 24.2 from Eksportfinans ASA compared to NOK 33.9 million last year. In the first half of 2010 the closure of the share premium account in Nordito AS, in connection with the merger, with repayments to shareholders, was also posted to income on dividends of NOK 11.3 million.

Commission income and income from banking services amounted to NOK 91.0 million, showing an increase of NOK 4.9 million compared to 2010. The increase is mainly attributed to one business customer. Commission income arises through traditional banking services and insurance.

Net value changes and gains/losses on financial assets of NOK 32.8 million were recognized as an expense in 2011. Of these, the guarantee for Eksportfinans ASA amounts to NOK 6.1 million, while negative value adjustments and gains/loss on securities and other financial derivatives otherwise amount to NOK 26.7 million. In comparison 2010 saw NOK 121.8 million post as income. Net value adjustments and gains/losses on financial assets in 2010 were impacted by gains of NOK 68.1 million associated with the merger between Nordito AS and PBS Holding AS, along with substantial reversals on previous losses on securities. Income concerning the guarantee for Eksportfinans ASA amounted to NOK 6.0 million in 2010.

Other operating income amounts to NOK 20.8 million compared to NOK 16.2 million in 2010, showing an increase of NOK 4.6 million compared to 2010.

Operating costs

Total operating costs amounted to NOK 322.7 million, which corresponds to 1.22 per cent of average total assets. In comparison total operating income for 2010 amounted to NOK 307.1 million. Reversal of the AFP commitment last year served to reduce expenses by NOK 30.7 million. With the exclusion of this reversal total operating expenses for 2010 amounted to NOK 337.8 million, corresponding to 1.44 per cent of average total assets. This is a reduction of 0.22 percentage points compared to 2010. For the Parent bank the total operating costs is reduced by NOK 25.5 million from 2010 to 2011. Profit sharing for the employees has not been allocated for 2011. For the Parent bank alone the total operating costs amount to NOK 260.6 million, corresponding to 1.12 per cent of average total assets. In comparison, the total operating expenses for the Parent bank in 2010, excluding recognition of AFP obligations, amount to NOK 286.1 million, corresponding to 1.26 per cent of the average total assets. Excluding commission costs, total operating costs for the Group amount to 1.09 per cent in 2011 compared to 1.32 per cent in 2010.

Commission costs and costs from banking services amounts to NOK 32.6 million, which shows a decrease of NOK 6.1 million compared with last year. The increase is due in its entirety to an increase in agency fees in AS Financiering.

Payroll and general administration costs amount to NOK 230.5 million in 2011. In comparison, payroll and general administration costs, excluding income from the AFP scheme, amounted to NOK 241.5 million in 2010. The number of FTEs at the end of 2011 was 252 compared to 261 at the end of 2010. Corresponding figures for the parent bank were 231 in 2010 compared to 223 at the end of 2011.

Other operating costs amounted to NOK 47.6 million, which is a decrease of NOK 9.6 million compared with 2010.

Losses on loans and guarantees

The Group's total costs related to losses in 2011 amount to NOK 17.9 million, with respectively NOK 7.9 million for the Parent bank and NOK 10.0 million for AS Financiering. In comparison the total costs related to losses in 2010 was NOK 10.1 million, of which NOK 19.6 million related to reversals on losses.

Impairment losses on loans and guarantees to customers amounted to NOK 100.7 million at the end of 2011, a reduction of NOK 28.2 million compared with 31.12.10. Write-downs on groups of loans to customers amounted to NOK 43.4 million at the end of 2011, an increase of NOK 2.6 million since 31.12.10.

Total individual impairment on loans and write-downs on groups of loans in percentage of gross loans amount to 0.64 per cent at the end of 2011 compare to 0.86 per cent in 2010.

Gross defaults and non-performing loans to customers amount to NOK 396.0 million at the end of 2011 compared to NOK 357.7 million at the end of 2010, meaning an increase of NOK 38.3 million. Net defaults and non-performing loans amount to NOK 295.8 million, showing an increase of NOK 67.0 million compared to 31.12.10. The increase is primarily due to business loans. As of February 2012 a default on a major business loan has been brought to order. The loan totals NOK 50.3 million.

Allocation of the annual profit

The Board proposes that the annual profit of the parent bank is allocated as shown below: A dividend of NOK 2.0 per equity certificate is proposed.

(Amount in NOK millions)	**2011**
Equity certificate dividend	41,5
Transferred to equalisation reserve	16,5
Transferred to primary capital	61,0
Endowments	7,0
Profit for the year	**126,0**

The Cohesion Fund (exclusive dividends) presently amounts to NOK 154.3 million which is equivalent to NOK 7.44 per equity certificate.

Balance Sheet

Bank total assets have increased by NOK 3,750.4 million since the end of the year and amounts to NOK 28,496.9 million by the end of 2011. The increase is mainly due to growth in customer loans.

Cash and receivables at central banks, as well as treasury bills, seen in total, show a decrease of NOK 114.2 million since the end of the year and amount to NOK 1,501.8 million as at 31.12.11.

Net loans to credit institutions have increased by NOK 152.7 million since 31.12.10, and amount to NOK 241.2 million at the end of 2011.

Net loans to customers amounted to NOK 22,183.5 million, which represents growth of NOK 2,708.2 million since the end of the previous year, equal to 13.9 per cent. Net loans to private customers and business customers increased by respectively 15.3 per cent and 9.5 per cent. Gross loans to private customers made up 76.3 per cent of total loans to customers.

Holdings of certificates and bonds showed an increase of NOK 744.6 million since the previous year-end and amounted to 3.271,1 million. The increase can be attributed in its entirety to the liquidity portfolio. Treasury bills come in addition and amount to NOK 920.9 million at the end of 2011.

The liquidity portfolio represents a nominal value of NOK 4,079.3 million with a market value of NOK 4,080.1 million. The investment portfolio represents a nominal value of NOK 165.6 million with a market value of 111.9 million. In comparison the investment portfolio at the end of the 2010, amounted to respectively NOK 403.1 million nominal value and NOK 331.4 million market value. The investment portfolio will be downsized in Q3 2012.
The estimated weighted average maturity of the liquidity portfolio is 2.05 years, whilst it is 1.87 years for the investment portfolio.

The fair value of the shares in Nets Holding AS and Frende Holding AS remain unchanged throughout 2011. The valuation of shares in Eksportfinans ASA is based on the bank's portion of book equity in Eksportfinans ASA per 31.12.10, corrected for certain IFRS effects. Based on the Q3 2011 accounts for Eksportfinans ASA, together with an assessment of the situation the company now finds itself in, it is the bank's opinion that there is no basis for value adjustments to holdings of shares in 2011. The bank did not participate in the private placing issue in Norne Eierselskap AS in December 2011. The shares have been impaired at fair value.

Customer deposits have increased by NOK 1,302.5 from the end of the year, and amount to NOK 8,932.7 million as at 31.12.11. The increase in customer deposits amounts to 17.1 per cent.

Liabilities arising from issuance of securities amounted to NOK 13,870.3 million, an increase of NOK 2,403.5 million since the end of the previous year. Of this increase, preferential bonds amount to a nominal value of NOK 4,611.5 million.

The bank is enjoying good access to the Norwegian bond market at prices in line with comparable banks.

Other long-term borrowing has increased by NOK 25.3 million net since the end of the year and amounts to NOK 1,918.1 million at the end of 2011. The bank has drawn a total of NOK 1,000 million in F-loans.

The bank participated in the government exchange scheme to the tune of NOK 915.4 million as at 31.12.11.

Short-term funding (defined as funding with a remaining maturity of less than 1 year) amounted to NOK 2,819.5 million.

Liquidity

The bank has its own framework for liquidity buffers that provide a robust liquidity strategy. This means that the bank must have sufficient liquidity to manage 12 month's normal operations without the injection of new liquidity. The liquidity prognosis for the bank shows adequate liquidity which is in line with the goal of 12 months operations.

Establishment of its own housing credit company has altered the Group's funding structure through the option to issue preferential bonds (OMF). This has further strengthened the bank's funding situation.

Financial risks

Net defaults and non-performing loans show an increase compared to 2010. This increase is primarily due to business loans. As of February 2012 the default on a major business loan has been brought to order. The quality of the portfolio remains stable and individual write-downs and write-downs on groups of loans are regarded as adequate. An ordinary review has been performed on defaults and non-performing loans. Credit risk is measured by classifying customers according to their debt servicing capacity, solidity and security.

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.

Currency risk is hedged through the use of forward trades or basis swaps.

Exposure to equity instruments excluding the bank's subsidiary and strategic investments is limited. The limit for investments for trading is limited to up to NOK 60 million.

Capital adequacy

Net subordinated capital amounted to NOK 2,196.3 million at the end of 2011, of which the Group's net tier 1 capital amounted to NOK 1,981.8 million. With a calculation basis of NOK 13,931.1 million, this represents a capital adequacy of 15.77 per cent, of which 14.23 percentage points represents tier 1 capital adequacy.

Using ICAAP, the bank's management continuously assesses the need for equity. The assessments are based on the total level of risk at Group level and the development thereof over a 12 month period. Based on planned growth of the bank's total capital and budgeted results, the Board finds the bank's equity level to be satisfactory at the end of 2011. The bank has no plans at present to enter into other subordinated debt.

Subsidiary companies

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst. The company was established on 14 April 2004 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 to finance lending business mainly through the issuing of preferential bonds. At the end of 2011, the company's total assets amounted to NOK 6,803.6 million, and mainly consisted of first priority mortgages in homes, which are financed through preferential bonds and drawing rights on the parent company. The company's paid-in capital is NOK 250.0 million, of which NOK 159.9 million is share capital and NOK 90.1 million is share premium account. The profit after tax shows a surplus of NOK 2.9 million compared to NOK 1.3 million in 2010. The company has no employees, but procures services from Sparebanken Øst. Sparebanken Øst Boligkreditt AS was founded in Q1 2011 and rated AAA by Moody's.

AS Financiering is a wholly owned financing subsidiary of Sparebanken Øst. Its main product is car financing, with the main emphasis on used cars. The company achieved a profit after tax of NOK 17.6 million compared to NOK 18.1 million in 2010. Total assets amount to NOK 1,418.0 million. At the end of 2011, the company has 26 employees, equivalent to 23 FTEs.

The main purpose of **Sparebanken Øst Eiendom AS** is standard property operations, including purchases, sales, rental and development of real estate, as well of purchases and sales of fixtures and fittings within various business areas. Operating profit amounted to NOK 23.6 million in 2011 compared to NOK 19.7 million in 2010. Profit after tax shows a surplus of NOK 2.4 million in 2011 compared to a deficit of NOK 0.8 million in 2010. The company has 6 employees. Share capital is NOK 35.1 million

Øst Prosjekt AS' main object is taking over projects and undertaking 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. Profit after tax shows a surplus of NOK 5.7 million for 2011. The surplus is primarily due to gains from the sale of shares. There were no profits in the company in 2010.

DIVIDEND POLICY

Sparebanken Øst's financial goals for its activities is to achieve results that provide a good and stable return on bank equity and creating value for equity capital owners at competitive return 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 share of the bank's equity. Sparebanken Øst will endeavour to pay 50-75 per cent of profits allocated to the equity certificate holders as a dividend. In a normal year around 10 per cent will be allocated for donation purposes.

When determining the dividend and donations consideration will be made of the bank's profit development, market situation, dividend stability and tier 1 capital requirements. If there are insufficient funds for the payment of a competitive dividend from profits in a particular year efforts will nevertheless be made to pay a competitive dividend by the transfer of the necessary funds from the equalisation reserve.

EMPLOYEES, MANAGEMENT AND THE BOARD OF DIRECTORS

At the end of 2011 the group has 271 employees, equal to 252 man-years. Total FTEs at the parent bank were 223. The average age of employees is 48. The proportion of female employees in the parent bank was 62.7 per cent. The percentage of women represented in management positions has increased somewhat in 2011 compared to 2010 and amounts to 30 per cent at the beginning of the year. The average age of employees in management positions is 44.6 years. When advertising management positions focus is placed on recruiting internally.

Pål Strand took over as the company's CEO on 1 July 2011. He has long experience from different professional and management roles in the bank and has been a member of the executive management team since 2003. With effect from the same date the executive management group was expanded from 4 persons to 7 persons. Executive management currently consists of the following persons:

Pål Strand, born 1965
CEO
Bank employee since 1984

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

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

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

Kjell Engen, born 1969
Vice President
Bank employee since 2003

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

Finn Mathisen, born 1948
Manager – Corporate market
Bank employee since 1979

Of the bank's 8 Board members, 4 are women. The Chairperson is a woman. The following persons constitute the Board of Directors of Sparebanken Øst:

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

Leif Ove Sørby, born 1959
Farmer
Board member since 2000
Previous board of trustees member

Knut Smedsrud, born 1960
Lawyer
Board member since 2009
Deputy chairman of the board since 2009
Previous deputy Board member

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

Ingebjørg Mæland, born 1957
Manager of AI Buskerud
Board member since 2000
Previous board of trustees member

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

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

Ann Kristin Plomås, born 1972
Sales manager – Private market
Employee-elected Board member since 2011
Previous deputy Board member

THE INTERNAL WORKING ENVIRONMENT

The bank assures that mandatory Health, Environment, and Safety (HES) requirements are implemented in a systematic manner, in among other ways through 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 total 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 2011. No personal injury was registered, nor any accidents of any kind among the employees.

Total illness related absence in 2011 amounted 2011 to 4.75 per cent of total working hours, against 5.39 per cent in 2010, 4.86 per cent in 2009 and 4.94 per cent in 2008. Sick leave in 2011 was distributed as 3.25 per cent for men and 5.72 per cent for women.

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, thus limiting the bank's pollution of the external environment.

MEASURES AGAINST MONEY LAUNDERING AND FINANCING OF TERRORISM

Sparebanken Øst has established procedures and instructions in order to comply with all laws and regulations concerning money laundering and financing of terrorism. We have focused greatly on training and building awareness. Good control procedures have also been implemented to detect any deviations.

Sparebanken Øst undertakes risk based customer control on 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 2011 we reported 38 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 decline of 7 per cent compared to 2010 when 41 cases where reported.

In connection with the establishment of the deposit concept Topprente.no the bank began to use electronic identification and signature for new customers and new agreements. In the future these will also be used in other parts of the bank.

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

RISK AND UNCERTAINTY FACTORS

Strategy for taking risks

The general strategy for taking risks in Sparebanken Øst is based on a desire to keep a low risk profile. Bank business requires a certain amount of risk taking, but we wish to take an aware and as measurable as possible approach to the risks we take on. This applies to the areas of credit risks, market risks, liquidity risks, and operational risks.

Risk is to be managed so that the bank reaches its financial targets over time which are: Long-term financing of illiquid assets of minimum 105 per cent, capital adequacy greater than or equal to 13 per cent and return on equity of 11 per cent minimum.

The bank is to follow up risk developments through systematic, quarterly reviews and reporting of risk within all significant areas.

General risk management

The bank's Board of Directors and management have 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 administration reports regularly to the Board of Directors on all significant risks, including the actual risk level compared with a set framework.

The CEO is responsible for implementing satisfactory internal controls and risk management. The responsibility for risk exposure and control is delegated as line responsibility which rests with department managers in the different sections. The granting of credit to private persons and companies is the bank's largest area of operation. Authorisations are mainly given to central credit functions. Personal authorisations are limited.

The following internal bodies manage and monitor financial risks:

The bank's balance sheet management committee (BSK) has regular meetings where the status and measures with regard to the liquidity situation is discussed. The CEO, Deputy CEO, Financial Director and Financial Manager meet in BSK meetings.

A central credit department is the approval body for granting of credit to private customers. Within the credit department there are different approval levels related to individual authorisations and the department's total authorisations. The department decides on granting of credit to all private customers of the bank within the private market.

Within the corporate market there are decentralized approval authorisations for credit cases up to a limited account size which are granted within individual authorisations. Authorisations related to loan accounts exceeding NOK 12 million are granted using a separate, dedicated credit department. The department consists of three credit managers. 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.

An independent controller function reports directly to the CEO. The mentioned controller function comprises two positions; one risk controller and one compliance controller. The risk controller prepares quarterly risk reports including development trends and comments for the Board of Directors and administration. Reporting takes place in a set format with on-going references to government requirements, frameworks and mandates. The risk controller also plays a significant role in implementing the bank's risk and capital assessment process (ICAAP) which is conducted annually in accordance with legal requirements. The compliance controller follows up on compliance with laws, regulations, resolutions by the Board of Directors, remarks from internal audits and the like. The compliance controller ensures that measures are adopted in cases where the framework is exceeded, or where measures are necessary for ensuring proper operations in a given area.

A separate risk committee looks at risk exposure and conducts risk reporting. The committee shall also assess capital requirements. The members of the committee are the bank's lawyer, the credit manager, SE bank manager, IT manager, compliance controller and risk controller. 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 exposure are submitted as an appendix to the risk report which goes to the Board of Directors.

Additionally, a number of independent bodies undertake independent evaluations of the bank's profile, follow-up and organisation with regard to the handling of financial risk. These include the control committee, internal auditor, the Financial Supervisory Authority of Norway and Moody's Investor Service.

The control committee carries out controls in accordance with applicable laws, regulations, articles and instructions for control committees. The control committee reports to the Board of Trustees and has to check that the bank is being run in accordance with the legislation and articles of association.

Banks are required by law to undergo internal audits in accordance with set standards and the regulations of the Financial Supervisory Authority of Norway. Commission).This function is currently handled by audit company KPMG. KPMG undertakes an annual audit required by law of risk management and control, and reports the results of this internal control to the Board of Directors and management. KPMG possesses not inconsiderable 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 internal audits required by law.

The Financial Supervisory Authority of Norway conducts regular local inspections with regard to financial risk associated with the activities of the bank, as well as carrying out checks via on-going reporting in a number of central risk areas.

The international rating company Moody's carries out an annual review of the bank's operations and follows these up by means of regular rating reports which make it possible for external parties to assess the risk linked with Sparebanken Øst as a counterparty or as a debt and equity investment object.

GOING CONCERN ASSUMPTION

It is hereby confirmed that the conditions for the presentation of the financial statements under the going concern assumption are present.

FUTURE PROSPECTS

Net interest and credit commission income measure as a percentage of average total assets is regarded as still being under competitive pressure in the private and corporate markets and increased funding costs. Measured in NOK, the net interest and credit commission income is, however, expected to increase as a result of budgeted growth in the Group. The bank assumes a nominal decrease in costs compared to 2011. Losses on loans to companies cannot be excluded, but these are expected to lie within the long-term goal.

The bank plans to put great efforts into the sale of insurance products in 2012. These efforts are long-term in nature and the range of income will increase additionally in the years to come.

Eksportfinans ASA represents some uncertainty for the bank due to the decision made by the authorities to transfer the export loan scheme to the Government. Fluctuations in market value on the guarantee to Eksportfinans ASA and securities in general cannot be excluded. The portfolio of high-risk bonds will, in accordance with the adopted plan, be downsized by the end of Q3 2014.

The Group's solidity is still very strong. The ability to withstand continued uncertainties in the Norwegian and international economy and financial markets is still well in place. The Group will continue with a long-term and robust liquidity policy with sufficient reserves.

BOARD OF DIRECTORS AND ADMINISTRATION EXPRESSES THANKS

the bank's customers, business links, and elected representatives for supporting the bank and its activities. The Board and administration wishes to praise its employees for great efforts made in 2011.

Hokksund, 31.12.2011
Drammen, 15.03.12

Jorund Rønning Indrelid Chairman	Knut Smedsrud Vice Chairman	Ingebjørg Mæland
Roar Norheim Larsen	Sverre Nedberg	Leif Ove Sørby
Hanne Solem	Ann-Kristin Plomås Employee representative	Pål Strand Managing Director

CORPORATE GOVERNANCE IN SPAREBANKEN ØST

Report on corporate governance

Corporate governance at Sparebanken Øst consists of the bank’s total steering and control system initiated to ensure that the interests of employees, investors, primary capital certificate owners, and other external parties are assured at Sparebanken Øst. Corporate governance is the overall responsibility of the Board of Directors. Corporate governance includes all regulatory agencies that are to oversee the interests of external parties. It consists further of internal functions to ensure procedures be carried out in the enterprises, and that they are in accordance with the expectations of interested parties. Corporate governance also includes established steering and control arrangements to ensure agencies and functions work optimally, and that the business activities are managed in an effective and purposeful manner over time. Corporate governance in Sparebanken Øst is in line with Norwegian recommendations for corporate governance, dated 21.10.10.

Management principles at Sparebanken Øst are founded on a declared and resolved vision, company mission, the company’s aims, strategies, and value choices – including the bank’s ethical rules decided by the Board of Directors. Management control is maintained by the bank’s chosen agencies and functions ascribed responsibilities. See the overview in the statement below. Solid qualifications and competencies in the bank’s core enterprises, with purposeful organisation based respectively on private and business activities, internal IT operations, and special commitments form the basis for effective and target-oriented operations at Sparebanken Øst. Furthermore, the bank possesses solid internal legal competence.

Savings banks are independent foundations that provide financing for the development of local business, development of the local community through developing the area, and assistance by way of donations to culture, sports 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.

Corporate social responsibility at the bank is also clearly anchored in the organisational form, articles of association and guidelines for allocation of donations. 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 shall be a contributor to wealth creation – not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen. The bank shall be development-oriented and anchored locally – and be a solid, long-term and trustworthy actor.

The framework for corporate governance in savings banks is laid down in a comprehensive body of legislation and regulations. The body of rules are composed of special rules for savings banks that in a number of areas are significantly more comprehensive than general corporate law and recommendations directed at corporations in general. The special rules 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.

Norwegian recommendations for corporate governance (NUES) are implemented in Sparebanken Øst. It is the bank's opinion that the NUES recommendations be followed, but if there are deviations these will be commented on in this report. In this regard it is imperative to take into account that savings banks are independent trusts and that the management structure and composition of steering bodies do differ significantly from corporations.

Refer also to the Norwegian Savings Banks Association’s website under “Corporate Governance” where you will find details of the difference between limited companies and savings banks with regard to NUES.

You will find the Articles of Association, quarterly reports and more at www.oest.no, under investor.

Bank activities

The bank's overall activities are shown in the Articles of Association. In accordance with the Articles of Association, Sparebanken Øst aims to promote saving by accepting deposits from an unlimited circle of depositors and manage the funds it administers in accordance with the legal rules that apply to savings banks at any given time. The bank can also operate financing activities and in this way offer, manage and provide guarantees for credit and in other ways contribute to the financing of others' activities, in accordance with the Financial Institutions Act and other stipulations that apply to financing enterprises at any given time.

Furthermore the bank can carry out all normal bank operations and bank services in accordance with the Savings Banks Act or stipulations pursuant to this act.

The bank has issued equity certificates and it is only the owners of the equity certificates that are entitled to dividends from the bank. 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 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 run enterprises other than those stated in the first paragraph, unless this is temporary and is necessary to secure the bank's claims. The articles can be downloaded in their entirety from our website or can be collected on request from the bank.

Bank activities are otherwise executed within the framework laid down for the concession for running a savings bank, and the rules according to the Savings Banks Act, the Financial Enterprises Act, and other Regulations and Laws applicable to savings banks.

In its strategy, Sparebanken Øst has a vision to be a leading savings bank in south-eastern Norway. Sparebanken Øst shall be a freestanding, independent and locally managed provider of financial services which will position people in general along with small and medium sized enterprises to exploit their financial resources in the best possible manner.

To achieve its goal of being a leading savings bank in south-eastern Norway Sparebanken Øst has created a strategy to demonstrate that the bank shall be a profitable bank run according to correct business principles. The bank has three primary financial targets. The bank shall have a minimum return on equity of 11%. The liquidity target is that illiquid assets be financed on a long-term basis. Long-term financing shall represent a minimum of 105% of illiquid assets. The consolidated capital adequacy ratio must be at least five per cent above the official eight per cent requirement, of which at least 11 per cent shall be attributed to core capital.

Sparebanken Øst sees growth as imperative in ensuring that the bank is able to achieve its goals and maintain its independence. Growth shall be achieved with a clear low-risk profile and be in line with the assumptions set by the bank's three primary financial targets.

The bank's main market is the central south-east Norway area. Øvre Eiker, Nedre Eiker and Drammen are the bank's local market. The central area of Eastern Norway is otherwise defined as the bank's niche market. The whole country is deemed to be a potential market through DinBank.no.

Sparebanken Øst has chosen 3 core values: predictable, homespun and forward-leaning.

In 2011 the bank donated gifts worth NOK 7 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.

The bank has drawn up ethical rules which are reviewed each year by the Board of Directors. The rules are introduced by the statement "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 doubts about our ethical level."

Sparebanken Øst has 4 wholly-owned subsidiaries:

<u>AS Financiering</u> is a financing company. Its main product is car financing, with the main emphasis on used cars. The company has 26 employees, which is the equivalent of 23 full-time equivalent positions.

The main purpose of <u>Sparebanken Øst Eiendom AS</u> is standard property operations, including purchases, sales, rental and development of real estate, as well of purchases and sales of fixtures and fittings within various business areas. Investments in the company shall primarily be long-term and part of Sparebanken Øst's local market development. The company has 6 employees.

Sparebanken Øst Boligkreditt AS's purpose is to grant or acquire home mortgage loans, property mortgage loans, loans secured by liens on other registered assets or public loans, and to finance lending business mainly through the issuing of preferential bonds and thereby obtain lower funding costs for the group. The company has no employees, but procures services from Sparebanken Øst.

Øst Prosjekt AS' main object is taking over projects and undertaking industrial and commercial activities to hedge and realise exposed positions in the Parent bank. The company has no employees.

Company capital and profits

Minimum requirements in terms of equity for savings banks are provided by Section 2-9a of the Financial Institutions Act. In its strategy the bank has determined that it must have a capital adequacy ratio at least five per cent above the official eight per cent requirement. The adjustment is based on an assessment of the bank's risk level and the desire for financial freedom of action. Additionally, equity capital shall reflect the bank's strategy and goals. 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

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

The profit for the year will be divided between equity certificate holders and the Savings bank fund in accordance with their share of the bank's equity. Sparebanken Øst will endeavour to pay 50-75 per cent of profits allocated to the equity capital owners as a dividend. In a normal year around 10% is allocated to donations.

When determining the dividend and donations consideration will be made of the bank's profit development, market situation, dividend stability and tier 1 capital requirements. If there are insufficient funds for the payment of a competitive dividend from profits in a particular year efforts will nevertheless be made to pay a competitive dividend by the transfer of the necessary funds from the equalisation reserve.

The Board of Trustees has granted the Board of Directors authorisation to acquire and/or pledge security in own equity capital certificates. This authorisation applies for 18 months from 14.04.2011. The Financial Supervisory Authority of Norway has approved the authorization. In this regard the bank deviates from the NUES recommendation that such authorisations apply for one year. As the authorisation has been approved by the Financial Supervisory Authority of Norway the bank finds this to be appropriate.

The Board of Trustees has not granted the Board of Directors a general authorization to increase capital. If the bank requires an increase in capital this will be processed as a separate case at a meeting of the Board of Trustees. Decisions to increase ownership capital must be approved by the Financial Supervisory Authority of Norway, cf. Section 2b-26, 6th paragraph of the Financial Institutions Act.

Equal treatment and transactions with related parties

The banks equity capital is listed on the Oslo Børs (stock exchange) in line with rules associated with financial legislation. All equity capital owners have the same rights. No transactions are made between the bank and equity capital owners and their related parties other than loans, deposits and payment processing as well as salaries/fees for employees and representatives that are equity capital owners.

The preferential rights of equity capital owners in the case of capital increases are stated in Section 2b-23 of the Financial Institutions Act. This states that in the event of an increase in ownership capital the owners of equity capital have preferential rights to subscribe to the new equity capital in the same ratio with which they already own equity capital issued by the institution.

The bank's ethical rules stipulate that Board members and employees have a duty to state if they directly or indirectly have significant interests in agreements entered into by the bank.

Free marketability

The bank’s equity capital is realised freely on the Oslo Stock Exchange. There are no ownership restrictions in the articles of association, nevertheless the rules provided in the Financial Institutions Act concerning ownership restrictions and licensing obligations also apply to equity capital owners in Sparebanken Øst.

Board of Trustees

The NUES recommendations apply to general meetings. However the NUES recommendations state that the rules also apply to the Board of Trustees as far as they are appropriate. Sparebanken Øst’s highest-level controlling body is the 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 passed by the Board of Trustees. The Board of Trustees determines the financial statements and approves remuneration for the bank's employee representatives including the Board of Directors, control committee, nomination committee and chosen auditor. The Board of Trustees appoints the nomination committee from among the members of the Board of Trustees.

The Board of Trustees is to make 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,
- elect the control committee,
- determine the annual report,
- elect the auditor,
- 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 ought to be decided by The Board of Directors and only then submitted to the Board of Trustees,
- stipulate remuneration to members of the Board, the control committee and the auditor and can stipulate remuneration for meetings for members of the Board of Trustees.

The composition of the Board of Trustees is stated in the Articles of Association and exhibits 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.

The Board of Trustees consists of a total of 48 members with 36 deputy Board members. 18 members, respectively 9 elected investors, and 9 elected from the municipality, are chosen with proportionate shares from the municipalities of Øvre Eiker, Nedre Eiker and Drammen. 12 members are chosen by the employees. 18 members are chosen by the equity capital owners. The members of the Board of Trustees are elected for 4 years.

In 2011 the Chairman of the Board of Trustees has been Frank Borgen and the deputy chairman has been Thor S. Syvaldsen.

The Board of Trustees have two fixed meetings each year; an accounts meeting and a nomination meeting. In addition, meetings of the Board of Trustees are called as necessary by the Chairman of the Board of Trustees. The Board of Trustees held only the two aforementioned meetings in 2011.

8 days’ notice is required when announcing a meeting of the Board of Trustees, in accordance with Section 11, 3rd paragraph of the Savings Bank Act. Sparebanken Øst deviates here from the NUES recommendation of 21 days’ notice. The bank’s auditor, Board of Directors and if applicable 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 led by the Chairman of the Board of Trustees as per the Articles of Association and the Savings Bank Act and thus comply with the recommendation for independent meeting leadership.

Members of the Board of Trustees are nominated by the various groups (investors, municipally-elected, equity capital owners and employees) cf. the Savings Bank Act and the bank's Articles of Association. This entails that the position is personal and it is not permitted to meet by proxy. NUES' recommendation on the use of proxies at general meetings thus does not apply for equity capital owners in Sparebanken Øst.

Apart from this the bank follows NUES recommendations with regard to case documents, registration deadlines, the implementation of nomination procedures and publication of minutes from meetings of the Board of Trustees.

Nomination committees

The bank's Articles of Association state that the nomination of members of the Board or Trustees must be made according to the recommendation of the nomination committee. There are 3 nomination committees in Sparebanken Øst. The nomination committee for the Board of Trustees, the nomination committee for investor-elected members and the nomination committee for employees. The nomination committee has representatives from all groups that are represented in the Board of Trustees, also including equity capital owners. It must be ensured that due consideration is made of independence and qualification in the relationship between the nomination committee and those appointed, and it is also emphasised that the various nomination committees maintain their independence from the Board of the bank. The various nomination committees must also ensure that access to the required competence is available with regard to the tasks facing the nomination committee.

The nomination committee for the Board of Trustees and Board of Directors is selected by the Board of Trustees, who also determines the level of remuneration for the nomination committee's members.

The composition of the nomination committee is detailed in the bank's Articles of Association; the NUES recommendation for this point is complied with as far as possible with regard to the Articles of Association.

In 2011 the nomination committee for the Board of Trustees and Board of Directors has consisted of the following persons:

Johan Aasen, chairman,
Thomas F. Halvorsen
Thor-Kristian Lien
Thor S. Syvaldsen
Anne Siri Rhoden Jensen (employee).

The composition of the nomination committee is detailed in the bank's 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.

The bank's employee representative became a member of the bank's executive management in July 2011. For this reason the bank deviates from the NUES recommendation on independence between the nomination committee and company management.

In 2011 the nomination committee has had separate meetings with both the Chairman of the Board and the bank's CEO.

Control committee

The control committee is to lead inspections of the bank's enterprises in accordance with the Savings Banks Act section 13, and the guidelines stated by the Board of Trustees. The control committee reviews the Board's minutes, numbered letters, cf. the Auditors Act section 5-4, and the auditor's report, testing security for some selected loans, as well as ensuring that the management of the savings bank's funds is executed responsibly. The Board and the internal auditor are obligated to give the control committee all the information the committee believes necessary for executing their tasks. The control committee makes reports to the Board of Trustees concerning the annual accounts and the annual report, and whether the annual finished version of the annual accounts should be accepted. If the control committee obtains knowledge of significant omissions, failures, mistakes, or defaults of greater significance or breadth, or if it believes the bank has suffered major losses, the committee undertakes to take the case immediately to the Financial Supervisory Authority of Norway.

In 2011 the control committee has consisted of the following persons:

Øivind Andersson, chairman,
Sjur Kortgaard
Eli Kristin Nordsiden
Marianne Sletten
Management secretary Nina Sem Røren is the secretary of the control committee.

Corporate assembly and Board of Directors, composition and independence

Sparebanken Øst does not have a corporate assembly.

The Board of Directors consists of 7 external members and 1 representative from the employees, with the right to vote. The employee's deputy representative also attends meetings. The election of Board members occurs after the arrangement of a nomination committee appointed by the Board of Trustees. Board members are nominated for 2 years at a time. The Board of Trustees nominates the Chairman and Vice-Chairman.

The Board must act independently and the Board's members must be independent of the bank's significant business connections and the bank's daily management. The composition of the Board constitutes diversity where competence and ability form the basis for carrying out the necessary work of the Board. The instructions for the Board of Directors of Sparebanken Øst state that the Board acts as a collegium. However, each individual Board member is responsible for the decisions and arrangements made by the Board. The competence and working experience of the Board members is presented to the Board of Trustees in connection with the nomination process.

In 2011 the Board of Directors has consisted of the following persons:

Jorund Rønning Indrelid, 52 years old, Managing Director, Chairman of the Board and Board member since 2001.
Knut Smedsrud, 51 years old, lawyer and Vice Chairman of the Board and Board member since 2009.
Leif Ove Sørby, 52 years old, farmer, Board member since 2000,
Roar Norheim Larsen, 68 years old, public trustee in Nedre Eiker municipality, Board member since 2007,
Sverre Nedberg, 55 years old, Master of Business and Economics, Board member since 2006.
Ingebjørg Mæland, 54 years old, manager of AI Buskerud, Board member since 2000.
Hanne Solem, 45 years old, Group controller, Board member since 2010.
Ann Kristin Plomås, 39 year, employee representative, Board member since 2011.

All Board members, with the exception of the employee representative, are deemed independent of the bank's management or major business interests. None of the bank's executive management sits on the Board. The Board of Directors held 15 Board meetings in 2011. At 6 of these meetings all Board members were present.

Jorund Rønning Indrelid, Leif Ove Sørby and Sverre Nedberg own equity certificates in Sparebanken Øst. Those of the Board members who own equity certificates in Sparebanken Øst must simultaneously exercise caution in terms of contributing to short-term transactions from the bank's side that do not serve common interests in the long term.

The Board of Directors' assignments

The Board of Directors' responsibilities and working tasks are established by the Savings Bank Act, the Financial Institutions Act, and the Articles of Association and in their own rules. The Board has drawn up a separate set of instructions for the Board which is subject to annual review. These rules describe which responsibilities the Board has, which cases the Board will discuss, and which rules are applicable for handling cases. The Board of Directors' superior objective is to assure the responsible administration of the bank's funds. The Board determines plans and budgets for the bank's operations in line with the bank's goals and strategies. The Board is continuously updated on the bank's activities. The Board is assigned to establish the bank's rules and regulations for appropriations.

The Board determines the procedures for the CEO, who is responsible for all daily operations and management of the bank. The instructions for the Board of Directors and instructions for the Managing Director stipulate the division of responsibilities and tasks between the Board and the Managing Director. The Board is assigned a special supervisory responsibility, working in cooperation with the bank's general management.

The Board 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 completes a self-evaluation process each year. This evaluation includes the competence of the Board members, the composition of the Board and the way in which the Board functions both as a group and individually. This self-evaluation is made available to the nomination committee of the Board of Trustees.

The Board also has responsibility for assuring that the bank has, at any given time, the equity sufficient for the risks and scope of enterprises undertaken at the bank. The Board also has responsibility for assuring that the bank has, at any given time, the equity sufficient for the risks and scope of enterprises undertaken at the bank. These resolutions are given for different lengths of time. The Board receives periodic reports that show the bank's compliance with the delegated authorisations, as well as receiving reports that show developments in the bank's total risk overview. The Board also has established procedures and rules for the internal auditor, who is to undertake operational revisions in line with current standards for such revisions. The bank's internal auditor is KPMG. All elected representatives at Sparebanken Øst are subject to the same rules of secrecy, ethics, and legal competence valid for the bank's employees in general. Independence between the bank's different managing and controlling bodies are central criteria for responsible management of business activities. Among the elected representatives at Sparebanken Øst there exist – according to the Board's assessment – no close personal relationships that could influence the individual elected representatives' independence and decision-making powers.

Remuneration committee/compensation committee

In accordance with Sections 2-18 of the 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 and cases related to remuneration for leading employees. The committee determines and ensures that the company has and uses guidelines and frameworks for a remuneration scheme that shall apply for the entire company and its subsidiaries at all times, and that complies with the regulations on remuneration schemes in financial institutions, securities companies and securities fund management companies.

The committee executes its duties according to the guidelines determined by the Board. The committee nominates its chairman.

Its members are nominated by the Board. The remuneration committee consists of the following members:

Hanne Solem, chairman
Sverre Nedberg
Leif Ove Sørby
Inger Helen Pettersen, deputy meeting participant of the Board for the employees.

HR Manager Anne Siri Rhoden Jensen is the secretary for the committee.

The remuneration committee has drawn up guidelines for remuneration in Sparebanken Øst which have been approved by the Board.

Audit committee

Section 17c of the Savings Bank Act requires that the bank establish an audit committee according to the guidelines provided by the act. The members are elected by the Board and serve for one year at a time. The chairperson of the committee is appointed by the Board.

The main tasks of the audit committee are to prepare the Board's follow-up work on accounts and reporting. Monitor systems for risk management and internal control as well as internal audit work. Assess whether to monitor the auditor's independence.

The committee executes its duties according to the instructions determined by the Board.

The audit committee consists of the following members:

Sverre Nedberg, chairman
Jorund Rønning Indrelid
Knut Smedsrud
Hanne Solem

Risk Controller Paul B. Hansen is the secretary of the committee.

In addition the Compliance Controlled Siren Coward and VAD Kjell Engen attend meetings.

The written minutes from meetings of the audit committee are presented by the Chairman of the committee to the entire Board at the subsequent Board meeting.

Risk management and internal control

In addition to the managing and controlling agencies at the bank, an all-inclusive internal steering and control arrangement is developed to ensure effective and purposeful operation of banking enterprises.

The bank’s Board of Directors and management have 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 administration reports regularly to the Board of Directors on all significant risks, including the actual risk level compared with a set framework.

The CEO is responsible for implementing satisfactory internal controls and risk management. The responsibility for risk exposure and control is delegated as line responsibility which rests with department managers in the different sections. The granting of credit to private persons and companies is the bank's largest area of operation. Authorisations are mainly given to central credit functions. Personal authorisations are limited.

The following internal bodies manage and monitor financial risks:

The bank's balance sheet management committee (BSK) has regular meetings where the status and measures with regard to the liquidity situation is discussed. The CEO, Deputy CEO, Financial Director and Financial Manager meet in BSK meetings.

The approval body for granting of credit to private customers is a key credit function. The credit function is localised and organised as a unit. The department decides on granting of credit to all private customers of the bank. Use of individual mandates is highly limited.

Decisions on granting of credit over a specific amount to customers in the business market are made by a central credit committee. The department consists of three credit managers. If the allocation of credit exceeds the authority given to the credit department a final decision on the case can be made by the Board of Directors. Smaller commitments are entered into in accordance with the prevailing framework and mandates of the corporate department.

A credit review committee (KRG) monitors the quality of the credit process for customers in the business market. The committee reviews the granting of credit to the business market by way of random reviews. The objective here is to detect shortcomings in case processing and any irregularities. Each region is subject to at least one credit review in an 18 month period. Assessment of credit cases is made by the Director of Credit BM and the two employees in the BM.

An independent controller function reports directly to the CEO. The mentioned controller function comprises two positions; one Risk Controller and one Compliance Controller. The risk controller prepares quarterly risk reports including development trends and comments for the Board of Directors and administration. Reporting takes place in a set format with on-going references to government requirements, frameworks and mandates. The risk controller also plays a significant role in implementing the bank's risk and capital assessment process (ICAAP) which is conducted annually in accordance with legal requirements. The compliance controller follows up on compliance with laws, regulations, and resolutions by the Board of Directors, remarks from internal audits, the Financial Supervisory Authority of Norway and the like. The compliance controller ensures that measures are adopted in cases where the framework is exceeded, or where measures are necessary for ensuring proper operations in a given area. The Compliance Controller is responsible for following up the bank’s operational risk. This is achieved through an annual review and assessment of the bank's most important key processes/risk areas with a related risk assessment, half-yearly management statements and event registration and reporting.

A separate risk committee looks at risk exposure and conducts risk reporting. The committee shall also assess capital requirements. The members of the committee are the bank's lawyer, the credit manager, SE bank manager, IT manager, compliance controller and risk controller. 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 exposure are submitted as an appendix to the risk report which goes to the Board of Directors.

Additionally, 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, the Financial Supervisory Authority of Norway and Moody’s Investor Service.

The control committee carries out controls in accordance with applicable laws, regulations, articles and instructions for control committees. The control committee reports to the Board of Trustees and has to check that the bank is being run in accordance with the legislation and articles of association.

Banks are required by law to undergo internal audits in accordance with set standards and the regulations of the Financial Supervisory Authority of Norway. Commission).This function is currently handled by audit company KPMG. KPMG undertakes an annual audit required by law of risk management and control, and reports the results of this internal control to the Board of Directors and management. KPMG possesses not inconsiderable 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 internal audits required by law.

The Financial Supervisory Authority of Norway conducts regular local inspections with regard to financial risk associated with the activities of the bank, as well as carrying out checks via on-going reporting in a number of central risk areas.

The international rating company Moody’s carries out an annual review of the bank’s operations and follows these up by means of regular rating reports which make it possible for external parties to assess the risk linked with Sparebanken Øst as a counterparty or as a debt and equity investment object.

Remuneration to the Board

Remuneration to the Board of Directors, Board of Trustees, control committee and nomination committee is determined by the Board of Trustees. Attempts are made to adapt remuneration to the work loads and responsibilities that rest on each elected representative, and details are 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 employee representatives.

None of the Board members have carried out other tasks for the bank than their duties as Board members in 2011.

Remunerations for senior employees

In accordance with applicable law the Board determines the required guidelines for leading employees' remunerations. The guidelines are presented to the Board of Trustees for advisory vote and/or approval. The applicable guidelines were presented to the Board of Trustees as item 8/08 on 27.03.08.

Remunerations for senior employees are listed in the notes to the annual accounts. Sparebanken Øst has a main policy of paying a fixed salary which also covers the bank's management. The Board in Sparebanken Øst has adopted guidelines for profit sharing for all employees, management staff to participate in. Profit sharing is based on the achievement of budgeted results by the bank and profit sharing consists of a single amount depending on the result - all receive the same amount. Apart from this there are no variable remuneration, share option or bonus schemes.

Information and communication

The bank's goals and objectives for information and communication are based on openness and accessibility. Financial information is publicised in accordance with an established financial calendar on the bank's website, with information being sent to the Oslo Stock Exchange and presentations to investors and other interested parties. The rules for information and communication, rules for good stock market ethics, in addition to a general requirement for equal treatment do not restrict the bank's opportunity to provide information, including also to analysts.

Sparebanken Øst has drawn up guidelines for investor care. These guidelines demonstrate that the bank wishes to have extensive and effective communication with the financial markets with an emphasis on openness and trustworthiness. The bank wishes to have long-term mutual 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 profitability estimates and which would be favourable to investors. The Finance Department manages contacts with brokers in order to guarantee the uniformity of the information disseminated.

Information which is deemed to be of an important and sensitive nature is first sent to the Oslo Stock Exchange. The bank must endeavour to provide correct and balanced spoken and written information, and no investors must be prejudiced in favour of others. All information provided must be distributed to all investors and must be presented in a uniform manner. The bank must endeavour to be available to investors and queries must be answered without unreasonable delay. Information deemed central to investors must be distributed via the bank's website, Oslo Stock Exchange and mailing lists.

Take-over

Savings banks may not be overtaken by other enterprises or individuals. For this reason the NUES recommendations on this point are not relevant to savings banks. The Board of Trustees is to make decisions in all cases concerning changes to the bank's business activities, purchases of other companies, or other cases of particular importance to the bank. Nevertheless, this is not true of the purchase of lesser companies in the bank's present activity areas, or if the case for other special reasons should be decided by the Board of Directors and only after that be presented to the Board of Trustees.

Auditor

Auditing at Sparebanken Øst is undertaken according to acknowledged auditing principles, with consideration to planning, implementation, and reporting. Ernst & Young is the bank's external auditor. The external auditor meets at least once a year before the audit committee and at Board meetings and reviews its assessments of the bank's risks. The external auditor always participated in the Board meeting at which the annual financial statements are presented and at the accounts meeting of the audit committee, and reviews its assessment of significant conditions in the bank. The external auditor participates in other Board meetings if necessary. At least once a year the external auditor meets with the Board without the Managing Director being present. The external auditor is invited to all meetings of the Board of Trustees. Attention is also drawn to note 35 to the financial statements in connection with the remuneration for the auditor, including the division of remuneration.

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

We hereby confirm that the annual accounts for the period from 1 January to 31.12.11 to the best of our knowledge have been prepared in accordance with IFRS and that the information gives a true and fair view of the company and group'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 finanical position of the company and the group, together with a description of the principal risks and uncertainties facing the companies.

Drammen, 15.03.12

THE BOARD OF DIRECTORS OF SPAREBANKEN ØST

Jorund Rønning Indrelid Chairman	Knut Smedsrud Vice Chairman	Ingebjørg Mæland Member
Roar Norheim Larsen Member	Sverre Nedberg Member	Leif Ove Sørby Menber
Hanne Solem Member	Ann-Kristin Plomås Employee representative	Pål Strand CEO

PROFIT AND LOSS ACCOUNT

Group	Group			Parent bank	Parent bank
2011	**2010**	Amount in NOK millions	**Notes**	**2011**	**2010**
1.175,0	1.006,8	Interest income and similar income	25,26	972,2	903,2
734,0	588,3	Interest expenses and similar expenses	25,26	625,9	564,8
441,0	**418,5**	**NET INTEREST AND CREDIT COMMISSION INCOME**		**346,3**	**338,4**
31,1	54,9	Dividends and other income from securities with variable yields	27,30	31,1	54,7
91,0	86,1	Commission income and income from banking services	28	96,4	93,0
32,6	26,5	Commission costs and costs of banking services	28	15,2	15,3
-32,8	121,8	Net value changes and gains/losses on financial instruments	29,30	-39,8	121,8
20,8	16,2	Other operating income	31	5,5	4,6
167,7	141,6	Salaries, etc.	32,52	140,8	118,0
62,8	69,2	Administration costs		54,4	62,4
12,0	12,6	Depreciation/writedowns and value changes to non-financial assets	40	6,2	7,9
47,6	57,2	Other operating costs	34,35,41	44,0	51,8
228,4	**390,4**	**PROFIT BEFORE LOSSES**		**178,9**	**357,1**
17,9	10,1	Losses on loans and guarantees	11,13,16	7,9	2,8
210,5	**380,3**	**PRE-TAX PROFIT**		**171,0**	**354,3**
54,8	75,0	Tax costs	36	45,0	67,6
155,7	**305,3**	**ANNUAL RESULTS**		**126,0**	**286,7**
3,46	7,22	Profit per equity certificate	57	2,80	6,78
3,46	7,22	Diluted profit per equity certificate	57	2,80	6,78

TOTAL PROFIT/LOSS

Group	Group			Parent bank	Parent bank
2011	**2010**	Amount in NOK millions	**Notes**	**2011**	**2010**
155,7	**305,3**	**ANNUAL RESULTS**		**126,0**	**286,7**
-0,3	68,9	Changes in fair value of investments available for sale	30	-0,3	68,9
155,4	**374,2**	**TOTAL PROFIT/LOSS**		**125,7**	**355,6**

BALANCE SHEET

Group 31.12.11	Group 31.12.10	Amount in NOK millions	Notes	Parent bank 31.12.11	Parent bank 31.12.10
		ASSETS			
580,9	696,5	Cash and receivables at central banks		580,9	696,5
920,9	919,5	Treasury bills	20,22,37	920,9	919,5
241,2	88,5	Loans and receivables from credit institutions	15,16	2.322,7	1.188,1
22.183,5	19.475,3	Loans and receivables with customers	10,11,12,13,14	14.426,2	15.812,8
3.271,1	2.526,5	Certificates, bonds and other interest-bearing securities with regu	20,22,37	4.308,0	3.526,0
476,9	504,5	Shares and other securities with variable return	20,22,38	476,9	504,5
108,3	58,1	Financial derivatives	21,22	90,5	58,1
0,0	0,0	Ownership interests in group companies	39	376,2	286,2
0,4	13,7	Deferred tax asset	36	35,3	34,9
473,3	233,1	Investment properties	40	0,0	0,0
117,3	114,5	Fixed capital assets	40	62,6	59,9
33,9	39,6	Other assets	42	13,4	17,1
89,2	76,7	Prepayments non-accrued costs and accrued income not receive	43	75,0	68,7
28.496,9	**24.746,5**	**TOTAL ASSETS**		**23.688,6**	**23.172,3**
		LIABILITIES AND EQUITY			
1.918,1	1.892,8	Liabilities to credit institutions	44,48	1.945,2	1.934,6
8.932,7	7.630,2	Deposits from and liabilities to customers	45	8.926,4	7.621,9
915,4	915,4	Liabilities to the government, exchange of OMF preferential bond	48	915,4	915,4
49,0	85,3	Financial derivatives	21,22	48,6	85,3
13.870,3	11.466,8	Liabilities incurred when issuing securities	46,48	9.242,3	10.020,2
56,8	51,0	Current taxes	36	48,7	43,3
76,7	74,5	Other liabilities	49	56,2	44,5
139,3	129,2	Accruals and deferred income	50	106,6	112,6
30,6	35,8	Provisions for accrued costs and liabilities	51,52	22,8	30,9
600,1	599,3	Subordinate loan capital	47,48	600,1	599,3
26.589,0	**22.880,3**	**TOTAL LIABILITIES**		**21.912,3**	**21.408,0**
595,1	595,1	Invested equity	57	595,1	595,1
1.312,8	1.271,1	Accrued equity		1.181,2	1.169,2
1.907,9	**1.866,2**	**TOTAL EQUITY**	6	**1.776,3**	**1.764,3**
28.496,9	**24.746,5**	**TOTAL LIABILITIES AND EQUITY**		**23.688,6**	**23.172,3**

Hokksund, 31 December 2011
Drammen, 15 March 2012

Jorund Rønning Indrelid
Chairman of the Board

Knut Smedsrud
Deputy Chairman of the Board

Ingebjørg Mæland

Roar Norheim Larsen

Sverre Nedberg

Leif Ove Sørby

Hanne Solem

Ann Kristin Plomås
Employee representative

Pål Strand
Managing Director

CHANGES IN EQUITY - GROUP

Amount in NOK millions

2011	Total equity	Invested equity: Equity share certificate	Share premium res.	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve	Other equity
Equity as at 31.12.10	1.866,2	207,3	387,8	241,4	826,5	32,4	68,9	101,9
Total profit/loss	155,7	0,0	0,0	58,0	61,0	7,0	0,0	29,7
Changes in fair value for investments TFS	-0,3	0,0	0,0	0,0	0,0	0,0	-0,3	0,0
Total result	155,4	0,0	0,0	58,0	61,0	7,0	-0,3	29,7
2010 dividend finally adopted	-103,6	0,0	0,0	-103,6	0,0	0,0	0,0	0,0
Dividend from the endowment fund	-10,0	0,0	0,0	0,0	0,0	-10,0	0,0	0,0
Equity as at 31.12.11	**1.907,9**	**207,3**	**387,8**	**195,8**	**887,5**	**29,4**	**68,6**	**131,6**

This year's allocation for dividends of NOK 41.5 million forms part of the Equalisation Fund until finally adopted by the Board.

Refer otherwise to note 57 on equity certificates

2010	Total equity	Invested equity: Equity share certificate	Share premium res.	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve	Other equity
Equity as at 31.12.09	1.584,9	207,3	387,8	183,7	695,4	27,4	0,0	83,3
Total profit/loss	305,3	0,0	0,0	140,6	131,1	15,0	0,0	18,6
Changes in fair value for investments TFS	68,9	0,0	0,0	0,0	0,0	0,0	68,9	0,0
Total result	374,2	0,0	0,0	140,6	131,1	15,0	68,9	18,6
2009 dividend finally adopted	-82,9	0,0	0,0	-82,9	0,0	0,0	0,0	0,0
Dividend from the endowment fund	-10,0	0,0	0,0	0,0	0,0	-10,0	0,0	0,0
Equity as at 31.12.10	**1.866,2**	**207,3**	**387,8**	**241,4**	**826,5**	**32,4**	**68,9**	**101,9**

This year's allocation for dividends of NOK 103.6 million forms part of the Equalisation Fund until finally adopted by the Board.

CHANGES IN EQUITY - PARENT BANK

2011	Total equity	Invested equity: Equity share certificate	Share premium res.	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve
Equity as at 31.12.10	1.764,3	207,3	387,8	241,4	826,5	32,4	68,9
Total profit/loss	126,0	0,0	0,0	58,0	61,0	7,0	0
Changes in fair value for investments TFS	-0,3	0,0	0,0	0,0	0,0	0,0	-0,3
Total result	125,7	0,0	0,0	58,0	61,0	7,0	-0,3
2010 dividend finally adopted	-103,6	0,0	0,0	-103,6	0,0	0,0	0,0
Dividend from the endowment fund	-10,0	0,0	0,0	0,0	0,0	-10,0	0,0
Equity as at 31.12.11	**1.776,3**	**207,3**	**387,8**	**195,8**	**887,5**	**29,4**	**68,6**

This year's allocation for dividends of NOK 41.5 million forms part of the Equalisation Fund until finally adopted by the Board.

Refer otherwise to note 57 on equity certificates

2010	Total equity	Invested equity: Equity share certificate	Share premium res.	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve
Equity as at 31.12.09	1.501,6	207,3	387,8	183,7	695,4	27,4	0,0
Total profit/loss	286,7	0,0	0,0	140,6	131,1	15,0	0
Changes in fair value for investments TFS	68,9	0,0	0,0	0,0	0,0	0,0	68,9
Total result	355,6	0,0	0,0	140,6	131,1	15,0	68,9
2009 dividend finally adopted	-82,9	0,0	0,0	-82,9	0,0	0,0	0,0
Dividend from the endowment fund	-10,0	0,0	0,0	0,0	0,0	-10,0	0,0
Equity as at 31.12.10	**1.764,3**	**207,3**	**387,8**	**241,4**	**826,5**	**32,4**	**68,9**

This year's allocation for dividends of NOK 103.6 million forms part of the Equalisation Fund until finally adopted by the Board.

CASH FLOW STATEMENT

Group 2011	Group 2010	Amount in NOK millions	Note	Parent bank 2011	Parent bank 2010
		Operating activities			
210,5	380,3	Profit before tax		171,0	354,3
		Adjusted for:			
-3.507,9	-1.977,7	Changes in assets in connection with operations	56	-429,3	-473,2
1.329,2	-154,6	Changes in liabilities in connection with operations	56	1.307,0	-175,6
-6,2	25,3	Non-cash items included in profit before tax	56	-13,1	18,4
0,9	-64,4	Net gains from investment activities		6,4	-64,3
-50,4	-33,5	Taxes paid for the period		-42,6	-22,1
-2.023,9	-1.824,6	**Net cash flow from operating activities**	**A**	999,4	-362,5
		Investment activities			
-243,4	-75,1	Purchase of fixed assets		-9,1	-3,9
0,9	2,6	Proceeds from sale of fixed assets		0,4	0,6
99,7	-46,5	Net proceeds/expenses from sale/purchase of financial investments		4,4	-131,5
-142,8	-119,0	**Net cash flow from investment activities**	**B**	-4,3	-134,8
		Financing activities			
0,0	-58,8	Net incoming/outgoing for loans to/from credit institutions		0,0	-58,8
-2.840,0	-2.411,1	Payments for repayment of securities		-2.840,0	-2.406,9
5.169,3	5.082,5	Proceeds from securities issued		2.005,7	3.632,0
-103,6	-82,9	Proceeds from issuance of equity certificates		-103,6	-82,9
2.225,7	2.529,7	**Net cash flow from financing activities**	**C**	-937,9	1.083,4
59,0	586,1	Net change in cash and cash equivalents	**A+B+C**	57,2	586,1
1.629,7	1.043,6	Cash and cash equivalents as at 01.01.		1.629,7	1.043,6
1.688,7	**1.629,7**	**Reserves of cash and cash equivalents as at 31.12.**	56	**1.686,9**	**1.629,7**

Liquidity reserves include cash and deposits with central banks, treasury bills and loans to and deposits with financial institutions relating to placements.

NOTES TO THE ACCOUNTS

NOTE 1 – GENERAL INFORMATION

Sparebanken Øst is an equity capital bank listed on the Oslo Stock Exchange. The bank's headquarters is in Drammen, visiting address Bragernes Torg 2. Sparebanken Øst is operates free of alliances and has run savings bank activities without interruption since 1843.

The bank also has branches in the municipal districts of Øvre Eiker, Nedre Eiker, Asker, Bærum, Oslo, Fredrikstad, Ullensaker, Horten, Tønsberg, Skedsmo and Lier. The Sparebanken Øst group consists of the parent bank and the wholly owned subsidiaries Sparebanken Øst Boligkreditt AS, AS Financiering, Øst Prosjekt AS and Sparebanken Øst Eiendom AS with the subsidiaries Grev Wedels Have AS and Hawø Eiendom AS.

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

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 available for sale, as well as the part of the securities portfolio for which 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.

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 millions in the notes.

2. CHANGE TO ACCOUNTING PRINCIPLES

No changes have been made to the accounting principles employed for 2011. New standards and interpretations that the group has implemented with effect from 1 January 2011 are presented below.

IAS 24 (revised) Related party disclosures
IAS 24 has clarified and simplified the definition of related parties. The revised standard also provides some relief in terms of requirements for additional information to public sector organisations. These amendments have no effect on the accompanying notes.

Annual improvements project 2010 – IFRS 7: Clarification of disclosure requirements
Clarification of the interaction between quantitative and qualitative disclosures and the type and scope of risks related to financial instruments. Changes to requirements for quantitative disclosures and credit risk disclosures.

The requirement to disclose the balance sheet value of financial assets for which terms have been renegotiated and which otherwise would have fallen due and be in default, or would have been subject to a write-down unless such renegotiation had taken place has now been rescinded.

A clarification has been provided related to disclosure of the security pledged for the company's benefit and similar risk-reducing schemes. This refers to the financial effect of the security pledged and other risk-reducing schemes in relation to the maximum credit exposure. Refer to note 7.

New standards and interpretations which came into effect in 2011 without resulting in changed to the accounts for the parent or group are shown below:

- *Changes to IAS 32 Financial instruments* – presentation – Classification of rights issues
- *IFRIC 19* - Extinguishing financial liabilities with equity instruments
- IASB's Annual improvements project 2010 (other improvement projects)

3. CONSOLIDATION

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

The group consolidated accounts include the wholly owned subsidiaries Sparebanken Øst Boligkreditt AS, AS Financiering, Øst Prosjekt AS and Sparebanken Øst Eiendom AS with subsidiaries Grev Wedels Have AS and Hawø Eiendom 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 remainders between companies within the group are eliminated.

The accounting principles of subsidiaries are altered when necessary to harmonise them with the accounting principles of the group.

3.1 Ownership interest in subsidiaries and associated companies

By subsidiary company is meant all companies where the parent bank alone or indirectly through its subsidiary companies owns more than 50 per cent of the right to vote, or in another manner has decisive influence over the company's financial and operational principles. In the financial statements of the parent company, investments in subsidiaries in accordance with IFRS are now assessed at historical cost.

Companies where the bank solely or indirectly owns between 20 to 50 per cent of the right to vote, and has significant influence, are defined as associated companies and are treated according to the equity method for consolidated accounts. In the financial statements, investments in associate companies are assessed at historical cost. The bank has no ownership interest in what is defined as associated companies.

4. CURRENCY

The accounts are presented in Norwegian kroner (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 on the balance sheet date. Currency losses and gains attributable to different rates of exchange on 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 profit and loss statement 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 is 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 recognized 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 comprehensive income statement

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 shall be basis on which a financial instrument at fair value is estimated. 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. All adjustments to fair value are recognised directly in the income statement, unless the asset is classified as available for sale where the value adjustment is carried to total profit/loss.

Measurements at amortised cost

Financial instruments not measured at fair value, are valued at amortised cost and income/expenses are estimated 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 point 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 take over.

6.3.4 Hedge accounting

The bank employs fair value hedging of fixed rate borrowings. 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 impaired value of loans is included in "Interest income and similar income".

Participations 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 directly proportional to the difference between the book value and the present value of future cash flows that are discounted by the loan's effective interest.

Write-downs on groups of loans
Assessing the need for the writing down of the group of loans to private individuals is performed based on a loss indicator which takes various macroeconomic variables into consideration which 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 under "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 judgment 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 which can't be recovered from loss provisions, and any surplus or deficit in relation to previous write-downs are recognised in the profit/loss statement.

6.4.2 Treasury bills
Treasury bills are measured at fair value. The value adjustment and profit/loss when realising treasury bills are posted under "Interest income and similar incomes" in the profit and loss statement.

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

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

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 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 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 profit and loss statement for this credit loss under "Net value adjustments and profit/loss on financial instruments" in the profit and loss statement. The size of the loss 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 performed. Realised profit and losses are posted to "Net value adjustments and profit/loss on financial instruments".

Fair value through profit and loss
The rest of the group's portfolio of certificates and bonds purchased before 01.01.11 are part of the bank's liquidity and investment strategy and is recognised at fair value ("Fair Value Option").

The rest of 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".

6.4.4 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 and are recognised at fair value. 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 results once the group's right to receive payment is determined, and posted to "Dividends and other income on securities with variable yields".

Available for sale
The group's equity instrument holdings that are not classified as held for trading are classified available for saleand are estimated at fair value with value adjustments presented as income and expenses in the total results. 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 instrument which were previously recognised in the overall result 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%, 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 is determined, and posted to "Dividends and other income on securities with variable yields".

6.4.5 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 liability if the fair value is negative.

Realised and unrealised profits and losses on financial derivatives are recognised in the profit and loss statement 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.

6.4.6 Hedge accounting

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

The bank makes use of fair value hedging. A fair value hedge is one where the company seeks to hedge against exposure to changes in the fair value of recognised assets or liabilities. Bonded fixed interest debt constitutes an interest risk. Bonded debt in foreign currency constitutes both an interest and a currency risk. Hedge accounting is applied to derivatives used to hedge the fair value of recognised liabilities where certain criteria are met. Changes in fair value of financial derivatives classified as and meeting the requirements of fair value hedging are recognised in the profit and loss statement together with all changes in 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 are posted to "Net value adjustments and profit/loss on financial instruments".

It must be possible to reliably measure the effectiveness of hedging. 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 hedge effectiveness. Hedging, including hedge 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 amount, 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 securing the object. If the measurement shows that the value changes on the hedging instrument counteracts 80 to 125 per cent of the changes in the hedged item, the hedge will still qualify as a hedge under IAS 39. Any ineffective portion of the hedge is recognised. 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.

6.4.7 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 redemption value are periodised 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 profit and loss statement. Holdings of own bonds are posted as reductions on liabilities. For buybacks the difference between the book value and the paid fees are recognised as above par/deficit.

7. FIXED ASSETS AND INVESTMENT PROPERTIES

Fixed capital assets are comprised of buildings, land, and operating assets. Buildings and operating assets are recognised in the balance sheet at cost price deducted for ordinary accumulated depreciation and write-downs. Land is not depreciated and is capitalized at cost less any impairment losses. The cost price includes all direct includable costs at the procurement of assets, with the addition of cost price for later improvements. All other repair and maintenance costs are recognised in the period to which they are incurred. When determining depreciation plan allowance is made for the fixed asset’s estimated residual value. The group buildings have been broken down into four components: building structure, technical installations, facades, and fixed inventory. Depreciation is calculated for each 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 minus accumulated depreciation. Cost-price on the inclusion date and annual depreciation are determined according to the same principles as described above for other property.

Depreciation is calculated linearly over the following service lives:

Buildings	10-50 years
Machines/inventory /transport vehicles	3-8 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 sale price and the book value and are included in the profit and loss statement.

Buildings under construction are classified as non-current assets plant and equipment until construction is completed. Buildings under construction are not written off before the building is used. Building loan costs are recognised in the balance sheet on an on-going basis and form part of the cost price.

Assessments are performed of depreciations 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 sale price and the discounted cash flow of continued use. The net sale price is the amount obtainable from 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.

<u>The group as lessor</u>
Financial lease agreements are presented as "loans to customers" in the balance sheet and are recognised at amortised cost. Advance paid leasing is activated and recognised as income over the maturity period and posted as short-term liabilities in the accounts.

<u>The group as a lessor</u>
The group has only signed operational lease agreements as a lessor. Lease payments are recognised as an expense in the profit and loss statement linearly 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. Assessment of loss provisions on guarantees issued by the bank together with assessment of losses on lending, cf. note 53. The same principles are used to assess whether there has been a reduction in value, cf. note 13.

Provisions are made for other uncertain commitments if there in all likelihood the commitment will materialise and the financial consequences can be reliably estimated.

10. CONDITIONAL EVENTS

Contingent liabilities are not recognised in the annual financial statements. Information is provided on major contingent liabilities with the exception of contingent liabilities where the liability is extremely improbable.

A contingent asset is not recognised in the annual financial statements, but information is provided if there is a likelihood that it will provide yields for the group.

11. PENSIONS

The group has various defined benefit schemes, as well as contribution based schemes. New employees from 2007 onwards (from 2008 in the subsidiary AS Financiering) are included in the contribution-based scheme, while the transfer to the contribution-based scheme was optional for other employees.

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 kept together with 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 obligation exceeds the pension funds, the net obligation is classified as a liability in the balance sheet.

The group also has pension obligations that have not been covered which are funded through the group's operations. Pension obligations on such agreements are posted as a liability in the balance sheet.

In Q1 2010 the AFP scheme was partially deducted based in closure and phasing out of the old AFP scheme and introduction a new scheme. The new AFP scheme is regarded as a defined benefit multi-company scheme. These types of pension schemes shall be accounted for according to the same principles used for defined benefit schemes. Should adequate information not be available for the accounting in this manner, accounting must be performed as for a defined-contribution scheme. At the present time it is felt that there is no basis for this and that the new scheme will be accounted for as a defined-contribution scheme until further. When such considerations become relevant in the future, the AFP obligation must then according to the new scheme be carried to the balance sheet as a defined-benefit scheme. Refer to note 52 Pension obligations for a more detailed report.

Pension obligations are estimated annually by an independent actuary where 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.

Sparebanken Øst applies the policy of delayed recognition in income of estimate differences and the corridor. When the estimate differences exceed this corridor by 10 per cent of the highest of either the pension funds or pension obligations, the excess amount is transferred to the profit and loss statement over a period corresponding to the average remaining period of employment.

Changes to pension plans are recognised as income or expenses at the time 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 pension obligation less expected return on pension funds, recognised effects of differences between the actual and the expected return as well as periodised employer's payroll tax. The net pension costs for the period are post to "salaries, etc." in the profit and loss statement.

Assessment of pension obligations is described in more detail under "use of estimates".

Contribution-based schemes
Contribution based 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 saving. The group has not further commitments in terms of work initiatives once the annual contribution is paid. There are no provisions for pension commitments for such schemes. Contribution-based pension schemes are recognised directly as expenses and are included in the line “salaries, etc.” in the profit and loss account.

12. INCOME TAX

The annual tax expenses in the profit and loss account is made up of tax payable for the income year, and if any, surplus/deficit on allocated tax payable for the previous year and recognised deferred tax. These are recognised as income or expenses and are included in the profit and loss statement as tax expenses with the exception of current and deferred tax on transactions which are recognised directly in the overall results under equity.

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

Deferred tax assets is 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 measured in accordance with current tax rates, and eliminated to the extent permitted.

Deferred tax on transactions recognised in the total accounts or equity, is recognised with the underlying transaction, either in the overall result or in equity. In the overall result this is shown as the tax effect.

Current tax and is entered directly in the balance sheet to the extent tax items relate to equity transactions.

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

13. SEGMENTS

For the purpose of management the bank is organised into four 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 flow grouped according to the type and employment area. Cash and cash equivalents include cash, deposits with central banks, treasury bills and loans to and deposits with financial institutions relating to clean locations.

15. EQUITY

15.1 Profit per equity certificate

Profit per equity certificate is calculated as equity certificate owners' share of the bank's profit for the period of time 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 established by the bank's Board of Trustees.

16. EVENTS POST BALANCE SHEET DATE

New information after the balance sheet date about the company's financial position on the balance sheet date will be included in the basis for assessing accounting estimates in the accounts and will thus be taken into consideration in the annual accounts. Events after 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 deemed irrelevant are not listed.

Changes to IFRS 7 - Financial instruments - information
Changes relate to note requirements associated with transfer of financial assets that the company is still involved in and the changes aim to provide users with a better picture of the exposure of the company that is transferring the financial assets. The changes apply with effect for financial years beginning 1 July 2011 and later. The group expects to start using the revised standard from 1 January 2012.

Changes to IFRS 7 - Financial instruments - information
These changes entail that the company is obliged to provide a range of quantitative information related to counter-claims for financial assets and financial liabilities. The disclosure requirements apply to all recognized financial instruments for which counter claims are made in accordance with IAS 32. The changes apply with effect from financial years beginning 1 January

2013 or later, but are not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to start using the revised standard from 1 January 2013.

IFRS Financial instruments
IFRS 9 will replace the current IAS 39. The project is split into several phases. The first phase related to classification and measurement rules has been completed by IASB. In this first phase IFRS 9 stipulates that financial assets that contain common loan terms are recognised at amortised cost, unless one chooses to bring them to fair value, while other financial assets are recognised for at fair value. Classification and measurement rules for financial liabilities in IAS 39 will be carried forward, with the exception of financial liabilities brought to fair value (the fair value option, where the value adjustment linked to the own credit risk is separated and posted to other income and expenses. IFRS 9 applies with effect for financial years starting 1 January 2015 or later, but is not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to apply IFRS 9 as of 1 January 2015.

IFRS 10 Consolidated financial statements
IFRS 10 replaced 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 for all units. The content of the control term has changed somewhat from IAS 27. The decisive factor in determining whether a company is to submit consolidated financial statements as per IFRS 10 is the existence of control. Control exists when an investor has power over the investee; when it has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 applies with effect for financial years starting 1 January 2013 or later, but is not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to apply IFRS 10 as of 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements (joint operations or joint ventures), associates or unconsolidated structured entities. IFRS 12 replaced the disclosure requirements that previously applied according to IAS 27 Consolidated financial statements and separate financial statements, IAS 28 Investments in Associates and IAS 31 Interests in joint ventures. A number of new disclosure requirements are also introduced. IFRS 12 applies with effect for financial years starting 1 January 2013 or later, but is not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to apply IFRS 12 as of 1 January 2013.

IFRS 13 Fair value measurement
The standard defines the principles and provides guidelines for fair value measurement for assets and liabilities for which other standards require or permit fair value measurement. IFRS 13 applies with effect for financial years starting 1 January 2013 or later, but is not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to apply IFRS 13 as of 1 January 2013.

Changes to IAS 1 Presentation of financial statements
The changes to IAS 1 were a requirement to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. The changes apply with effect for financial years starting 1 July 2012 or later, but are not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to start using the revised standard from 1 January 2013.

Changes to IAS 19 Employee benefits
Following the changes in 2011 IAS 19 does not permit the use of the 'corridor approach' to account for estimate differences. Estimate differences must now be fully recognized in OCI and expenses in the period in which they arise. The changes also entail that the pension expense be split between profit and loss and OCI. Expected returns on pension funds must be calculated with the use of the discount rate which is calculated for the gross pension liability. The earned pension rights and net pension expense for the period are presented under profit and loss while 'remeasurements' such as estimate differences are presented under OCI in the overall result. Furthermore the disclosure requirements related to defined benefit pension schemes have been changed. The changes apply with effect for financial years starting 1 January 2013 or later, but are not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to start using the revised standard from 1 January 2013.

Changes to IAS 27 (Amended) Consolidated and Separate Financial Statements
As a result of the introduction of IFRS 10 and IFRS 12 changes were made to IAS 27 which harmonize the standard with the new accounting standards. IFRS 10 Consolidated Financial Statements replaced the parts of IAS 27 which cover consolidated financial statements. IAS 27 now only covers company accounts, and will therefore no longer apply to consolidated financial statements after coming into effect. The changes apply with effect for financial years starting 1 January 2013 or later, but are not yet approved by the EU. Earlier application is permitted if the EU approves the standard. The group expects to start using the revised standard from 1 January 2013.

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 counter-claim criteria for settlement systems such as for example clearing house systems which apply mechanisms for gross settlement which do not occur simultaneously. The changes apply with effect for financial years starting 1 January 2014 or later, but are not yet approved by the EU. Earlier application is permitted if the EU approves the standard and if the changes in IFRS 7 which require disclosure regarding counter-claims on financial instruments are also fulfilled. The group expects to start using the revised standard from 1 January 2014.

NOTE 3 - EMPLOYMENT OF ESTIMATES

Due to the uncertainties associated with business activities, many accounting items cannot be accurately measured, but only estimated. Estimates comprise assessments based on the most recent reliable information available and may also include expectations of future events which are regarded as likely. Estimates and assessments are regularly evaluated.

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
- Actuarial calculations of 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. See note 13 for losses on loans and guarantees.

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 sector comparative figures. 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. Writing down of impairment/losses on groups of loans is based on models of both an estimate 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. See note 13 for write-downs on groups of loans.

3.2 Fair value of financial instruments

In principle, observable market rates shall be based on 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. Unlisted shares of insignificant value are also valued at cost.

Refer to note 22 for valuation of financial assets and liabilities at fair value.

3.3 Actuarial calculations of pension obligations

The group's contribution-based pension obligations are calculated by an external actuary. The calculations are based on standard assumptions concerning death and disablement and other demographic assumptions drawn up by Finance Norway (FNO). A number of economic assumptions are also used as a 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 rate is based on the 10-year government bond rate with an addition to adjust for the longer maturity of pension obligations. The other economic assumptions are based on expected long-term change in the parameters. Pension funds are mostly invested in liquid assets valued at fair value on the balance sheet date. A far higher risk is assessed to be associated with estimated gross pension obligations than with estimated pension funds. Refer to note 53 for more information.

The banking and finance business have signed an AFP (early retirement scheme) agreement, which involves all employees being able to choose to take early retirement from the date they turn 62 years old. This scheme was phased out in February 2010 and it was only possible to take early retirement on the old scheme until 31.12.10. The gains from phasing out the scheme were recognised as income of NOK 30.7 million in 2010, and are presented as a reduction on salary costs.

To replace the old AFP scheme a new AFP scheme has been set up (AFP contribution act). The new AFP scheme is, in contrary to the old one, not an early retirement scheme, but rather a scheme that gives lifelong supplement on the ordinary pension. The employees can choose to take the new AFP scheme from the time they turn 62 years old, and continue to work; it provides additional income for those who work until they turn 67 years old. The new AFP scheme is a contribution-based multi-company pension scheme, and is financed through premiums determined as a percentage of the salary. Thus far there is no reliable measure and allocation for obligations and funds in the scheme. For accounting purposes this scheme is therefore treated as a contribution-based pension scheme where the premium payments are recognised as costs on a running basis, and no allocations are made in the accounts. When such considerations become relevant in the future, the AFP obligation must then according to the new scheme be carried to the balance sheet as a defined-benefit scheme. Refer to note 52.

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 private and the business markets. In addition there are the other subsidiaries, and a non-reportable segment with items not divided as in other segments. The Group has almost all its income from Norway; for the geographical distribution of loans to customers see note 11.

For the purpose of management the bank is organised into four operational segments based on the products and services as follows: The private market and business market segments consist primarily of loans to customers and deposits from customers, while the main product in AS Financiering is car financing. Sparebanken Øst Eiendom AS engages in property purchase and sale, leasing and development of real estate. Earnings from the private market, business market and AS Financiering comprise mainly of net interest income, while income from Sparebanken Øst Eiendom AS primarily comprises of 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 as net since the majority of segment revenues are derived from interest income on loans. Management is basing itself primarily on net interest income and not gross interest income and expenses. Management of the securities are not allocated in a separate segment and is included in the column undistributed. Transactions between operational segments are based on arm-length pricing equivalent to transactions with third parties. No single customer accounts for more than 10% of the bank's total income in 2010 and 2011.

Profit and Loss Account

2011	PM	BM	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net interest and commission income external	430,1	302,7	124,2	-0,8	-415,2	0,0	441,0
Net interest and commission income internal	-278,4	-95,1	-37,8	-6,1	417,4	0,0	0,0
Net interest and commission income*	**151,7**	**207,6**	**86,4**	**-6,9**	**2,2**	**0,0**	**441,0**
Total net other income external	63,5	26,6	-15,5	15,2	-14,8	2,5	77,5
Total net other income internal	0,0	0,0	0,0	8,4	1,6	-10,0	0,0
Total income	**215,2**	**234,2**	**70,9**	**16,7**	**-11,0**	**-7,5**	**518,5**
Payroll and general administration costs	72,4	22,5	29,4	5,6	100,6	0,0	230,5
Depreciation	0,0	0,0	1,4	4,3	6,3	0,0	12,0
Other operating costs external	1,0	0,1	5,6	3,5	37,2	0,2	47,6
Other operating costs internal	0,0	0,0	-0,1	0,0	9,4	-9,3	0,0
Total operating costs	**73,4**	**22,6**	**36,3**	**13,4**	**153,5**	**-9,1**	**290,1**
Profit before losses	**141,8**	**211,6**	**34,6**	**3,3**	**-164,5**	**1,6**	**228,4**
Losses on loans, guarantees, etc.	-0,1	8,0	10,0	0,0	0,0	0,0	17,9
Profit before tax	**141,9**	**203,6**	**24,6**	**3,3**	**-164,5**	**1,6**	**210,5**
Tax costs	0,0	0,0	7,0	0,9	46,5	0,4	54,8
After-tax profit	**141,9**	**203,6**	**17,6**	**2,4**	**-211,0**	**1,2**	**155,7**

* Note that a change has been made to the interest and commission income between the segment PM and undistributed with regard to the provisional accounts. The total amount for the group is unchanged.

2010	PM	BM	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net interest and commission income external	350,1	276,6	95,6	0,0	-303,8	0,0	418,5
Net interest and commission income internal	-191,0	-82,7	-21,8	-5,1	300,6	0,0	0,0
Net interest and commission income	**159,1**	**193,9**	**73,8**	**-5,1**	**-3,2**	**0,0**	**418,5**
Total net other income external	57,7	21,9	-9,5	11,5	170,8	0,1	252,5
Total net other income internal	0,0	0,0	0,0	8,2	0,2	-8,4	0,0
Total income	**216,8**	**215,8**	**64,3**	**14,6**	**167,8**	**-8,3**	**671,0**
Payroll and general administration costs	78,5	22,3	24,7	5,4	79,9	0,0	210,8
Depreciation	0,1	0,0	1,2	3,5	7,8	0,0	12,6
Other operating costs external	1,3	0,2	5,7	6,8	42,7	0,5	57,2
Other operating costs internal	0,0	0,0	0,0	0,0	8,8	-8,8	0,0
Total operating costs	**79,9**	**22,5**	**31,6**	**15,7**	**139,2**	**-8,3**	**280,6**
Profit before losses	**136,9**	**193,3**	**32,7**	**-1,1**	**28,6**	**0,0**	**390,4**
Losses on loans, guarantees, etc.	-0,3	16,8	7,3	0,0	-13,7	0,0	10,1
Profit before tax	**137,2**	**176,5**	**25,4**	**-1,1**	**42,3**	**0,0**	**380,3**
Tax costs	0,0	0,0	7,3	-0,3	68,0	0,0	75,0
After-tax profit	**137,2**	**176,5**	**18,1**	**-0,8**	**-25,7**	**0,0**	**305,3**

Balance Sheet

2011	PM	BM	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net loans and receivables with customers	14.293,5	6.427,1	1.388,5	0,0	421,2	-346,8	22.183,5
Other assets	31,3	26,0	29,5	507,9	9.313,2	-3.594,5	6.313,4
Total assets	**14.324,8**	**6.453,1**	**1.418,0**	**507,9**	**9.734,4**	**-3.941,3**	**28.496,9**
Deposits from and liabilities to customers	4.616,7	3.609,0	32,1	0,0	700,7	-25,8	8.932,7
Other liabilities	1.116,0	224,0	1.259,9	404,6	18.192,4	-3.540,6	17.656,3
Inter-company accounts	8.592,1	2.620,1	0,0	0,0	-11.212,2	0,0	0,0
Total liabilities per segment	14.324,8	6.453,1	1.292,0	404,6	7.680,9	-3.566,4	26.589,0
Total equity	**0,0**	**0,0**	**126,0**	**103,3**	**2.053,5**	**-374,9**	**1.907,9**
Total liabilities and equity	**14.324,8**	**6.453,1**	**1.418,0**	**507,9**	**9.734,4**	**-3.941,3**	**28.496,9**
Investment during the year	**0,0**	**0,0**	**1,3**	**245,1**	**9,1**	**0,0**	**255,5**

2010	PM	BM	AS Financiering	Spb Øst Eiendom	Undistributed	Elimination	Group
Net loans and receivables with customers	12.509,6	5.742,7	993,6	0,0	390,8	-161,4	19.475,3
Other assets	57,5	20,7	34,4	290,5	7.330,7	-2.462,6	5.271,2
Total assets	**12.567,1**	**5.763,4**	**1.028,0**	**290,5**	**7.721,5**	**-2.624,0**	**24.746,5**
Deposits from and liabilities to customers	4.247,7	3.176,7	40,4	0,0	197,6	-32,2	7.630,2
Other liabilities	1.074,1	175,3	879,1	189,6	15.237,6	-2.305,6	15.250,1
Inter-company accounts	7.245,3	2.411,4	0,0	0,0	-9.656,7	0,0	0,0
Total liabilities per segment	12.567,1	5.763,4	919,5	189,6	5.778,5	-2.337,8	22.880,3
Total equity	**0,0**	**0,0**	**108,5**	**100,9**	**1.943,0**	**-286,2**	**1.866,2**
Total liabilities and equity	**12.567,1**	**5.763,4**	**1.028,0**	**290,5**	**7.721,5**	**-2.624,0**	**24.746,5**
Investment during the year	**2,0**	**1,9**	**3,7**	**67,5**	**0,0**	**0,0**	**75,1**

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 financial risks. Concentration risk is also addressed.

In 2011 risk developments have been reported to management and the Board on a monthly basis by the bank's finance and business customer department. At the end of 2011 the reporting frequency was changed to quarterly. Credit risk and concentration risk is reported to on a quarterly basis by the private customer department. Market and liquidity risk is reported on a monthly basis by the finance department. The report shows the on-going 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 counter-parties 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. Based on the scoring of private customers from the statistical criteria, the calculation of the private customers free cash after costs, analysis of key corporate accounts, debt ratio, collateral and assessment of other more specific factors, the customer is classified according to risk.

Credit policies on loans to customers are affected in day-today operations by means of credit manuals, frameworks and authorizations handled via the credit departments for private and business customers. Operative management of credit risk thus occurs through the division of the customer services officer and credit authorization stages. Portfolio development is monitored continuously with periodic analyses and reports as well as random checks at customer level.

Credit risk related to placement in interest-bearing securities for the purposes of liquidity and excess liquidity placed as a deposit in other banks has a clear framework in the strategy for liquidity management adopted by the Board. The adopted strategy and the investment policy specify risk tolerance, allocation of asset classes, frameworks and mandates. Credit losses shall be close to zero. Further, the portfolio may be used as collateral for a borrowing facility in Norges Bank When placing funds in certificates and bonds risk is assessed based on liquidity of the security, issuer's rating and other counterparty-specific factors. Interest-bearing securities for liquidity purposes and excess liquidity 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 counter-parties 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 using clearing systems with a good reputation.

Counterparty risk in 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 settle their obligations. Such contracts are only entered into with financial institutions rated an A or better by a credit assessment agency.

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

The ordinary lending business in the group is divided by sector as at 31.12.11 with 76.31% of gross loans to private customers and 23.69% to business customers. A small portion of loans to companies contributes to a low concentration risk.

The bank's loan portfolio to private customers and companies is divided geographically in the central south-eastern area with an emphasis on the municipal districts of Øvre Eiker, Nedre Eiker and Drammen. The bank is not deemed to be particularly exposed to individual companies (cornerstone industries) or unilateral financial growth in the region. The proximity to Oslo gives both private customers and companies a large market area with flexibility with regard to customers and markets.

The lending portfolio to business customers is divided into different businesses. Exposure to property and property development makes up a relatively large portion. Turnover and operations in fixed property amounts to 57.33% 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 13.58%. 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.

For the loan portfolio for business customers the bank has strategic specified limits for the size of accounts. In the sector defined by the bank as its local market, accounts are limited to NOK 200 million. In the sector defined by the bank as its niche market accounts have an upper limit of NOK 100 million.

The bank had in its lending operations as at 31.12.11, aside from engagements with its own subsidiaries (AS Financiering, Sparebanken Øst Boligkreditt and Sparebanken Øst Eiendom AS), there are only two exposures to external customers over 10% of their capital.

Exposure within various risk classes of loans to companies is stipulated in frameworks with a maximum exposure within each risk class. The majority of the portfolio is in the low and medium risk classes.

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 to financial market prices.

Sparebanken Øst is exposed to market risk primarily through changes in market prices of financial instruments including changes in the risk premium (credit spread risk), through changes in interest rates (interest risk), exchange rates (currency risk) and by changes in share prices (share risk). Limits have been determined for maximum exposure to credit spread risk, interest risk, currency risk and asset classes.

Interest risk
The Group is minimally exposed to structural interest risk in the bank's balance sheet. Loans to customers are primarily granted with variable interest rates. Customers' requests for fixed interest loans are fulfilled through interest derivative agreements. The Group's debt is mainly issued with variable interest rates or related to a variable interest rate with the use of interest derivatives. In other words, this practice entails that all significant balance sheet items are connected to a variable interest rate. Otherwise assets and liabilities are matched to one another with longer fixed interest rate terms.

The bank's strategy for financial risks adopted by the Board stipulates limits for interest risk. The degree of limit utilization is low.

Credit spread risk
Credit spread risk arises because the market's risk premium (credit spread) for the valuation of financial instruments can change. This risk is first and foremost controlled through a clear mandate for placement in interest-bearing securities and clear limits for allocation.

The rate risk in a liquidity portfolio is managed by ensuring that loss due to change in credit spread shall never exceed a specific framework.

Currency risk
Currency risk is managed by matching asset and liability positions with each other in the balance sheet using currency derivatives.

The bank has a framework that permits open currency risk. The degree of limit utilization is low.

Equity risk
The strategy for financial risks adopted by the Board stipulates limits for shares classified as current assets. The degree of limit utilization is low. The majority of shares are strategic investments where the risk is related to long-term developments.

Risk-reducing measures
The bank uses guarantees, derivatives and financial security business to reduce risk exposure due to changes in interest rate levels, currency exchange rates and credit risks. Security issues in the case of pledges will also indirectly be able to influence the bank's results in the event of price changes for property, for example. Refer to the descriptions of each individual risk area for further descriptions.

The bank's loans, credit and guarantees to private and commercial customers are secured in real estate, effects and/or through guarantees. The bank has a limited number of unsecured loans. For private customers this applies to a portfolio of a revolving credit of lesser volume. Loans to business customers on an unsecured basis are granted to companies with personal responsibility and/or for loans of short duration, and a strong financial background. For busines customers collateral is often tied in to collateral in the company's stock, receivables, plant and machinery and/or other operationally-dependent collateral. The value of this type of collateral can potentially fluctuate over time and could lead to inadequate collateral. For this type of business customer the bank will often secure itself by means of additional collateral in the form of collateral in fixed property or other types of additional collateral. Additionally, in these cases the bank will look closely at the customer's financial position, knowledge of the owners, industry and the market the company operates in.

Loans to other banks in the form of deposits in bonds are made on an unsecured basis, although with a requirement for a negative pledge.

Liquidity risk
Liquidity risk involves the bank not being in a position to meet its on-going liabilities as they fall due, or possibly at a higher cost. The bank maintains a conservative attitude towards liquidity risk in which a long-term, proactive view in relation to future maturity is a basic factor. These risks are managed to established frameworks. 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. Funding is currently sourced from the Norwegian certificates and bonds market and bilateral loans from European and Norwegian banks. Sparebanken Øst Boligkreditt AS was established in 2009 in order to participate in government swaps. The housing credit company has now become a key tool in the on-going financing of the group. The balance sheet steering committee constantly addresses market

events and comes up with measures linked to the liquidity situation in accordance with the overall strategy. A contingency plan has also been specified for dealing with liquidity crises.

Frameworks have been established which control the composition of the balance sheet with regard to the degree of long-term finance and the horizon for survival in a situation with no access to new liquidity. The bank maintains liquidity reserves in the form of cash, drawing rights on Norges Bank and a bond portfolio in liquid securities.

The frameworks are as follows: (1) the bank must have a liquidity indicator (Financial Supervisory Authority of Norway) of at least 105%. This entails that illiquid assets (with terms exceeding 12 months) must be financed with long-term debt, (2) the bank must be able to maintain normal operations for 12 months without access to new financing and (3) the bank’s need to approach the capital market to obtain financing has increased in recent years. The bank actively uses the capital market to finance the capital requirement arising from the fact that loans to customers are larger than ordinary deposits from customers. As at 31.12.11 deposits from customers made up 40.27% of the group's gross loans compared with 39.18% as at 31.12.10.

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 applicable targets for both the bank and the group are that capital adequacy shall be over 13% and core capital adequacy ratio shall be over 11%. The minimum requirement for capital adequacy is 8% and core capital adequacy is 4%. In other words we have a long-term goal of maintaining capital buffers well over the minimum requirements. 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.

Sufficient liquidity is maintained by ensuring the holding of a large proportion of long-term financing, through the framework for the proportion of short-term financing and a significant liquidity buffer composed of securities with a low credit risk and good market liquidity at all times. Good management with planned liquidity flows in and out of the group and a requirement to diversify financing sources and terms helps to ensure that the group has a continuous access to financing.

NOTE 6 - CAPITAL ADEQUACY

The calculation of capital adequacy consists of adding risk weights to assets based on the Capital Requirement Regulations and calculating the size of the subordinate capital based on the rules in the regulations on calculating subordinate capital.

Sparebanken Øst uses the standard method in the Basel II rules when calculating the minimum requirement for subordinate capital for credit risk. The calculation related to operational risk is calculated using the basis method.

In accordance with applicable rules subordinate capital must be at least 8%. At all times the group’s capital must meet the minimum requirement for capital adequacy with the addition of a buffer that corresponds to Sparebanken Øst’s accepted risk tolerance.
The long-term target for capital adequacy is 13% while core capital adequacy ratio shall be over 11%.

For more information refer to the group’s Tier II document which can be found on Sparebanken Øst’s website.

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
207,3	207,3	Equity capital certificate	207,3	207,3
387,8	387,8	Premium reserve	387,8	387,8
887,4	826,5	Primary certificate capital	887,4	826,5
356,8	375,7	Other reserves not included in tier 1 capital	225,2	273,8
300,4	296,5	Fund notes up to 15%	287,8	274,7
0,0	0,0	Other tier 1 capital	0,0	0,0
-41,8	-117,3	Deductions in tier 1 capital	-76,8	-138,5
-116,1	-120,1	50/50-deduction in tier 1 capital	-108,5	-126,3
1.981,8	**1.856,4**	**Net tier 1 capital**	**1.810,2**	**1.705,3**
0,0	3,3	Fund notes in additional capital	12,6	25,1
299,7	299,5	Subordinate loan capital	299,7	299,5
30,9	31,0	Unrealised gains IFRS	30,9	31,0
-116,1	-120,1	50/50-deduction in additional capital	-108,5	-126,3
214,5	**213,7**	**Net additional capital**	**234,7**	**229,3**

2.196,3	**2.070,1**	**Net subordinated capital**	**2.044,9**	**1.934,6**
		Calculation base		
0,0	0,0	Governments and central banks	0,0	0,0
108,1	33,9	Local and regional authorities	108,1	33,9
100,8	60,3	Publicly-owned companies	100,8	60,3
683,8	542,4	Institutions	1.446,0	1.021,7
2.395,6	2.066,1	Companies	2.395,6	2.066,1
1.579,1	1.308,7	Mass market accounts	535,2	561,4
6.742,3	5.966,2	Accounts secured on property	4.723,0	5.124,0
209,7	237,3	Accounts due	209,7	237,3
103,9	76,9	Preferential bonds	207,6	176,9
907,5	724,8	Other accounts	427,4	489,3
12.830,8	**11.016,6**	**Calculation base balance sheet items**	**10.153,4**	**9.770,9**
31,2	21,7	Interest rate and foreign currency instruments	25,2	21,7
485,6	515,4	Calculation base off-balance sheet items	1.291,4	571,3
516,8	**537,1**	**Calculation base off-balance sheet items**	**1.316,6**	**593,0**
0,0	**0,0**	**Calculation base exchange risk**	**0,0**	**0,0**
896,9	**827,2**	**Calculation base operational risk**	**796,9**	**716,8**
-232,3	-240,2	Subordinate capital in other financial institutions	-217,0	-252,5
-43,4	-40,8	Write-downs on groups of loans	-40,1	-37,9
-37,7	-37,9	Unrealised gains IFRS	-37,7	-37,9
-313,4	**-318,9**	**Deductions from the calculation base**	**-294,8**	**-328,3**
13.931,1	**12.062,0**	**Total calculation base (risk-weighted balance)**	**11.972,1**	**10.752,4**
15,77%	**17,16%**	**Capital adequacy**	**17,08%**	**17,99%**
14,23%	**15,39%**	**Tier 1 capital adequacy**	**15,12%**	**15,86%**

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 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Liabilities		
293,1	278,7	Loan pledges	179,6	165,5
1.041,3	864,0	Overdraft facilities	2.195,8	2.786,6
580,8	673,8	Guarantees	580,7	672,4
1.915,2	**1.816,5**	**Total liabilities**	**2.956,1**	**3.624,5**

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 is NOK 242 million. A counter-guarantee has been signed which reduces exposure to NOK 100 million. Refer to note 53 for the balance sheet value of the guarantee.

In principle, loans and credit are only granted to private customers against adequate security. Adequate security primarily means security in real estate or blocked deposits. Other security could also include land, vendor's fixed charges, securities, bonded apartments, boats, life insurance policies, pawn pledges or other security furnished by a third party. For loans secured on real estate the main rule is for a maximum loan to value ratio of 85% of an appropriate valuation of the market value. For loans secured in motor vehicles the main rule is a maximum loan to value ratio of 65%.

In principle, loans and credit are only granted to business customers against adequate security. Adequate security primarily means security in real estate or blocked deposits. Other security could also include land, individual money claims, securities, documents of title, vendor's fixed charges, fleet mortgages, machinery and plant, lease agreements, inventories or sureties. For loans secured on real estate or projects under construction the main rule is for a maximum loan to value ratio of 80% of an appropriate valuation of the realizable value. For other types of security the loan to value ratio will vary. In any case appropriate valuations of the realizable value of the security must be undertaken.

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.

NOTE 8 – KREDIT QUALITY PER CLASS OF FINANCIAL ASSETS

Loans to and receivables with credit institutions mainly consist of excess liquidity placed in Scandinavian banks and some remaining syndicated loans to European banks. Credit quality on loans to credit institutions and interest-bearing securities is based on an official rating from credit assessment agencies (Moody's/Fitch/S&P). Where such rating is not available risk assessments based on indicative ratings from Norwegian brokers and an internal assessment are used.

Credit quality on loans to customers is handled by the bank using internal credit rating models. Risk is classified in 5 categories from A to E, where A is the lowest risk. Risk classification of customers is an integrated part of the credit process. Based on the scoring of private customers from the statistical criteria, the calculation of the private customers free cash after costs, analysis of key corporate accounts, debt ratio, collateral and assessment of other more specific factors, the customer is classified according to risk.

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 rating is 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 such that AAA - A is assessed as low risk, BBB - BB is assessed as medium risk and B - C is assessed as high risk.

Loans to and receivables with customers classified as A and B are regarded as having a credit quality equivalent to low risk, C is assessed as medium risk and D and E are assessed as high risk.

Group as at 31.12.11

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due to**	**Individually written down**	**Total**
Loans							
Loans and receivables from credit institutions	186,9	54,3	0,0	0,0	0,0	0,0	241,2
Loans and receivables with customers							
-Leasing agreements	20,7	5,7	3,7	0,0	9,8	5,7	45,6
-Cash / operations and use credits	1.504,7	219,5	37,8	14,3	162,0	17,6	1.955,9
-Building loans	166,5	13,7	3,0	2,7	37,9	0,0	223,8
-Repayment loans	14.313,8	3.732,7	822,9	202,2	864,2	166,0	20.101,8
Total loans	**16.192,6**	**4.025,9**	**867,4**	**219,2**	**1.073,9**	**189,3**	**22.568,3**
Financial investments							
Listed government bonds	252,6	0,0	0,0	0,0	0,0	0,0	252,6
Listed other bonds	1.943,8	232,9	30,4	0,0	0,0	0,0	2.207,1
Unlisted bonds	726,0	62,8	22,6	0,0	0,0	0,0	811,4
Total financial investments	**2.922,4**	**295,7**	**53,0**	**0,0**	**0,0**	**0,0**	**3.271,1**

Group as at 31.12.10

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due to	Individually written down	Total
Loans							
Loans and receivables from credit institutions	66,1	17,6	3,4	0,0	0,0	1,4	88,5
Loans and receivables with customers							
-Leasing agreements	15,8	8,7	7,4	0,4	8,8	5,7	46,8
-Cash / operations and use credits	1.195,4	175,7	42,8	10,4	142,5	43,7	1.610,5
-Building loans	89,8	49,6	1,0	0,4	15,4	0,0	156,2
-Repayment loans	12.585,1	3.290,1	887,4	179,2	668,0	221,7	17.831,5
Total loans	**13.952,2**	**3.541,7**	**942,0**	**190,4**	**834,7**	**272,5**	**19.733,5**
Financial investments							
Listed government bonds	354,5	0,0	0,0	0,0	0,0	0,0	354,5
Listed other bonds	1.350,6	215,4	118,3	0,0	0,0	0,0	1.684,3
Unlisted bonds	304,9	113,9	68,9	0,0	0,0	0,0	487,7
Total financial investments	**2.010,0**	**329,3**	**187,2**	**0,0**	**0,0**	**0,0**	**2.526,5**

Parent bank as at 31.12.11

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due to	Individually written down	Total
Loans							
Loans and receivables from credit institutions	2.268,4	54,3	0,0	0,0	0,0	0,0	2.322,7
Loans and receivables with customers							
-Leasing agreements	0,0	0,0	0,0	0,0	0,0	0,0	0,0
-Cash / operations and use credits	745,3	139,5	27,8	10,1	135,9	17,6	1.076,2
-Building loans	193,2	13,7	3,0	2,7	37,9	0,0	250,5
-Repayment loans	9.478,7	2.408,3	550,3	150,8	508,2	97,9	13.194,2
Total loans	**12.685,6**	**2.615,8**	**581,1**	**163,6**	**682,0**	**115,5**	**16.843,6**
Financial investments							
Listed government bonds	252,6	0,0	0,0	0,0	0,0	0,0	252,6
Listed other bonds	1.943,8	232,9	30,4	0,0	0,0	0,0	2.207,1
Unlisted bonds	1.762,9	62,8	22,6	0,0	0,0	0,0	1.848,3
Total financial investments	**3.959,3**	**295,7**	**53,0**	**0,0**	**0,0**	**0,0**	**4.308,0**

Parent bank as at 31.12.10

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due to	Individually written down	Total
Loans							
Loans and receivables from credit institutions	1.165,7	17,6	3,4	0,0	0,0	1,4	1.188,1
Loans and receivables with customers							
-Leasing agreements	0,0	0,0	0,0	0,0	0,0	0,0	0,0
-Cash / operations and use credits	882,0	145,6	33,9	9,3	122,8	43,7	1.237,3
-Building loans	153,2	49,6	1,0	0,4	15,4	0,0	219,6
-Repayment loans	10.334,8	2.688,4	714,7	164,2	423,6	151,7	14.477,4
Total loans	**12.535,7**	**2.901,2**	**753,0**	**173,9**	**561,8**	**196,8**	**17.122,4**
Financial investments							
Listed government bonds	354,5	0,0	0,0	0,0	0,0	0,0	354,5
Listed other bonds	1.350,6	215,4	118,2	0,0	0,0	0,0	1.684,2
Unlisted bonds	1.304,5	113,9	68,9	0,0	0,0	0,0	1.487,3
Total financial investments	**3.009,6**	**329,3**	**187,1**	**0,0**	**0,0**	**0,0**	**3.526,0**

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

Group as at 31.12.11

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Leasing agreements	7,2	2,1	0,0	0,5	9,8
-Cash / operations and use credits	146,0	13,0	2,0	1,0	162,0
-Building loans	23,5	0,0	0,0	14,4	37,9
-Repayment loans	505,0	230,4	51,7	77,1	864,2
Total	**681,7**	**245,5**	**53,7**	**93,0**	**1.073,9**

Group as at 31.12.10

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Leasing agreements	5,7	1,4	0,4	1,3	8,8
-Cash / operations and use credits	138,3	2,1	0,8	1,3	142,5
-Building loans	15,4	0,0	0,0	0,0	15,4
-Repayment loans	491,0	88,3	37,8	50,9	668,0
Total	**650,4**	**91,8**	**39,0**	**53,5**	**834,7**

Parent bank as at 31.12.11

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Leasing agreements	0,0	0,0	0,0	0,0	0,0
-Cash / operations and use credits	121,5	11,4	2,0	1,0	135,9
-Building loans	23,5	0,0	0,0	14,4	37,9
-Repayment loans	246,7	159,2	27,4	74,9	508,2
Total	**391,7**	**170,6**	**29,4**	**90,3**	**682,0**

Parent bank as at 31.12.10

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Leasing agreements	0,0	0,0	0,0	0,0	0,0
-Cash / operations and use credits	118,6	2,1	0,8	1,3	122,8
-Building loans	15,4	0,0	0,0	0,0	15,4
-Repayment loans	319,6	35,5	20,8	47,7	423,6
Total	**453,6**	**37,6**	**21,6**	**49,0**	**561,8**

NOTE 10 - CREDIT RISK DIVIDED BY RISK CLASS

Business customers – parent bank

Risk classification is integrated as part of the credit process of granting and following up on the bank’s business customers. Risk classification is based on a weighted calculation of central key figures from the borrower's accounts, business conditions (a subjective measurement of the borrower's organisation of operations, qualifications, financial managment and external constraints) as well as collateral adequacy. In calculating the cumulative risk weighting is as follows: 55% finance, business relationships 10% and 35% collateral.

	2011						2010					
	Gross loans	**Guaran tees**	**Overdra ft facil.**	**Individ. write-downs**	**Commit-ments**	**%**	**Gross loans**	**Guaran tees**	**Overdra ft facil.**	**Individ. write-downs**	**Commit-ments**	**%**
Low risk	1.268	33	89	0	1.390	23	1.070	34	165	0	1.269	24
Moderate risk	2.890	114	120	0	3.124	51	2.253	107	110	0	2.470	47
Normal risk	958	178	51	0	1.187	20	746	267	52	0	1.065	20
Reasonably high risk	213	13	15	8	241	4	286	7	24	22	317	6
High risk	69	4	2	39	75	1	113	5	3	53	121	2
Undistributed	64	2	8	0	74	1	50	2	10	0	62	1
Total	**5.462**	**344**	**285**	**47**	**6.091**	**100**	**4.518**	**422**	**364**	**75**	**5.304**	**100**

The proportion of loans with little or moderate risk is calculated to be 74% as at 31.12.11 compared with 71% as at 31.12.10. The portfolio with normal risk is on the same level as the figure from 2010, i.e. 20%. The bank carries out quarterly analyses in which the portfolio is measured against the Experian business portfolio. 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 pay an account, as a rule the account should not be granted even if the security in itself is found to be adequate.

The requirements for collateral, second-line defence, for business loans will vary widely, depending on nature of the commitment, industry concerned, size of commitment and of course the project's or commitment's assessed risk. Collateral is valued according to the realisation principle, i.e. the value the bank can expect to get for the collateral if a there is an enforced-sale within a short period of time.

The majority of the bank's business loans are secured entirely or partially by way of collateral in fixed property. As a rule, for commercial property valuations are used as well as the fact that individual assessments are used to a large extent. Individual assessments will typically be estimates made on the basis of rental income, location 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, accumulated risk class and requirements for the acceptance of new customers. Follow-up work connected to these limits takes place through quarterly risk reports.

As a main rule the pricing of loans and guarantees is linked to risk classes through the bank's price list. 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 dealt into risk classes.

The Board has decided that the bank's losses as a % of net loans should not total more than 0.2% of total loans to customers regardless of whether these are private or business. A review of losses in the parent bank corrected for changes in group write-downs and losses on amortization shows an average loss in the period 2006 to 2011 of 0.11% of net loans. Losses on business customers represented 0.30% of net business loans.

Private customers - parent bank

For private customers risk classification is an integrated part of the credit process for the granting and overall management of the portfolio. Private customers are classified in accordance with the rules of the credit manual. The method for risk classification of customers has not changed since 2007. The accumulated risk class has been calculated on the basis of the ratio of total debt and total salary income (debt ratio), the customer's/household's security cover (debt to asset ratio) and the customer's/household's general financial situation. The parameter "general financial situation" is used either on the basis of a liquidity calculation of the customer/household's financial position or on the basis of a customer credit score. Debt ratio is weighted 20%, security cover is weighted 25% and general financial situation is weighted 55%.

The bank's organisation of the approval process within the private market which was established in 2000 is based on a centralised processing unit without sales responsibility. Control measures that have been implemented show that this type of organization has been extremely successful and limited the operational risk related to the processing of private loans. Losses corrected for changes in group write-downs and losses on amortization for the period 2006 to 2011 have on average been 0.016% of net loans. It is expected that future losses will primarily be related to, and conditional upon, how the market in general develops.

The proportion of accounts with little or moderate risk was 74% of the portfolio, which is the same level at which the bank stood as at 31.12.11. The proportion of normal risk was 20% which is also the same as for the portfolio one year ago.

At year end the private loans portfolio in Sparebanken Øst Boligkreditt AS was NOK 6.7 billion which is an increase from NOK 2.8 billion as at 31.12.10. The proportion of accounts with little or moderate risk was 83% in this portfolio.

	2011						2010					
	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%
Low risk	3.329	15	230	0	3.574	38	4.272	16	256	0	4.544	38
Moderate risk	3.298	6	129	0	3.433	36	4.092	6	125	0	4.223	35
Normal risk	1.812	19	34	1	1.865	20	2.304	1	42	2	2.347	21
Reasonably high risk	476	1	8	2	485	5	569	15	5	1	589	5
High risk	30	0	1	4	31	0	46	1	1	4	48	0
Undistributed	114	0	17	0	131	1	133	1	18	2	152	1
Total	**9.059**	**41**	**419**	**7**	**9.519**	**100**	**11.416**	**40**	**447**	**9**	**11.903**	**100**

The pricing of loans to private customers is mainly based on security cover (debt to asset ratio) and the amount of the loan. However throughout the year pricing was significantly affected by developments in the general interest rate market, the bank's overall growth targets and the general competitive situation.

The main parameter in relation to credit assessment is the borrower's financial situation and debt to asset ratio. In 2010 the bank implemented the Financial Supervisory Authority of Norway guidelines for proper lending practice for mortgage loans. The bank operates a three-way market strategy in which the local market, niche market and mass market have had somewhat different strategic paths with regard to risk and pricing. 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 amount in relation to a cautious value on the security item. For the majority of the approved loan 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 90% have primarily been secured by obtaining adequate supplementary security. At the end of 2011 Sparebanken Øst had adapted its practices to the guidelines provided by the Financial Supervisory Authority of Norway for proper lending practice for mortgage loans.

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

Total portfolio - parent bank

	2011						2010					
	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%
Low risk	4.597	48	319	0	4.964	32	5.342	50	421	0	5.813	34
Moderate risk	6.188	120	249	0	6.557	41	6.345	113	235	0	6.693	39
Normal risk	2.770	197	85	1	3.052	20	3.050	268	94	2	3.412	20
Reasonably high risk	689	14	23	10	726	5	855	22	29	23	906	5
High risk	99	4	3	43	106	1	159	6	4	57	169	1
Undistributed	178	2	25	0	205	1	183	3	28	2	214	1
Total	**14.521**	**385**	**704**	**54**	**15.610**	**100**	**15.934**	**462**	**811**	**84**	**17.207**	**100**

Grouped write-downs at Sparebanken Øst amounted as at 31.12.11 to a total of NOK 40.1 million compared to NOK 37.9 million at the end of 2010.

Total portfolio – group

	2011						2010					
	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%
Low risk	7.882	48	546	2	8.476	36	6.763	52	427	1	7.242	35
Moderate risk	8.687	119	328	3	9.134	38	7.568	113	268	3	7.949	38
Normal risk	4.353	198	107	15	4.658	20	3.818	268	101	15	4.187	20
Reasonably high risk	990	14	27	23	1.031	4	1.055	22	34	35	1.111	5
High risk	178	4	3	57	185	1	239	6	5	71	250	1
Undistributed	237	2	30	0	269	1	202	3	29	4	234	1
Total	**22.327**	**385**	**1.041**	**100**	**23.753**	**100**	**19.645**	**464**	**864**	**129**	**20.973**	**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, Grev Wedels Have AS and Hawø Eiendom AS.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst, and activities comprise mainly of financing or 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 dealt into risk classes. Losses in AS Financiering for 2011 amount to a total of NOK 7.0 million compared to NOK 7.2 million in 2010. Book losses in 2011 amount to 0.69 per cent of gross lending. The corresponding figure for 2010 was 0.70%.

For the parent bank the estimated fair value of collateral for loans that are in default and exposed to loss, but not written down, is NOK 206.3 million. The balance sheet value of loans that are in default and exposed to loss, but not written down, is NOK 201.8 million. The estimated fair value of collateral for loans that are written down is NOK 88.1 million. The balance sheet value of loans written down is NOK 78.2 million. Securities consist primarily of real estate, but smaller amounts can be secured by deposits, goods, receivables and operating property.

AS Financiering has an estimated 37% security cover on the loans that are written down.

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

A reclassification of loans and guarantees to private persons who run business activities has been completed. This change entails that loans and guarantees are moved from the employee sector and distributed to different industries. This is to reflect a correct sector and industry distribution. The tables below therefore do not correctly illustrate the growth in loans between 2010 and 2011. The correct growth in net loans to private customers and business customers was 15.3& and 9.5% respectively.

Distribution by sector and industry – group

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Salaried employees	17.038,1	15.168,2	41,2	39,8	760,8	575,0	9,8	8,6
Agriculture, forestry, fishing	192,1	185,1	1,0	1,3	20,7	21,1	-0,1	2,8
Industry, construction, power, water supply	140,3	139,7	17,1	34,0	37,2	40,5	8,4	4,5
Buildings, facilities	618,3	572,7	76,2	62,7	55,9	56,1	0,5	1,8
Retail, hotel and catering	499,7	529,8	37,9	39,4	67,8	75,1	2,7	13,4
Transport, communications	89,7	96,4	15,5	16,9	7,6	8,9	0,0	-0,9
Financial services	277,0	261,2	116,9	209,4	22,3	28,3	3,1	-5,2
Other service industries	417,8	350,5	25,6	24,6	24,7	23,0	-0,7	-2,4
Real estate turnover and operations	3.032,4	2.317,0	54,1	35,7	43,2	35,6	-7,6	18,4
Foreign	21,7	24,4	0,0	0,0	0,5	0,4	0,3	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	1,5	-17,3
Total	**22.327,1**	**19.645,0**	**385,5**	**463,8**	**1.040,7**	**864,0**	**17,9**	**23,7**

	Distressed accounts		Loss-exposed accounts		Individual write-downs		Write-downs on groups of loans*	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Salaried employees	156,4	136,8	15,9	10,3	48,2	48,7	4,9	4,4
Agriculture, forestry, fishing	1,6	3,2	0,0	0,0	0,2	2,9	0,0	0,0
Industry, construction, power, water supply	0,4	0,6	28,3	6,1	12,0	4,8	0,0	0,0
Buildings, facilities	19,4	13,6	0,0	15,7	6,0	10,4	0,0	0,0
Retail, hotel and catering	15,9	14,4	10,3	42,6	14,7	18,3	0,0	0,0
Transport, communications	0,5	0,5	0,0	0,0	0,1	0,2	0,0	0,0
Financial services	0,5	5,3	0,0	0,4	0,5	0,4	0,0	0,0
Other service industries	12,4	26,6	1,8	2,3	1,4	14,5	0,0	0,0

Real estate turnover and operations	92,8	34,3	37,9	44,2	15,7	28,2	0,0	0,0
Foreign	1,9	0,8	0,0	0,0	1,4	0,5	0,0	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	38,5	36,4
Total	**301,8**	**236,1**	**94,2**	**121,6**	**100,2**	**128,9**	**43,4**	**40,8**

* Write-downs of groups of loans are not divided by industry.

Split into sector and industry – parent bank

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Salaried employees	9.040,5	11.393,7	41,2	39,8	418,7	446,8	1,1	2,2
Agriculture, forestry, fishing	188,3	184,2	1,0	1,3	20,7	21,1	-0,2	2,8
Industry, construction, power, water supply	134,3	135,7	17,1	34,0	37,3	40,5	8,4	4,3
Buildings, facilities	602,5	563,3	76,2	62,7	55,0	55,3	0,3	1,8
Retail, hotel and catering	453,3	490,7	37,2	36,0	67,8	75,1	2,3	12,9
Transport, communications	72,3	91,1	15,4	16,7	7,6	8,9	0,0	-0,9
Financial services	264,7	254,5	116,9	209,4	1.513,2	2.003,7	3,1	-5,2
Other service industries	387,3	326,6	25,6	24,6	24,7	22,7	-0,8	-2,5
Real estate turnover and operations	3.360,2	2.472,2	54,8	37,9	49,8	112,1	-7,8	18,3
Foreign	17,5	22,3	0,0	0,0	0,5	0,4	0,0	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	1,5	-17,3
Total	**14.520,9**	**15.934,3**	**385,4**	**462,4**	**2.195,3**	**2.786,6**	**7,9**	**16,4**

	Distressed Commitment		Loss-exposed accounts		Individual write-downs		Write-downs on groups of loans*	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Salaried employees	92,1	71,3	15,9	9,8	8,1	8,6	1,6	1,6
Agriculture, forestry, fishing	1,4	3,0	0,0	0,0	0,0	2,8	0,0	0,0
Industry, construction, power, water supply	0,0	0,1	28,3	6,1	11,6	4,4	0,0	0,0
Buildings, facilities	18,4	13,0	0,0	15,6	5,3	10,1	0,0	0,0
Retail, hotel and catering	12,7	10,1	8,9	40,6	13,0	15,4	0,0	0,0
Transport, communications	0,1	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Financial services	0,4	5,2	0,0	0,4	0,4	0,4	0,0	0,0
Other service industries	11,6	26,1	1,8	2,3	0,9	14,2	0,0	0,0
Real estate turnover and operations	92,0	33,5	37,9	44,1	15,0	27,4	0,0	0,0
Foreign	0,7	0,0	0,0	0,0	0,3	0,3	0,0	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	38,5	36,3
Total	**229,4**	**162,4**	**92,8**	**118,9**	**54,6**	**83,6**	**40,1**	**37,9**

* Write-downs of groups of loans are not divided by industry.

Geographical distribution

Group Loans		Group Guarantees			Parent bank Loans		Parent bank Guarantees	
2011	**2010**	**2011**	**2010**		**2011**	**2010**	**2011**	**2010**
4.625,5	4.321,0	78,5	59,5	Drammen	3.850,5	4.040,5	79,2	61,7
2.153,4	2.024,3	29,4	35,4	Nedre Eiker	1.459,8	1.720,6	29,4	35,4
1.714,4	1.598,9	24,5	30,5	Øvre Eiker	1.281,7	1.407,0	24,5	30,5
1.640,6	1.427,3	138,6	229,4	Other parts of Buskerud	1.198,5	1.225,4	138,6	229,4
3.943,9	3.406,3	61,2	54,2	Oslo	2.546,3	2.853,8	60,4	50,6
3.725,9	3.138,0	16,3	16,5	Akershus	1.955,6	2.191,1	16,3	16,5
1.878,5	1.790,2	37,0	38,2	Vestfold	1.285,6	1.503,4	37,0	38,2
693,9	513,1	0,0	0,1	Østfold	245,7	284,5	0,0	0,1
1.929,3	1.400,8	0,0	0,0	Rest of country	680,5	685,7	0,0	0,0
21,7	25,1	0,0	0,0	Foreign	16,7	22,3	0,0	0,0
22.327,1	**19.645,0**	**385,5**	**463,8**	**Total**	**14.520,9**	**15.934,3**	**385,4**	**462,4**

NOTE 12 - LOANS AND RECEIVABLES WITH CUSTOMERS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
45,6	46,8	Leasing agreements	0,0	0,0
1.955,9	1.610,5	Cash / operations and use credits	1.076,2	1.237,3
223,8	156,2	Building loans	250,5	219,6
20.101,8	17.831,5	Repayment loans	13.194,2	14.477,4
22.327,1	**19.645,0**	**Gross loans and receivables with customers**	**14.520,9**	**15.934,3**
100,2	128,9	Individual write-downs	54,6	83,6
43,4	40,8	Write-downs on groups of loans	40,1	37,9
22.183,5	**19.475,3**	**Net loans and receivables with customers**	**14.426,2**	**15.812,8**

NOTE 13 – LOSSES ON LOANS AND GUARANTEES, CUSTOMERS

Group 2011	Group 2010			Parent bank 2011	Parent bank 2010
			Individual write-downs		
128,9	96,4		Individual write-downs as at 01.01.	83,6	53,0
27,6	5,1	-	Actual losses for the period, where there have previously been individual write-downs	25,6	2,9
4,4	8,5	+	Increases in individual write-downs for the period	0,6	5,8
17,6	49,4	+	New individual write-downs for the period	10,3	36,1
22,6	20,3	-	Chargeback of individual write-downs for the period	13,8	8,4
100,7	**128,9**	=	**Individual write-downs as at 31.12. ***	**55,1**	**83,6**
			Write-downs on groups of loans		
40,8	58,0		Group write-downs as at 01.01.	37,9	55,1
2,6	-17,2	+/-	Changes in write-downs on groups of loans for the period	2,2	-17,2
43,4	**40,8**	**=**	**Group write-downs as at 31.12.**	**40,1**	**37,9**
			Loss costs for the period		
-28,2	32,5		Changes to individual write-downs for the period	-28,5	30,6
2,6	-17,2	+/-	Changes in write-downs on groups of loans for the period	2,2	-17,2
32,4	6,9	+	Actual losses for the period, where there have previously been individual write-downs	30,3	4,7
11,0	6,8	+	Actual losses for the period, where there have previously been individual write-downs	0,7	1,0
7,8	10,2	-	Addition of previously identified losses for the period	4,7	7,6
7,9	4,9	+/-	Amortisation costs for the period impairment	7,9	4,9
17,9	**23,7**	**=**	**Losses on loans and guarantees**	**7,9**	**16,4**
28,4	**13,7**		**Income interest on loans written down**	**21,4**	**11,9**

*Specified allocations to guarantee commitments of NOK 0.5 million for 2011 are entered in the balance sheet as liabilities under “Allocations for costs and commitments incurred”.

Losses on loans and guarantees divided into classes as at 31.12.11

		PM	BM	AS Financiering	Total
	Individual write-downs				
	Individual write-downs as at 01.01.	1,8	81,8	45,3	128,9
-	Actual losses for the period, where there have previously been individual write-downs	1,3	24,3	2,0	27,6
+	Increases in individual write-downs for the period	0,1	0,5	3,8	4,4
+	New individual write-downs for the period	1,7	8,6	7,3	17,6
-	Chargeback of individual write-downs for the period	1,3	12,5	8,8	22,6
=	**Individual write-downs as at 31.12. ***	**1,0**	**54,1**	**45,6**	**100,7**
	Write-downs on groups of loans				
	Group write-downs as at 01.01.	1,6	36,3	2,9	40,8
+/-	Changes in write-downs on groups of loans for the period	0,0	2,2	0,4	2,6
=	**Group write-downs as at 31.12.**	**1,6**	**38,5**	**3,3**	**43,4**

	Loss costs for the period				
	Changes to individual write-downs for the period	-0,8	-27,7	0,3	-28,2
+/-	Changes in write-downs on groups of loans for the period	0,0	2,2	0,4	2,6
+	Actual losses for the period, where there have previously been individual write-downs	0,5	29,8	2,1	32,4
+	Actual losses for the period, where there have previously been individual write-downs	0,5	0,2	10,3	11,0
-	Addition of previously identified losses for the period	0,4	4,3	3,1	7,8
+/-	Amortisation costs for the period impairment	0,1	7,8	0,0	7,9
=	**Losses on loans and guarantees**	**-0,1**	**8,0**	**10,0**	**17,9**

*Specified allocations to guarantee commitments of NOK 0.5 million for 2011 are entered in the balance sheet as liabilities under “Allocations for costs and commitments incurred”.

Losses on loans and guarantees divided into classes as at 31.12.10

		PM	**BM**	**AS Financiering**	**Total**
	Individual write-downs				
	Individual write-downs as at 01.01.	3,0	50,0	43,4	96,4
-	Actual losses for the period, where there have previously been individual write-downs	0,1	2,8	2,2	5,1
+	Increases in individual write-downs for the period	0,0	5,7	2,8	8,5
+	New individual write-downs for the period	0,8	35,4	13,2	49,4
-	Chargeback of individual write-downs for the period	1,9	6,5	11,9	20,3
=	**Individual write-downs as at 31.12.**	**1,8**	**81,8**	**45,3**	**128,9**
	Write-downs on groups of loans				
	Group write-downs as at 01.01.	1,6	53,5	2,9	58,0
+/-	Changes in write-downs on groups of loans for the period	0,0	-17,2	0,0	-17,2
=	**Group write-downs as at 31.12.**	**1,6**	**36,3**	**2,9**	**40,8**
	Loss costs for the period				
	Changes to individual write-downs for the period	-1,2	31,8	1,9	32,5
+/-	Changes in write-downs on groups of loans for the period	0,0	-17,2	0,0	-17,2
+	Actual losses for the period, where there have previously been individual write-downs	0,2	4,5	2,2	6,9
+	Actual losses for the period, where there have previously been individual write-downs	0,8	0,2	5,8	6,8
-	Addition of previously identified losses for the period	0,2	7,4	2,6	10,2
+/-	Amortisation costs for the period impairment	0,1	4,8	0,0	4,9
=	**Losses on loans and guarantees**	**-0,3**	**16,7**	**7,3**	**23,7**

Changes in non-performing and loss exposed accounts

Group 2011	**Group 2010**	**Group 2009**	**Group 2008**	**Group 2007**		**Parent bank 2011**	**Parent bank 2010**	**Parent bank 2009**	**Parent bank 2008**	**Parent bank 2007**
301,8	236,1	226,8	227,5	153,3	Total distressed accounts	229,4	162,4	155,5	164,7	110,9
78,1	102,9	90,8	55,7	39,9	- Individual write-downs	32,9	58,9	48,6	22,6	15,9
223,7	**133,2**	**136,0**	**171,8**	**113,4**	**Net distressed accounts**	**196,5**	**103,5**	**106,9**	**142,1**	**95,0**
94,2	121,6	27,4	60,3	16,0	Gross loss-exposed accounts	92,8	118,9	23,7	57,6	15,2
22,1	26,0	5,6	16,6	4,9	- Individual write-downs	21,7	24,7	4,4	16,4	4,5
72,1	**95,6**	**21,8**	**43,7**	**11,1**	**Net loss-exposed accounts**	**71,1**	**94,2**	**19,3**	**41,2**	**10,7**

Non-performing and loss-exposed accounts

Group 2011	**Group 2010**		**Parent bank 2011**	**Parent bank 2010**
		Distressed accounts over 90 days		
143,9	**98,5**	**Business and industry**	136,6	91,1
157,9	**137,6**	**Private market**	92,8	71,3
301,8	**236,1**	**Total distressed accounts**	**229,4**	**162,4**
78,1	**102,9**	**Individual write-downs**	32,9	58,9
223,7	**133,2**	**Net distressed accounts**	**196,5**	**103,5**
26%	**44%**	**Provisions ratio**	14%	36%
		Loss exposed (non-distressed) accounts		

78,3	**111,3**	**Business and industry**	76,9	109,1
15,9	**10,3**	**Private market**	15,9	9,8
94,2	**121,6**	**Gross loss-exposed accounts**	**92,8**	**118,9**
22,1	**26,0**	**Individual write-downs**	21,7	24,7
72,1	**95,6**	**Net loss-exposed accounts**	**71,1**	**94,2**
23%	**21%**	**Provisions ratio**	23%	21%
		Gross non-performing and loss exposed accounts		
222,2	**209,8**	**Business and industry**	213,5	200,2
173,8	**147,9**	**Private market**	108,7	81,1
396,0	**357,7**	**Gross non-performing and loss exposed accounts**	**322,2**	**281,3**
100,2	**128,9**	**Individual write-downs**	54,6	83,6
295,8	**228,8**	**Net non-performing and loss exposed accounts**	**267,6**	**197,7**
25%	**36%**	**Provisions ratio**	17%	30%

NOTE 14 - LOANS TO AND RECEIVABLES WITH 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.

Group 2011	**Group 2010**		**Parent bank 2011**	**Parent bank 2010**
5,7	11,7	Within 1 year	0,0	0,0
36,5	30,7	Between 1 and 5 years	0,0	0,0
4,6	6,8	After 5 years	0,0	0,0
46,8	**49,2**	**Gross receivables associated with financial leasing agreements**	**0,0**	**0,0**
7,6	8,7	Non-accrued income associated with financial leasing agreements	0,0	0,0
39,2	**40,5**	**Net receivables associated with financial leasing agreements**	**0,0**	**0,0**
3,3	8,0	Within 1 year	0,0	0,0
32,1	27,0	Between 1 and 5 years	0,0	0,0
3,8	5,5	After 5 years	0,0	0,0
39,2	**40,5**	**Net investments associated with financial leasing agreements**	**0,0**	**0,0**
2,8	3,1	Accumulated loss provisions for outstanding minimum leases	0,0	0,0

Non-guaranteed residual values do not accrue to the lessor.

NOTE 15 - LOANS AND RECEIVABLES WITH CREDIT INSTITUTIONS

Group 2011	**Group 2010**		**Parent bank 2011**	**Parent bank 2010**
186,9	13,7	Loans and receivables with credit institutions without agreed maturities or deadline for dismissal	185,1	13,7
54,3	74,8	Loans and receivables with credit institutions with agreed maturities or deadline for termination *	2.137,6	1.174,4
241,2	**88,5**	**Loans and receivables with credit institutions**	**2.322,7**	**1.188,1**
0,0	0,0	Individual write-downs	0,0	0,0
0,0	0,0	Write-downs on groups of loans	0,0	0,0
241,2	**88,5**	**Net loans and receivables with credit institutions**	**2.322,7**	**1.188,1**

* As at 31.12.11 the balance on syndicated loans to credit institutions amounts to NOK 54.3 million. As at 31.12.10 syndicated loans to credit institutions amounted to NOK 74.8 million.

NOTE 16 – LOSSES ON LOANS AND GUARANTEES WITH CREDIT INSTITUTIONS

Group 2011	Group 2010			Parent bank 2011	Parent bank 2010
			Individual write-downs		
0,0	144,9		Individual write-downs as at 01.01.	0,0	144,9
0,0	132,5	-	Actual losses for the period, where there have previously been individual write-downs	0,0	132,5
0,0	0,0	+	Increases in individual write-downs for the period	0,0	0,0
0,0	0,0	+	New individual write-downs for the period	0,0	0,0
0,0	12,4	-	Chargeback of individual write-downs for the period	0,0	12,4
0,0	**0,0**	=	**Individual write-downs as at 31.12.**	**0,0**	**0,0**
			Write-downs on groups of loans		
0,0	1,2		Group write-downs as at 01.01.	0,0	1,2
0,0	-1,2	+/-	Changes in write-downs on groups of loans for the period	0,0	-1,2
0,0	**0,0**	**=**	**Group write-downs as at 31.12.**	**0,0**	**0,0**
			Loss costs for the period		
0,0	-144,9		Changes to individual write-downs for the period	0,0	-144,9
0,0	-1,2	+/-	Changes in write-downs on groups of loans for the period	0,0	-1,2
0,0	132,5	+	Actual losses for the period, where there have previously been individual write-downs	0,0	132,5
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	-	Addition of previously identified losses for the period	0,0	0,0
0,0	0,0	+/-	Amortisation costs for the period impairment	0,0	0,0
0,0	**-13,6**	**=**	**Losses on loans and guarantees**	**0,0**	**-13,6**
0,0	**0,2**		**Income interest on loans written down**	**0,0**	**0,2**

Changes in non-performing and loss exposed accounts

Group 2011	Group 2010	Group 2009	Group 2008	Group 2007		Parent bank 2011	Parent bank 2010	Parent bank 2009	Parent bank 2008	Parent bank 2007
0,0	1,4	156,9	0,0	0,0	Total distressed accounts	0,0	1,4	156,9	0,0	0,0
0,0	0,0	144,9	0,0	0,0	- Individual write-downs	0,0	0,0	144,9	0,0	0,0
0,0	**1,4**	**12,0**	**0,0**	**0,0**	**Net distressed accounts**	**0,0**	**1,4**	**12,0**	**0,0**	**0,0**
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 write-downs	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 and receivables with credit institutions

Group Gross lending		Group Individual write-downs		Group Write-downs on groups of loans			Parent bank Gross lending		Parent bank Individual write-downs		Parent bank Write-downs on groups of loans	
2011	2010	2011	2010	2011	2010		2011	2010	2011	2010	2011	2010
186,9	13,7	0,0	0,0	0,0	0,0	Norway	2.268,4	1.113,3	0,0	0,0	0,0	0,0
52,2	52,4	0,0	0,0	0,0	0,0	Denmark	52,2	52,4	0,0	0,0	0,0	0,0
1,4	1,4	0,0	0,0	0,0	0,0	Iceland	1,4	1,4	0,0	0,0	0,0	0,0
0,7	21,0	0,0	0,0	0,0	0,0	Eastern Europe	0,7	21,0	0,0	0,0	0,0	0,0
241,2	**88,5**	**0,0**	**0,0**	**0,0**	**0,0**	**Total**	**2.322,7**	**1.188,1**	**0,0**	**0,0**	**0,0**	**0,0**

NOTE 17 – INTEREST RATE RISK

Interest risk linked with set interest deposits from and loans to financial institutions, customers and securities 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 division by currency in the tables refers to the division by currency in the balance sheet.

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

Below the net interest rate sensitivity of a parallel shift in 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 31.12.11. The sensitivity of the results is the effect gained one year in the future. The table shows that an immediate increase in interest of 1 percentage point will lead to higher net interest the following year. Correspondingly, an immediate reduction in interest will give a reduced net interest.

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

Interest rate sensitivity - group

Currency	**Increase in base points**	**Sensitivity on net interest 2011**	**2010**	**Sensitivity on equity 2011**	**2010**
Norwegian Kroner (NOK)	+100	14,2	9,3	0,0	0,0
EUR	+100	-2,3	-2,0	0,0	0,0
Other	+100	0,4	0,6	0,0	0,0
Total		**12,3**	**7,9**	**0,0**	**0,0**

Currency	**Reduction in base points**	**Sensitivity on net interest 2011**	**2010**	**Sensitivity on equity 2011**	**2010**
Norwegian Kroner (NOK)	-100	-14,2	-9,3	0,0	0,0
EUR	-100	2,3	2,0	0,0	0,0
Other	-100	-0,4	-0,6	0,0	0,0
Total		**-12,3**	**-7,9**	**0,0**	**0,0**

Time until expected interest rate change as at 31.12.11 - Group

		Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixing interest rate	Total
Assets								
Cash and receivables at central banks	Norwegian Kroner (NOK)						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	Norwegian Kroner (NOK)		497,6	423,3				920,9
Debts to credit institutions	Norwegian Kroner (NOK)	170,0					16,9	186,9
	FOREIGN CURRENCY	0,8	52,1	1,4				54,3
Net loans to customers	Norwegian Kroner (NOK)	5.116,7	16.980,8	3,3	82,7			22.183,5
Certificates and bonds	Norwegian Kroner (NOK)	771,4	1.829,6	260,0	72,1	253,6		3.186,7
	FOREIGN CURRENCY	38,6	2,2	43,6				84,4
Financial derivatives	Norwegian Kroner (NOK)	12,6	89,5	6,2				108,3
Other asset items	Norwegian Kroner (NOK)						476,9	476,9
Total		**6.110,1**	**19.451,8**	**737,8**	**154,8**	**253,6**	**1.074,7**	**27.782,8**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)	166,6	1.160,0	300,0			20,5	1.647,1
	FOREIGN CURRENCY	77,4	193,6					271,0
Customer deposits	Norwegian Kroner (NOK)	3.587,9	5.041,7	303,1				8.932,7
Debts to the government	Norwegian Kroner (NOK)		493,5	421,9				915,4
Financial derivatives	Norwegian Kroner (NOK)	1,0	13,5	1,5			12,3	28,3
	FOREIGN CURRENCY	9,3	11,4					20,7
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)	4.533,9	8.946,4	369,8	20,2			13.870,3
Subordinate loan capital	Norwegian Kroner (NOK)		600,1					600,1
Other debt	Norwegian Kroner (NOK)						274,3	274,3
Total		**8.376,1**	**16.460,2**	**1.396,3**	**20,2**	**0,0**	**307,1**	**26.559,9**
Net exposure		**-2.266,0**	**2.991,6**	**-658,5**	**134,6**	**253,6**	**767,6**	

The table is based on values recognised in the balance sheet.

Time until expected interest rate change as at 31.12.10 - Group

		Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixing interest rate	Total
Assets								
Cash and receivables at central banks	Norwegian Kroner (NOK)						695,3	695,3
	FOREIGN CURRENCY						1,2	1,2
Treasury bills	Norwegian Kroner (NOK)		496,9	422,6				919,5
Debts to credit institutions	Norwegian Kroner (NOK)						13,7	13,7
	FOREIGN CURRENCY	17,6	52,4	4,8				74,8
Net loans to customers	Norwegian Kroner (NOK)	4.102,1	15.332,9	13,3	27,0			19.475,3
Certificates and bonds	Norwegian Kroner (NOK)	459,9	1.249,7	202,4	271,4	276,5		2.459,9
	FOREIGN CURRENCY	55,0	2,0	3,5		6,1		66,6
Financial derivatives	Norwegian Kroner (NOK)		53,7	1,4				55,1
	FOREIGN CURRENCY	0,7	2,3					3,0
Other asset items	Norwegian Kroner (NOK)						504,5	504,5
Total		**4.635,3**	**17.189,9**	**648,0**	**298,4**	**282,6**	**1.214,7**	**24.268,9**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)	130,0	1.190,0	300,0				1.620,0
	FOREIGN CURRENCY	77,9	194,9					272,8
Customer deposits	Norwegian Kroner (NOK)	3.127,7	4.502,5					7.630,2
Debts to the government	Norwegian Kroner (NOK)		493,5	421,9				915,4
Financial derivatives	Norwegian Kroner (NOK)		18,1	8,3			40,3	66,7
	FOREIGN CURRENCY	8,7	9,9					18,6
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)	3.094,9	7.932,6	419,2	20,1			11.466,8
Subordinate loan capital	Norwegian Kroner (NOK)		599,3					599,3
Other debt	Norwegian Kroner (NOK)						254,7	254,7
Total		**6.439,2**	**14.940,8**	**1.149,4**	**20,1**	**0,0**	**295,0**	**22.844,5**
Net exposure		**-1.803,9**	**2.249,1**	**-501,4**	**278,3**	**282,6**	**919,7**	

The table is based on values recognised in the balance sheet.

Interest rate sensitivity – parent bank

Currency	Increase in base points	Sensitivity on net interest 2011	2010	Sensitivity on equity 2011	2010
Norwegian Kroner (NOK)	+100	6,5	3,7	0,0	0,0
EUR	+100	-2,3	-2,0	0,0	0,0
Other	+100	0,4	0,6	0,0	0,0
Total		**4,6**	**2,3**	**0,0**	**0,0**

Currency	Reduction in base points	Sensitivity on net interest 2011	2010	Sensitivity on equity 2011	2010
Norwegian Kroner (NOK)	-100	-6,5	-3,7	0,0	0,0
EUR	-100	2,3	2,0	0,0	0,0
Other	-100	-0,4	-0,6	0,0	0,0
Total		**-4,6**	**-2,3**	**0,0**	**0,0**

Time until expected interest rate change as at 31.12.11 - Parent bank

		Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixing interest rate	Total
Assets								
Cash and receivables at central banks	Norwegian Kroner (NOK)						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	Norwegian Kroner (NOK)		497,6	423,3				920,9
Debts to credit institutions	Norwegian Kroner (NOK)	2.183,3	70,0				15,1	2.268,4
	FOREIGN CURRENCY	0,8	52,1	1,4				54,3
Net loans to customers	Norwegian Kroner (NOK)	5.405,5	8.934,7	3,3	82,7			14.426,2
Certificates and bonds	Norwegian Kroner (NOK)	771,4	2.866,5	260,0	72,1	253,6		4.223,6
	FOREIGN CURRENCY	38,6	2,2	43,6				84,4
Financial derivatives	Norwegian Kroner (NOK)		89,5	1,0				90,5
Other asset items	Norwegian Kroner (NOK)						853,1	853,1
Total		**8.399,6**	**12.512,6**	**732,6**	**154,8**	**253,6**	**1.449,1**	**23.502,3**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)	186,7	1.160,0	300,0			27,5	1.674,2
	FOREIGN CURRENCY	77,4	193,6					271,0
Customer deposits	Norwegian Kroner (NOK)	3.613,7	5.009,6	303,1				8.926,4
Debts to the government	Norwegian Kroner (NOK)		493,5	421,9				915,4
Financial derivatives	Norwegian Kroner (NOK)	1,0	13,1	1,5			12,3	27,9
	FOREIGN CURRENCY	9,3	11,4					20,7
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)	3.029,4	6.073,6	119,1	20,2			9.242,3
Subordinate loan capital	Norwegian Kroner (NOK)		600,1					600,1
Other debt	Norwegian Kroner (NOK)						211,5	211,5
Total		**6.917,5**	**13.554,9**	**1.145,6**	**20,2**	**0,0**	**251,3**	**21.889,5**
Net exposure		**1.482,1**	**-1.042,3**	**-413,0**	**134,6**	**253,6**	**1.197,8**	

The table is based on values recognised in the balance sheet.

Time until expected interest rate change as at 31.12.10 - Parent bank

		Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixing interest rate	Total
Assets								
Cash and receivables at central banks	Norwegian Kroner (NOK)						695,3	695,3
	FOREIGN CURRENCY						1,2	1,2
Treasury bills	Norwegian Kroner (NOK)		496,9	422,6				919,5
Debts to credit institutions	Norwegian Kroner (NOK)	1.029,6	70,0				13,7	1.113,3
	FOREIGN CURRENCY	17,6	52,4	4,8				74,8
Net loans to customers	Norwegian Kroner (NOK)	4.118,2	11.654,3	13,3	27,0			15.812,8
Certificates and bonds	Norwegian Kroner (NOK)	459,9	2.249,2	202,4	271,4	276,5		3.459,4
	FOREIGN CURRENCY	55,0	2,0	3,5		6,1		66,6
Financial derivatives	Norwegian Kroner (NOK)		53,7	1,4				55,1
	FOREIGN CURRENCY	0,7	2,3					3,0
Other asset items	Norwegian Kroner (NOK)						790,7	790,7
Total		**5.681,0**	**14.580,8**	**648,0**	**298,4**	**282,6**	**1.500,9**	**22.991,7**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)	161,3	1.190,0	300,0			10,5	1.661,8
	FOREIGN CURRENCY	77,9	194,9					272,8
Customer deposits	Norwegian Kroner (NOK)	3.159,9	4.462,0					7.621,9
Debts to the government	Norwegian Kroner (NOK)		493,5	421,9				915,4
Financial derivatives	Norwegian Kroner (NOK)		18,1	8,3			40,3	66,7
	FOREIGN CURRENCY	8,7	9,9					18,6
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)	2.595,9	6.985,0	419,2	20,1			10.020,2
Subordinate loan capital	Norwegian Kroner (NOK)		599,3					599,3
Other debt	Norwegian Kroner (NOK)						200,4	200,4
Total		**6.003,7**	**13.952,7**	**1.149,4**	**20,1**	**0,0**	**251,2**	**21.377,1**
Net exposure		**-322,7**	**628,1**	**-501,4**	**278,3**	**282,6**	**1.249,7**	

The table is based on values recognised in the balance sheet.

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 allocate their deposits at very short notice in practice, there will be a liquidity risk for the bank. As long as the bank’s loan customers require long-term financing and the bank’s deposit customers are able to allocate their deposits at very short notice in practice, there will be a liquidity risk for the bank.

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 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% of the parent bank's total assets (with the deduction of the parent bank's financing of AS Financiering). In addition the Financial Supervisory Authority of Norway's liquidity indicator 1 must not fall below 105% (financing > 1 year in % of illiquid assets).

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

	31.12.	Average	Maximum	Minimum
2011	107,0	110,2	115,9	106,0
2010	111,4	112,2	117,2	110,0

The group’s deposits as a percentage of net loans amounted to 40.27% as at 31.12.11 compared with 39.18% a year ago. The bank has not formulated an objective for the relationship between deposits and loans, but the focus remains to maintain or increase the deposit coverage insofar as it can be done at the interest rate level which contributes positively to the bank's earnings. Other funding in the market takes place through taking up senior unsecured bonds, preferential bonds and bilateral loans. The coming years will bring with them major demands for refinancing, and the bank wants to factor in uncertainty in the market and will thus seek to refinance at an early stage.

As at 31.12.11 the bank is capable of maintaining normal operations in accordance with the strategy without having to add new liquidity for more than 17 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. In 2008 and 2009 the bank has made use of the possibility to take up long F loans issued by the central bank. At the end of the year F loans issued by the central bank amounted to NOK 1.000 million which reach maturity in February 2012. Additionally, the bank has, through the Ministry of Finance's scheme for swaps of preferential government securities, swapped in treasury bills to the tune of NOK 920.9 million.

The remaining contractual duration as at 31.12.11 - Group

		Up to 1 months	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	Norwegian Kroner (NOK)						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	Norwegian Kroner (NOK)		499,0	426,0				925,0
Debts to credit institutions	Norwegian Kroner (NOK)						186,9	186,9
	FOREIGN CURRENCY		52,1	2,2				54,3
Net loans to customers	Norwegian Kroner (NOK)	31,1	50,6	645,4	3.844,6	17.622,4		22.194,1
Certificates and bonds	Norwegian Kroner (NOK)	424,3	396,5	292,0	1.481,1	595,5		3.189,4
	FOREIGN CURRENCY			38,6	2,2	43,0		83,8
Financial derivatives	Norwegian Kroner (NOK)		1,2	3,1	45,7	58,3		108,3
Other asset items	Norwegian Kroner (NOK)	1,7		96,0	7,9		853,0	958,6
Total payments		**457,1**	**999,4**	**1.503,3**	**5.381,5**	**18.319,2**	**1.620,8**	**28.281,3**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)		1.050,0		450,0	90,0	56,7	1.646,7
	FOREIGN CURRENCY				271,4			271,4
Customer deposits	Norwegian Kroner (NOK)	155,9	387,5	786,7	9,2		7.593,4	8.932,7
Debts to the government	Norwegian Kroner (NOK)				915,4			915,4
Financial derivatives	Norwegian Kroner (NOK)		1,2		13,8	13,3		28,3
	FOREIGN CURRENCY				20,7			20,7
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)		446,0	1.323,5	9.273,5	2.727,0		13.770,0
Subordinate loan capital	Norwegian Kroner (NOK)			100,0	500,0			600,0
Other debt	Norwegian Kroner (NOK)			378,3				378,3

Total outgoing payments	**155,9**	**1.884,7**	**2.588,5**	**11.454,0**	**2.830,3**	**7.650,1**	**26.563,5**
Net exposure	**301,2**	**-885,3**	**-1.085,2**	**-6.072,5**	**15.488,9**	**-6.029,3**	
Loan pledges	179,6	113,5					293,1
Unused credit			315,6	311,2		413,9	1.040,7
Guarantees		53,3				385,5	438,8

Cash credit is classified in the range “Without term”.

The time at which the group's financial assets and liabilities mature is shown above. 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 31.12.10 - Group

		Up to 1 months	**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	Norwegian Kroner (NOK)						695,3	695,3
	FOREIGN CURRENCY						1,2	1,2
Treasury bills	Norwegian Kroner (NOK)		499,0	427,0				926,0
Debts to credit institutions	Norwegian Kroner (NOK)						13,7	13,7
	FOREIGN CURRENCY			22,4	52,4			74,8
Net loans to customers	Norwegian Kroner (NOK)	47,0	35,7	596,7	2.624,1	16.186,8		19.490,3
Certificates and bonds	Norwegian Kroner (NOK)	25,0	44,7	363,1	1.547,7	464,8		2.445,3
	FOREIGN CURRENCY				57,1	9,5		66,6
Financial derivatives	Norwegian Kroner (NOK)		1,7	7,3	19,0	27,1		55,1
	FOREIGN CURRENCY	0,7	2,3					3,0
Other asset items	Norwegian Kroner (NOK)			103,7	12,6		504,5	620,8
Total payments		**72,7**	**583,4**	**1.520,2**	**4.312,9**	**16.688,2**	**1.214,7**	**24.392,1**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)				1.470,0	150,0		1.620,0
	FOREIGN CURRENCY				273,4			273,4
Customer deposits	Norwegian Kroner (NOK)	51,6	129,6	326,0	0,2		7.122,8	7.630,2
Debts to the government	Norwegian Kroner (NOK)				915,4			915,4
Financial derivatives	Norwegian Kroner (NOK)		40,3		25,5	0,9		66,7
	FOREIGN CURRENCY				18,6			18,6
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)	188,5	1.265,5	1.049,0	7.939,0	1.000,0		11.442,0
Subordinate loan capital	Norwegian Kroner (NOK)				600,0			600,0
Other debt	Norwegian Kroner (NOK)			254,6				254,6
Total outgoing payments		**240,1**	**1.435,4**	**1.629,6**	**11.242,1**	**1.150,9**	**7.122,8**	**22.820,9**
Net exposure		**-167,4**	**-852,0**	**-109,4**	**-6.929,2**	**15.537,3**	**-5.908,1**	
Loan pledges		165,5	113,3					278,8
Unused credit				62,0	461,7		340,3	864,0
Guarantees			59,7				463,8	523,5

Cash credit is classified in the range “Without term”.

The time at which the group's financial assets and liabilities mature is shown above. 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 31.12.11 - Parent bank

		Up to 1 months	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	Norwegian Kroner (NOK)						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	Norwegian Kroner (NOK)		499,0	426,0				925,0
Debts to credit institutions	Norwegian Kroner (NOK)				30,0	40,0	2.198,4	2.268,4
	FOREIGN CURRENCY		52,1	2,2				54,3
Net loans to customers	Norwegian Kroner (NOK)	31,1	50,4	620,7	1.501,4	12.233,1		14.436,7
Certificates and bonds	Norwegian Kroner (NOK)	424,3	396,5	292,0	2.519,6	595,5		4.227,9
	FOREIGN CURRENCY			38,6	2,2	43,0		83,8
Financial derivatives	Norwegian Kroner (NOK)		1,2	3,1	45,7	40,5		90,5
Other asset items	Norwegian Kroner (NOK)	1,7		78,7	7,9		853,0	941,3
Total payments		**457,1**	**999,2**	**1.461,3**	**4.106,8**	**12.952,1**	**3.632,3**	**23.608,8**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)		1.050,0		450,0	90,0	84,2	1.674,2
	FOREIGN CURRENCY				271,4			271,4
Customer deposits	Norwegian Kroner (NOK)	155,9	387,5	761,7	2,1		7.619,2	8.926,4
Debts to the government	Norwegian Kroner (NOK)				915,4			915,4
Financial derivatives	Norwegian Kroner (NOK)		1,2		13,4	13,3		27,9
	FOREIGN CURRENCY				20,7			20,7
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)		446,0	1.323,5	6.912,0	477,0		9.158,5
Subordinate loan capital	Norwegian Kroner (NOK)			100,0	500,0			600,0
Other debt	Norwegian Kroner (NOK)			337,0				337,0
Total outgoing payments		**155,9**	**1.884,7**	**2.522,2**	**9.085,0**	**580,3**	**7.703,4**	**21.931,5**
Net exposure		**301,2**	**-885,5**	**-1.060,9**	**-4.978,2**	**12.371,8**	**-4.071,1**	
Loan pledges		179,6						179,6
Unused credit				66,6	311,2		1.817,5	2.195,3
Guarantees			53,3				385,4	438,7

Cash credit is classified in the range “Without term”.

The time at which the group's financial assets and liabilities mature is shown above. 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 31.12.10 - Parent bank

		Up to 1 months	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	Norwegian Kroner (NOK)						695,3	695,3
	FOREIGN CURRENCY						1,2	1,2
Treasury bills	Norwegian Kroner (NOK)		499,0	427,0				926,0
Debts to credit institutions	Norwegian Kroner (NOK)				30,0	40,0	1.043,3	1.113,3
	FOREIGN CURRENCY			22,4	52,4			74,8
Net loans to customers	Norwegian Kroner (NOK)	47,0	35,7	566,2	1.605,8	13.573,1		15.827,8
Certificates and bonds	Norwegian Kroner (NOK)	25,0	44,7	363,1	2.547,2	464,8		3.444,8
	FOREIGN CURRENCY				57,1	9,5		66,6
Financial derivatives	Norwegian Kroner (NOK)		1,7	7,3	19,0	27,1		55,1
	FOREIGN CURRENCY	0,7	2,3					3,0
Other asset items	Norwegian Kroner (NOK)			73,2	12,6		790,7	876,5
Total payments		**72,7**	**583,4**	**1.459,2**	**4.324,1**	**14.114,5**	**2.530,5**	**23.084,4**
Liabilities								
Liabilities to credit institutions	Norwegian Kroner (NOK)				1.470,0	150,0	41,9	1.661,9
	FOREIGN CURRENCY				273,4			273,4
Customer deposits	Norwegian Kroner (NOK)	51,6	129,6	326,0	0,2		7.114,5	7.621,9
Debts to the government	Norwegian Kroner (NOK)				915,4			915,4
Financial derivatives	Norwegian Kroner (NOK)		40,3		25,5	0,9		66,7
	FOREIGN CURRENCY				18,6			18,6
Liabilities incurred when issuing securities	Norwegian Kroner (NOK)	188,5	1.265,5	1.049,0	6.988,5	500,0		9.991,5
Subordinate loan capital	Norwegian Kroner (NOK)				600,0			600,0
Other debt	Norwegian Kroner (NOK)			200,3				200,3
Total outgoing payments		**240,1**	**1.435,4**	**1.575,3**	**10.291,6**	**650,9**	**7.156,4**	**21.349,7**
Net exposure		**-167,4**	**-852,0**	**-116,1**	**-5.967,5**	**13.463,6**	**-4.625,9**	
Loan pledges		165,5						165,5
Unused credit				138,8	349,5		2.298,5	2.786,8
Guarantees			59,7				462,4	522,1

Cash credit is classified in the range “Without term”.

The time at which the group's financial assets and liabilities mature is shown above. 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.

Financial liabilities

The nominal value of the bank's and group's financial liabilities is shown below. All liabilities are entered to the category for the first possible payment where the contractual payment date is provided. The liabilities are inclusive of future interest payments, and it is the principal sum that is provided. Interest rates and currency rates are as at 31.12.11. Liabilities associate 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 31.12.11 - Group

	Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Liabilities to credit institutions	1,7	1.069,4	18,9	782,3	92,8	20,5	1.985,6
Customer deposits	7.749,6	389,9	779,0	2,1			8.920,6
Debts to the government		7,5	20,4	933,1			961,0
Liabilities incurred when issuing securities	39,5	514,3	1.741,8	10.477,0	3.296,0		16.068,6
Other liabilities			273,0				273,0
Subordinate loan capital		4,8	129,4	543,6			677,8
Loan pledges	179,6	113,5					293,1
Unused credit	1.040,7						1.040,7
Guarantees		53,3				385,5	438,8
Financial liabilities excl. derivatives	**9.011,1**	**2.152,7**	**2.962,5**	**12.738,1**	**3.388,8**	**406,0**	**30.659,2**
Financial derivatives (outflows)	8,5	161,3	158,2	521,5	318,6		1.168,1
Financial liabilities	**9.019,6**	**2.314,0**	**3.120,7**	**13.259,6**	**3.707,4**	**406,0**	**31.827,3**
Financial derivatives (inflows)	1,1	120,1	201,2	627,3	387,1		1.336,8

Maturity analysis for financial liabilities as at 31.12.10 - Group

	Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Liabilities to credit institutions	1,3	18,2	35,6	1.824,6	156,9		2.036,6
Customer deposits	7.174,5	130,5	332,9	0,2			7.638,1
Debts to the government		7,0	18,5	973,4			998,9
Liabilities incurred when issuing securities	219,3	1.341,7	1.346,1	8.869,5	1.095,7		12.872,3
Other liabilities			172,7				172,7
Subordinate loan capital		4,2	27,8	674,4			706,4
Loan pledges	165,5	113,3					278,8
Unused credit	864,0						864,0
Guarantees		59,7				463,8	523,5
Financial liabilities excl. derivatives	**8.424,6**	**1.674,6**	**1.933,6**	**12.342,1**	**1.252,6**	**463,8**	**26.091,3**
Financial derivatives (outflows)	21,9	157,0	102,3	303,9	40,3		625,4
Financial liabilities	**8.446,5**	**1.831,6**	**2.035,9**	**12.646,0**	**1.292,9**	**463,8**	**26.716,7**
Financial derivatives (inflows)	22,4	109,1	156,7	397,2	67,8		753,2

Maturity analysis for financial liabilities as at 31.12.11 - Parent bank

	Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Liabilities to credit institutions	1,7	1.069,4	18,9	782,3	92,8	84,2	2.049,3
Customer deposits	7.775,4	389,9	779,0	2,1			8.946,4
Debts to the government		7,5	20,4	933,1			961,0
Liabilities incurred when issuing securities	30,2	486,7	1.605,8	7.518,9	527,1		10.168,7
Other liabilities			254,8				254,8
Subordinate loan capital		4,8	129,4	543,6			677,8
Loan pledges	179,6						179,6
Unused credit	2.195,3						2.195,3
Guarantees		53,3				385,4	438,7
Financial liabilities excl. derivatives	**10.182,2**	**2.011,6**	**2.808,3**	**9.780,0**	**619,9**	**469,6**	**25.871,6**
Financial derivatives (outflows)	3,6	159,9	131,9	385,4	25,1		705,9
Financial liabilities	**10.185,8**	**2.171,5**	**2.940,2**	**10.165,4**	**645,0**	**469,6**	**26.577,5**
Financial derivatives (inflows)	1,1	117,8	167,1	469,2	45,8		801,0

Maturity analysis for financial liabilities as at 31.12.10 - Parent bank

	Up to 1 months	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Liabilities to credit institutions	1,3	18,2	35,6	1.824,6	156,9	41,9	2.078,5
Customer deposits	7.166,2	130,5	332,9	0,2			7.629,8
Debts to the government		7,0	18,5	973,4			998,9
Liabilities incurred when issuing securities	215,3	1.334,2	1.311,2	7.722,6	572,0		11.155,3
Other liabilities			119,1				119,1
Subordinate loan capital		4,2	27,8	674,4			706,4
Loan pledges	165,5						165,5
Unused credit	2.786,8						2.786,8
Guarantees		59,7				462,4	522,1
Financial liabilities excl. derivatives	**10.335,1**	**1.553,8**	**1.845,1**	**11.195,2**	**728,9**	**504,3**	**26.162,4**
Financial derivatives (outflows)	21,9	157,0	102,3	303,9	40,3		625,4
Financial liabilities	**10.357,0**	**1.710,8**	**1.947,4**	**11.499,1**	**769,2**	**504,3**	**26.787,8**
Financial derivatives (inflows)	22,4	109,1	156,7	397,2	67,8		753,2

NOTE 19 - CURRENCY RISK

Market risk linked to currency risk as at 31.12.11

Currency	Increase in currency rate %	Effect on pre-tax profit	Reduction in currency rate %	Effect on pre-tax profit
EUR	+10	0,9	-10	-0,9
USD	+10	0,5	-10	-0,5
Total		**1,4**		**-1,4**

Market risk linked to currency risk as at 31.12.10

Currency	Increase in currency rate %	Effect on pre-tax profit	Reduction in currency rate %	Effect on pre-tax profit
EUR	+10	1,2	-10	-1,2
USD	+10	0,2	-10	-0,2
Total		**1,4**		**-1,4**

The bank has a moderate currency exposure. As at 31.12.11 the bank's open net position measured in NOK was NOK 14.2 million (NOK 14.0 million on 31.12.10). The biggest positions are in EUR and USD. Normally positions and deposits in foreign currency are covered by an opposing position, most often through the use of currency swap agreements and similar derivatives. See also note 21 Financial derivatives.

NOTE 20 - FINANCIAL ASSETS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Financial assets at fair value through profit and loss, earmarked upon initial recognition		
0,0	919,5	Treasury bills	0,0	919,5
185,4	187,9	State and government guarantees	185,4	187,9
129,5	165,6	Other public issuer	129,5	165,6
639,7	765,3	Preferential bonds	1.578,3	1.764,8
421,4	650,9	Financial companies	421,4	650,9
209,2	402,3	Non-financial companies	209,2	402,3
1.585,2	3.091,5	Total	2.523,8	4.091,0
		Financial assets at fair value through profit and loss, classified as held for trading		
920,9	0,0	Treasury bills	920,9	0,0
59,9	0,0	State and government guarantees	59,9	0,0
430,2	0,0	Other public issuer	430,2	0,0
394,6	0,0	Preferential bonds	492,9	0,0
398,5	0,0	Financial companies	398,5	0,0
150,1	0,0	Non-financial companies	150,1	0,0
35,3	61,6	Listed shares/equity certificates	35,3	61,6
2.389,5	61,6	Total	2.487,8	61,6
		Financial assets available for sale		
441,6	442,9	Unlisted shares/equity certificates	441,6	442,9
441,6	442,9	Total	441,6	442,9
4.416,3	**3.596,0**	**Total assets at fair value**	**5.453,2**	**4.595,5**
		Held-to-maturity investments		
252,6	354,5	Government bonds	252,6	354,5
252,6	354,5	Total	252,6	354,5

A summary of financial investments in the balance sheet, divided according to category, is given in note 30.

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 to reduce interest rate and exchange rate risk. The hedge ratio is one-to-one and hedge accounting is used. No ineffective hedging was recorded in 2011 and 2010. The change in value of financial derivatives used for hedge accounting was NOK 67.3 million (NOK 16.8 million in 2010) with the equivalent change in value in hedged objects.

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.

Group 2011 Fair value					Parent bank 2011 Fair value	
Assets	**Liabilities**	**Contract amounts**	**Financial derivatives at fair value through in income**	**Contract amounts**	**Assets**	**Liabilities**
			Currency instruments			
1,0	0,0	24,0	Currency periods (forwards)	24,0	1,0	0,0
0,0	9,3	228,5	Currency swap contracts (currency swaps)	228,5	0,0	9,3
1,0	**9,3**	**252,5**	**Total currency instruments**	**252,5**	**1,0**	**9,3**
			Interest rate instruments			
0,0	0,6	100,0	Interest rate swap contracts (interest rate swaps)	100,0	0,0	0,6
0,2	0,0	500,0	Interest rate swap contracts (FRA)	500,0	0,2	0,0
0,0	0,0	0,0	Standard interest rate swap contracts (futures)	0,0	0,0	0,0
0,2	**0,6**	**600,0**	**Total interest rate instruments**	**600,0**	**0,2**	**0,6**
0,0	12,3	242,0	Guarantee - Eksportfinans ASA	242,0	0,0	12,3
0,0	**12,3**	**242,0**	**Total other derivatives**	**242,0**	**0,0**	**12,3**

Group 2011 Fair value Assets	Liabilities	Contract amounts	Financial derivatives used for hedge accounting	Contract amounts	Parent bank 2011 Fair value Assets	Liabilities
			Currency instruments			
0,0	0,0	0,0	Currency periods (forwards)	0,0	0,0	0,0
0,0	20,6	292,9	Currency swap contracts (currency swaps)	292,9	0,0	20,6
0,0	**20,6**	**292,9**	**Total currency instruments**	**292,9**	**0,0**	**20,6**
			Interest rate instruments			
107,1	6,2	4.681,0	Interest rate swap contracts (interest rate swaps)	3.781,0	89,3	5,8
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
107,1	**6,2**	**4.681,0**	**Total interest rate instruments**	**3.781,0**	**89,3**	**5,8**
108,3	**49,0**		**Total derivatives**		**90,5**	**48,6**

Group 2010 Fair value Assets	Liabilities	Contract amounts	Financial derivatives at fair value through in income	Contract amounts	Parent bank 2010 Fair value Assets	Liabilities
			Currency instruments			
1,1	0,0	23,4	Currency periods (forwards)	23,4	1,1	0,0
3,1	4,1	190,4	Currency swap contracts (currency swaps)	190,4	3,1	4,1
4,2	**4,1**	**213,8**	**Total currency instruments**	**213,8**	**4,2**	**4,1**
			Interest rate instruments			
0,0	0,0	0,0	Interest rate swap contracts (interest rate swaps)	0,0	0,0	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
0,0	**0,0**	**0,0**	**Total interest rate instruments**	**0,0**	**0,0**	**0,0**
0,0	40,3	242,0	Guarantee - Eksportfinans ASA	242,0	0,0	40,3
0,0	**40,3**	**242,0**	**Total other derivatives**	**242,0**	**0,0**	**40,3**

Group 2010 Fair value Assets	Liabilities	Contract amounts	Financial derivatives used for hedge accounting	Contract amounts	Parent bank 2010 Fair value Assets	Liabilities
			Currency instruments			
0,0	0,0	0,0	Currency periods (forwards)	0,0	0,0	0,0
0,0	18,6	292,6	Currency swap contracts (currency swaps)	292,6	0,0	18,6
0,0	**18,6**	**292,6**	**Total currency instruments**	**292,6**	**0,0**	**18,6**
			Interest rate instruments			
53,9	22,3	3.839,0	Interest rate swap contracts (interest rate swaps)	3.839,0	53,9	22,3
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
53,9	**22,3**	**3.839,0**	**Total interest rate instruments**	**3.839,0**	**53,9**	**22,3**
58,1	**85,3**		**Total derivatives**		**58,1**	**85,3**

NOTE 22 - APPRECIATION 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 market prices in active markets.
Level 2: Observable market prices in less active markets or use of input that is observable, either directly or indirectly.
Level 3: Valuation techniques that are not based on observable market data.

Equity instruments
If there are no listed prices in an active market, alternative estimating techniques are used. Such techniques comprise the use of 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 valuing models correlate with market data.

If the same information is not available each time estimates are made, an examination is made of whether there have been important changes in the factors which are important to valuation. Where changes are small, the fair value is assumed to remain 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 31.12.11 the bank valuates all equity instruments on 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 or unlisted with relatively high 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. Refer to note 38 for closer consideration.

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, estimates are assumed to be relatively consistent with the estimates of others.

The evaluation of the bank's bond portfolio has been a more demanding process in a market characterised by varied turnover. For bonds with a relatively short maturity, especially within the financial sector, there has been a reasonably high turnover, and we presume the evaluation for this group to be quite accurate. Other bonds with long maturity and within other industries have been far less liquid and evaluations will be somewhat uncertain. We have assessed possible imbalances in the market, and if there is a possibility that 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 the banks has made its evaluation based on the price estimate or credit spread assessment from the broker deemed to be able to provide the best evaluation of a security's actual value. Some brokers are more experiences in estimating the price for securities within certain sectors than others, and we have prioritised estimates from those who most often adapt for and carry out transactions in the equivalent sector or risk classes. Often, the broker who originally facilitated the bond issuance will have better insight into the factors that may affect the price than the brokerage houses that only see some market prices.

If the bank's considerations and judgments have not matched with broker estimates and/or different brokers differ greatly, the brokers/analysts are contacted to obtain their justification for that price

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 for the securities' fair value.

All of the bank's certificate and bond holdings, with the exception of the Norwegian Treasury bills, is placed in the pricing hierarchy level 2. This is explained by the fact that there is insufficient revenue in any of the listed instruments such that a market price can be read at any given time.

Derivatives
Sparebanken Øst has only one derivative sold in an active market. The remaining derivatives' fair value is based on observable interest curves and exchange rates, and is therefore placed on level 2 of the pricing hierarchy.

Fair value as at 31.12.11 - Group	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives				
Interest rate swap	0,2	107,1	0,0	107,3
Currency futures	0,0	1,0	0,0	1,0
Currency swap	0,0	0,0	0,0	0,0
Other derivatives	0,0	0,0	0,0	0,0
Financial instruments at fair value				
Treasury bills	920,9	0,0	0,0	920,9
Certificates and bonds*	0,0	3.018,7	0,0	3.018,7
Shares and equity certificates	5,4	29,8	441,6	476,8
Total financial assets	**926,5**	**3.156,6**	**441,6**	**4.524,7**
Financial liabilities				
Derivatives				
Interest rate swap	0,0	6,8	0,0	6,8
Currency futures	0,0	0,0	0,0	0,0
Currency swap	0,0	29,9	0,0	29,9
Other derivatives	0,0	12,3	0,0	12,3
Total financial liabilities	**0,0**	**49,0**	**0,0**	**49,0**

* In the parent bank additionally, preferential bonds amount to NOK 1,037.0 million in level 2.

Fair value as at 31.12.10 - Group	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives				
Interest rate swap	0,0	53,9	0,0	53,9
Currency futures	0,0	1,1	0,0	1,1
Currency swap	0,0	3,1	0,0	3,1
Other derivatives	0,0	0,0	0,0	0,0
Financial instruments at fair value				
Treasury bills	919,5	0,0	0,0	919,5
Certificates and bonds*	0,0	2.172,0	0,0	2.172,0
Shares and equity certificates	6,8	54,8	442,9	504,5
Total financial assets	**926,3**	**2.284,9**	**442,9**	**3.654,1**
Financial liabilities				
Derivatives				
Interest rate swap	0,0	22,3	0,0	22,3
Currency futures	0,0	0,0	0,0	0,0
Currency swap	0,0	22,7	0,0	22,7
Other derivatives	0,0	40,3	0,0	40,3
Total financial liabilities	**0,0**	**85,3**	**0,0**	**85,3**

* In the parent bank additionally, preferential bonds amount to NOK 999.5 million in level 2.

Movement in level 3	Balance Sheet 01.01.11	Net gains	Access/ Purchase	Disposal	Value change	Transferred from Level 1 and 2	Balance Sheet 31.12.11
Financial assets							
Derivatives							
Interest rate swap	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Currency futures	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Currency swap	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other derivatives	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial instruments at fair value							
Treasury bills	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Certificates and bonds	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Shares and equity certificates	442,9	0,0	5,7	0,0	-7,0	0,0	441,6
Total financial assets	**442,9**	**0,0**	**5,7**	**0,0**	**-7,0**	**0,0**	**441,6**
Financial liabilities							
Derivatives							
Interest rate swap	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Currency futures	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Currency swap	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other derivatives	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total financial liabilities	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Total financial assets and liabilities	**442,9**	**0,0**	**5,7**	**0,0**	**-7,0**	**0,0**	**441,6**

Shares and equity certificates
The access/purchase on level 3 of NOK 5.7 million represents a capital increase in Eiendomskreditt AS and Norne Eierselskap, both in the category available for sale.

The change in value of NOK -7.0 million belongs to the category available for sale. NOK 6.7 million represents the write-down of shares in Norne Eierselskap included in "Net value changes and profit/loss on financial instruments" through profit and loss and NOK 0.3 million change in value recorded in the overall result.

NOTE 23 - BALANCE SHEET ITEMS AT FAIR VALUE

Calculating the fair value of financial instruments
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.

In the table below, bonds fall into the hold to maturity category and issued securities are valued at observed market prices.

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 with floating interest is subject to the influence of changes in interest rates and credit margins, 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 bank borrowing rate). The bank's valuation of the best estimate for the remaining loan portfolio is that amortised cost approximates well to fair value.

Group 2011				Parent bank 2011		
Book value	**Fair value**	**Unrealised loss/gain**		**Book value**	**Fair value**	**Unrealised loss/gain**
580,9	580,9	0,0	Cash and receivables at central banks	580,9	580,9	0,0
920,9	920,9	0,0	Treasury bills	920,9	920,9	0,0
241,2	241,2	0,0	Net loans and receivables with credit institutions	2.322,7	2.322,7	0,0
22.183,5	22.185,6	2,1	Net loans and receivables with customers	14.426,2	14.428,3	2,1
3.018,5	3.018,5	0,0	Interest-bearing securities at fair value through profit and loss	4.055,4	4.055,4	0,0
252,6	276,5	23,9	Interest-bearing hold-to-maturity investments	252,6	276,5	23,9
35,3	35,3	0,0	Shares at fair value through profit and loss	35,3	35,3	0,0
441,6	441,6	0,0	Shares available for sale	441,6	441,6	0,0
108,3	108,3	0,0	Financial derivatives	90,5	90,5	0,0
27.782,8	**27.808,8**	**26,0**	**Total assets**	**23.126,1**	**23.152,1**	**26,0**
1.918,1	1.918,1	0,0	Liabilities to credit institutions	1.945,2	1.945,2	0,0
8.932,7	8.932,7	0,0	Deposits from and liabilities to customers	8.926,4	8.926,4	0,0
915,4	915,4	0,0	Liabilities to the state, exchange of OMF preferential bonds	915,4	915,4	0,0
49,0	49,0	0,0	Financial derivatives	48,6	48,6	0,0
13.870,3	13.963,1	-92,8	Liabilities incurred when issuing securities	9.242,3	9.351,5	-109,2
600,1	597,1	3,0	Subordinate loan capital	600,1	597,1	3,0
26.285,6	**26.375,4**	**-89,8**	**Total liabilities**	**21.678,0**	**21.784,2**	**-106,2**

Group 2010 Book value	Fair value	Unrealised loss/gain		Parent bank 2010 Book value	Fair value	Unrealised loss/gain
696,5	696,5	0,0	Cash and receivables at central banks	696,5	696,5	0,0
919,5	919,5	0,0	Treasury bills	919,5	919,5	0,0
88,5	88,5	0,0	Net loans and receivables with credit institutions	1.188,1	1.188,1	0,0
19.475,3	19.477,2	1,9	Net loans and receivables with customers	15.812,8	15.814,7	1,9
2.172,0	2.172,0	0,0	Interest-bearing securities at fair value through profit and loss	3.171,5	3.171,5	0,0
354,5	366,3	11,8	Interest-bearing hold-to-maturity investments	354,5	366,3	11,8
61,6	61,6	0,0	Shares at fair value through profit and loss	61,6	61,6	0,0
442,9	442,9	0,0	Shares available for sale	442,9	442,9	0,0
58,1	58,1	0,0	Financial derivatives	58,1	58,1	0,0
24.268,9	**24.282,6**	**13,7**	**Total assets**	**22.705,5**	**22.719,2**	**13,7**
1.892,8	1.892,8	0,0	Liabilities to credit institutions	1.934,6	1.934,6	0,0
7.630,2	7.630,2	0,0	Deposits from and liabilities to customers	7.621,9	7.621,9	0,0
915,4	915,4	0,0	Liabilities to the state, exchange of OMF preferential bonds	915,4	915,4	0,0
85,3	85,3	0,0	Financial derivatives	85,3	85,3	0,0
11.466,8	11.533,7	-66,9	Liabilities incurred when issuing securities	10.020,2	10.089,9	-69,7
599,3	596,5	2,8	Subordinate loan capital	599,3	596,5	2,8
22.589,8	**22.653,9**	**-64,1**	**Total liabilities**	**21.176,7**	**21.243,6**	**-66,9**

NOTE 24 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Group as at 31.12.11

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	580,9	0,0	580,9
Treasury bills	920,9	0,0	920,9
Net loans and receivables with credit institutions	241,2	0,0	241,2
Net loans and receivables with customers	722,5	21.461,0	22.183,5
Securities – held for trading	35,3	0,0	35,3
Securities – appointed at fair value through profit and loss	1.153,5	1.865,0	3.018,5
Financial derivatives	4,3	104,0	108,3
Securities – available for sale	0,0	441,6	441,6
Securities – held to maturity	0,0	252,6	252,6
Deferred tax assets	0,0	0,4	0,4
Property, plant and equipment	0,0	590,6	590,6
Other assets	115,2	7,9	123,1
Total assets	**3.773,8**	**24.723,1**	**28.496,9**
Liabilities			
Liabilities to credit institutions	1.107,1	811,0	1.918,1
Deposits from and liabilities to customers	8.923,5	9,2	8.932,7
Debts to the government	0,0	915,4	915,4
Financial derivatives	1,2	47,8	49,0
Liabilities incurred when issuing securities	1.786,2	12.084,1	13.870,3
Other liabilities	303,4	0,0	303,4
Subordinate loan capital	100,0	500,1	600,1
Total liabilities	**12.221,4**	**14.367,6**	**26.589,0**

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

Group as at 31.12.10

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	696,5	0,0	696,5
Treasury bills	919,5	0,0	919,5
Net loans and receivables with credit institutions	36,1	52,4	88,5
Net loans and receivables with customers	678,8	18.796,5	19.475,3
Securities – held for trading	61,6	0,0	61,6
Securities – appointed at fair value through profit and loss	333,4	1.838,6	2.172,0
Financial derivatives	12,1	46,0	58,1
Securities – available for sale	0,0	442,9	442,9
Securities – held to maturity	100,7	253,8	354,5
Deferred tax assets	0,0	13,7	13,7
Property, plant and equipment	0,0	347,6	347,6
Other assets	103,7	12,6	116,3
Total assets	**2.942,4**	**21.804,1**	**24.746,5**
Liabilities			
Liabilities to credit institutions	0,0	1.892,8	1.892,8
Deposits from and liabilities to customers	7.630,0	0,2	7.630,2
Debts to the government	0,0	915,4	915,4
Financial derivatives	40,3	45,0	85,3
Liabilities incurred when issuing securities	2.510,5	8.956,3	11.466,8
Other liabilities	290,5	0,0	290,5
Subordinate loan capital	0,0	599,3	599,3
Total liabilities	**10.471,3**	**12.409,0**	**22.880,3**

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

Parent bank as at 31.12.11

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	580,9	0,0	580,9
Treasury bills	920,9	0,0	920,9
Net loans and receivables with credit institutions	2.252,7	70,0	2.322,7
Net loans and receivables with customers	697,6	13.728,6	14.426,2
Securities – held for trading	35,3	0,0	35,3
Securities – appointed at fair value through profit and loss	1.153,5	2.901,9	4.055,4
Financial derivatives	4,3	86,2	90,5
Securities – available for sale	0,0	441,6	441,6
Securities – held to maturity	0,0	252,6	252,6
Investments in subsidiaries	0,0	376,2	376,2
Deferred tax assets	0,0	35,3	35,3
Property, plant and equipment	0,0	62,6	62,6
Other assets	80,4	8,0	88,4
Total assets	**5.725,6**	**17.963,0**	**23.688,6**
Liabilities			
Liabilities to credit institutions	1.134,2	811,0	1.945,2
Deposits from and liabilities to customers	8.924,3	2,1	8.926,4
Debts to the government	0,0	915,4	915,4
Financial derivatives	1,2	47,4	48,6
Liabilities incurred when issuing securities	1.786,2	7.456,1	9.242,3
Other liabilities	234,3	0,0	234,3
Subordinate loan capital	100,0	500,1	600,1
Total liabilities	**12.180,2**	**9.732,1**	**21.912,3**

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

Parent bank as at 31.12.10

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	696,5	0,0	696,5
Treasury bills	919,5	0,0	919,5
Net loans and receivables with credit institutions	1.065,7	122,4	1.188,1
Net loans and receivables with customers	648,3	15.164,5	15.812,8
Securities – held for trading	61,6	0,0	61,6
Securities – appointed at fair value through profit and loss	333,4	2.838,1	3.171,5
Financial derivatives	12,1	46,0	58,1
Securities – available for sale	0,0	442,9	442,9
Securities – held to maturity	100,7	253,8	354,5
Investments in subsidiaries	0,0	286,2	286,2
Deferred tax assets	0,0	34,9	34,9
Property, plant and equipment	0,0	59,9	59,9
Other assets	73,2	12,6	85,8
Total assets	**3.911,0**	**19.261,3**	**23.172,3**
Liabilities			
Liabilities to credit institutions	41,8	1.892,8	1.934,6
Deposits from and liabilities to customers	7.621,7	0,2	7.621,9
Debts to the government	0,0	915,4	915,4
Financial derivatives	40,3	45,0	85,3
Liabilities incurred when issuing securities	2.510,5	7.509,7	10.020,2
Other liabilities	231,3	0,0	231,3
Subordinate loan capital	0,0	599,3	599,3
Total liabilities	**10.445,6**	**10.962,4**	**21.408,0**

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

NOTE 25 - ACCOUNT WITH GROUP COMPANIES

	31.12.11	**31.12.10**
Result		
Interest income and similar income		
Interest income from subsidiaries	76,7	45,1
Interest certificates and preferential bonds from subsidiaries	34,4	29,4
Interest expenses and similar expenses		
Interest and commissions to subsidiaries	**2,0**	**1,8**
Commission income and income from banking services		
Other income from subsidiaries	8,1	9,2
Other operating costs		
Rent to subsidiaries	8,0	7,8
Other costs to subsidiaries	0,4	0,4
Balance Sheet		
Loans and receivables from credit institutions		
Loans to subsidiaries	**2.083,3**	**1.099,6**
Loans and receivables with customers		
Loans to subsidiaries	**346,8**	**161,5**
Certificates, bonds and other interesting bearing securities		
Investments OMF in subsidiaries	**1.038,6**	**999,5**
Prepaid non-accrued costs and earned not received incomes		
Accrued interest receivable	**2,3**	**1,5**
Accrued interest income Preferential bonds (OMF)	**2,0**	**1,4**
Liabilities to credit institutions		
Deposits from subsidiaries	**63,7**	**41,8**
Customer deposits		
Deposits from subsidiaries	**25,9**	**32,2**
Other liabilities		
Other liabilities to subsidiaries	**3,9**	**0,3**

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

NOTE 26 - NET INTEREST AND CREDIT COMMISSION INCOME

Group 2011	Group 2010		Parent bank 2011	Parent bank-{}- 2010
19,2	18,0	Interests and similar income from loans and receivables with credit institutions	80,4	55,4
0,0	0,0	Interests and similar incomes from leasing agreements	0,0	0,0
993,3	837,5	Interests and similar income from loans and receivables with customers	701,9	668,9
12,1	14,8	Interests and similar income from bonds held to maturity	12,1	14,8
		Interests and similar income from financial assets that are written down		
0,0	0,2	Loans and receivables from credit institutions	0,0	0,2
28,4	13,7	Loans and receivables with customers	21,4	11,9
0,0	0,0	Other interest income and similar income	0,1	0,0
1.053,0	884,2	Total interest income and similar income for instruments at amortised cost	815,9	751,2
23,4	20,7	Interests and similar incomes from treasury bills	23,4	20,7
21,5	0,0	Interest and similar income from certificates, bonds, etc. held for trading	23,9	0,0
77,1	101,9	Interests and similar income from certificates, bonds, etc. brought to fair value	109,0	131,3
122,0	122,6	Total interest and similar income for instruments at fair value through profit and loss	156,3	152,0
1.175,0	**1.006,8**	**Interest income and similar income**	**972,2**	**903,2**
63,4	76,0	Interests and similar costs for liabilities to credit institutions	64,0	76,9
177,4	127,3	Interests and similar costs for deposits from and liabilities to customer	176,8	126,5
463,7	344,4	Interests and similar costs for liabilities for issued securities	355,7	320,8
29,5	28,6	Interests and similar costs for subordinate loan capital	29,4	28,6
0,0	12,0	Other interest expenses and similar expenses	0,0	12,0
734,0	**588,3**	**Interest expenses and similar expenses for instruments at amortised cost**	**625,9**	**564,8**
441,0	**418,5**	**Net interest and credit commission income**	**346,3**	**338,4**

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

Group 2011		Group 2010			Parent bank 2011		Parent bank 2010	
Avg. int. bearing balance	Avg. interest rate,%	Avg. int. bearing balance	Avg. interest rate,%		Avg. int. bearing balance	Avg. interest rate,%	GAvg. Int. bearing balance	Avg. interest rate,%
				Assets				
793,1	1,95	762,4	2,00	Debts to credit institutions	2.383,6	3,22	1.941,0	2,71
20.801,3	4,91	17.806,1	4,76	Net loans to customers	15.091,4	4,79	14.687,0	4,61
4.689,9	3,34	4.867,1	3,25	Placing in securities	5.708,1	3,35	5.991,9	3,13
				Liabilities				
1.922,6	3,27	2.375,0	3,23	Deposits from credit institutions	1.957,0	3,24	2.422,9	3,20
8.356,1	1,80	7.171,0	1,42	Customer deposits	8.348,8	1,79	7.139,6	1,41
13.019,3	3,79	10.849,4	3,42	Securities deposits	9.982,0	3,86	10.126,1	3,43

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

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

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
1,6	2,0	Dividends from equity instruments valued at fair value through profit and loss	1,6	1,8
29,5	52,9	Dividends from equity instruments classified as available for sale	29,5	52,9
0,0	0,0	Income from participations in group companies	0,0	0,0
31,1	**54,9**	**Dividends and other income from securities with variable yields**	**31,1**	**54,7**

NOTE 28 - COMMISSION INCOME AND INCOME FROM BANK SERVICES

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
15,4	10,1	Charge guarantees and letters of credit	15,3	10,0
0,0	0,0	Credit disclosure fees	7,2	8,7
51,0	52,7	Charges payment transfers	51,0	52,7
3,5	5,1	Interbank charges	3,5	5,1
2,5	2,5	Securities dealing and management charges	2,5	2,5
10,7	7,8	Charges – insurance	10,7	7,8
7,9	7,9	Other charges and commissions	6,2	6,2
91,0	**86,1**	**Charges and commission income**	**96,4**	**93,0**
17,1	10,8	Agency fees	0,1	0,0
9,5	9,7	Payments and electronic services	9,1	9,3
4,6	4,5	Interbank expenses	4,6	4,5
1,4	1,5	Other commission expenses	1,4	1,5
32,6	**26,5**	**Commission expenses**	**15,2**	**15,3**
58,4	**59,6**	**Net interest and commission income**	**81,2**	**77,7**

NOTE 29 – NET VALUE CHANGE AND GAINS/LOSSES ON FINANCIAL INSTRUMENTS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		At fair value through profit and loss		
-16,8	50,8	Net value change and gains/losses on certificates, bonds and other interest-bearing securities	-18,5	50,8
-11,5	64,3	Net value changes and gains/losses on shares and other securities with variable yield	-16,8	64,3
4,8	-0,7	Net value changes and gains/losses on currency	4,8	-0,7
-9,3	7,4	Net value changes and gains/losses on financial derivatives	-9,3	7,4
-32,8	**121,8**	**Net value change and gains/losses on financial assets to fair value**	**-39,8**	**121,8**
		At fair value with value change through profit and loss		
-0,3	68,9	Net value change through profit and loss	-0,3	68,9
-33,1	**190,7**	**Net value change and gains/losses on financial assets at fair value**	**-40,1**	**190,7**

NOTE 30 - NET VALUE CHANGE AND GAINS/LOSSES FROM FINANCIAL INVESTMENTS, DIVIDED BY CATEGORY

Recognised in the profit and loss statement

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Net income from financial assets to fair value		
1,0	65,3	Value change of bonds and certificates – appointed at fair value	1,0	74,1
-12,5	-14,5	Realised gains/losses on bonds and certificates – appointed at fair value	-12,5	-23,3
-11,5	**50,8**	**Total net income from financial assets appointed at fair value**	**-11,5**	**50,8**
1,6	1,8	Dividends from equity instruments	1,6	1,8
-12,0	-0,7	Value change of equity instruments – held for trading	-12,0	-0,7
2,0	0,9	Realised gains/losses on equity instruments – held for trading	2,0	0,9
-3,5	0,0	Value change of bonds and certificates – held for trading	-5,1	0,0
-1,8	0,0	Realised gains/losses on equity instruments – held for trading	-1,8	0,0
-12,1	3,5	Value change of derivatives	-12,1	3,5
2,7	3,9	Realised gains/losses on derivatives	2,7	3,9
-23,1	**9,4**	**Net income from financial assets held for trading**	**-24,7**	**9,4**
-34,6	**60,2**	**Total net income from financial assets to fair value**	**-36,2**	**60,2**
		Net income from financial assets available for sale		
29,5	53,1	Dividends from equity instruments	29,5	52,9
-6,7	-4,1	Write-downs of equity instruments - available for sale	-6,7	-4,1
5,3	68,2	Realised gains/losses on equity instruments – available for sale	0,0	68,2
28,1	**117,2**	**Total net income from financial assets available for sale**	**22,8**	**117,0**
		Net income from financial assets held to maturity		
0,0	0,0	Realised gains/losses from bonds	0,0	0,0
0,0	**0,0**	**Total net income from financial assets held to maturity**	**0,0**	**0,0**
		Currency trading		
-0,7	-3,9	- Net conversion gain	-0,7	-3,9
5,5	3,2	- Net transaction gain	5,5	3,2
4,8	**-0,7**	**Total net income from currency trading**	**4,8**	**-0,7**
-1,7	**176,7**	**Total net income from other financial investments**	**-8,6**	**176,5**

Summary of financial investments in the balance sheet, distributed according to the same categories as in note 20.

Recognised in the profit and loss statement

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Net income from financial assets available for sale		
-0,3	68,9	Value change on equity instruments through overall results - available for sale*	-0,3	68,9
-0,3	**68,9**	**Total net income from financial assets available for sale**	**-0,3**	**68,9**

*See note 38 for a more detailed description regarding value change on equity instruments through profit and loss - available for sale.

NOTE 31 - OTHER OPERATING INCOME

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
16,0	9,2	Leasing income investment properties	0,0	0,0
0,0	0,3	Operating incomes real estate	0,0	0,1
0,0	0,2	Profit on the sale of real estate	0,0	0,0
4,8	6,5	Other operating income	5,5	4,5
20,8	**16,2**	**Other operating income**	**5,5**	**4,6**

NOTE 32 - SALARIES AND OTHER REMUNERATION

Group 2011	Group 2010	Amount in NOK thousands	Parent bank 2011	Parent bank 2010
120.856	124.604	Wage	103.418	107.354
19.422	19.188	National Insurance contributions	16.511	16.345
		Pensions		
14.861	-14.697	- contribution-based	9.843	-16.585
2.564	1.405	- deposit-based	2.316	1.235
9.979	11.113	Social costs	8.687	9.690
167.682	**141.613**	**Total salaries, etc.**	**140.775**	**118.039**
252	261	Number of man-year equivalents as at 31.12	223	231
271	277	Number of employees as at 31.12	238	246
254	265	Average FTEs	225	236
272	281	Average number of employees	240	250

No employee or employee representative has severance pay or subscription right, option, or bonus agreements, besides the general profit sharing paid to all employees.

Parent bank 2011

Amount in NOK thousands		Remuneration*	Wage	Pension	Profit share	Payment in kind	Total	Loans
Trond Tostrup	CEO – until 30.06.11		1.081	186	20	82	1.396	1.994
Pål Strand	CEO – after 30.06.11	5	1.686	170	20	174	2.055	1.337
Kjell Engen	Finance and internal operations manager		1.508	227	20	147	1.902	3.483
Lars-Runar Groven	Manager - Credit		802	101	20	144	1.067	2.622
Anne Siri Rhoden Jensen	HR manager	14	719	148	20	15	916	68
Per Øyvind Mørk	Manager – Marketing and communication		369	21		17	407	0
Finn Mathisen	Manager – Corporate market		776	21	20	40	857	3.544
Jan-Roger Vrabel	Manager - Private market		422	35		65	522	3.864
Total, group management		**19**	**7.363**	**909**	**120**	**684**	**9.095**	**16.912**
Jorund Rønning Indrelid	Chairman	200					200	
Knut Smedsrud	Vice Chairman	150					150	
Ingebjørg Mæland	Board representative	100					100	10
Sverre Nedberg	Board representative	125					125	
Roar Norheim Larsen	Board representative	100					100	195
Leif Ove Sørby	Board representative	100					100	1.255
Hanne Solem	Board representative	100					100	
Ann Kristin Plomås	Employee representative	100	477	41	20	22	660	800
Total, Board		**975**	**477**	**41**	**20**	**22**	**1.535**	**2.260**
Øivind Andersson	Manager of control committee	60					60	8
Marianne Sletten	Member of control committee	40					40	
Eli Kristin Nordsiden	Member of control committee	40					40	
Sjur Kortgaard	Member of control committee	40					40	430
Total, control committee		**180**					**180**	**438**
Frank Borgen	Trustee manager	40					40	934
Trond Bollerud	Trustee member	2					2	
Siren Coward	Employee representative	8	698	95	20	31	852	2.784
Inger Haug Fjerdingstad	Trustee member	2					2	
Kåre Fredriksen	Trustee member	3					3	1
Øivind Granlund	Trustee member	2					2	
Eva Grothe	Trustee member	3					3	
Kåre J. Grøtta	Trustee member	6					6	
Arne Gundersen	Trustee member	2					2	
Thomas F. Halvorsen	Trustee member	3					3	2.127
Øivind Haugen	Employee representative	3	396	39	20	25	483	1.668
Liv Hausmann	Trustee member	3					3	
Tom Hedalen	Trustee member	2					2	
Ole B. Hoen	Trustee member	3					3	794
Iver A. Juel	Trustee member	2					2	
Vegard Kvamme	Employee representative	3	622	48	20	33	726	1.767
Jørn Larsen	Trustee member	3					3	
Halldis Kjøs Lien	Employee representative	2	430	19	20	21	492	906
Thor-Kristian Lien	Trustee member	15					15	

Anne Irene Lunden	Employee representative	8	610	71	20	25	734	1.153
Lars Geir Mortensen	Trustee member	2					2	1.380
Oddmar Nilsen	Trustee member	3					3	979
Borghild M. Dahler Nordlid	Trustee member	3					3	
Geir Opdahl	Employee representative		418	22	17	28	485	2.082
Rune Paule	Employee representative		438	40	20	25	523	1.521
Gunnvor Ramnefjell	Trustee member	3					3	
Morten Ranvik	Trustee member	3					3	459
Nils Johan Rønniksen	Trustee member	3					3	
Anne-Tonje Sanden	Trustee member	5					5	
Gunnar Sanden	Employee representative	3	604	62	20	25	714	2.016
Marianne Seip	Trustee member	6					6	577
Jan Christian Skau	Employee representative	11	672	95	20	33	831	1.826
Egil Skretting	Trustee member	3					3	
Ole-Martin Solberg	Employee representative		430	22	20	25	497	1.775
Berit H. Steenberg	Trustee member	3					3	370
Nils Kr. Steenberg	Trustee member	3					3	197
Tom R. Svendsen	Trustee member	3					3	
Thor S. Syvaldsen	Trustee member	15					15	1.247
Elly Th. Thoresen	Trustee member	3					3	
Finn Wang	Trustee member	2					2	
Kristian Warholm	Employee representative	3	469	25	20	28	545	2.822
Jon Aas	Trustee member	3					3	2.944
Johan Aasen	Trustee member	16					16	
Total, Trustees		**211**	**5.787**	**538**	**217**	**299**	**7.052**	**32.329**
Total remuneration and loans		**1.385**	**13.627**	**1.488**	**357**	**1.005**	**17.862**	**51.939**

* Remuneration paid to the group management relates to the duties of the Board of Directors and representatives at the subsidiaries.

Remuneration to the CEO was NOK 2.055.337. The retirement age for 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 CEOs employment the CEO has the right to claim severance pay for 3 years from the termination date – the salary basis is 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, besides the general profit sharing paid to all employees. No additional remunerations for special services above normal functions for a manager are given.

The previous CEO left his position with effect from 01.07.11. The previous CEO has received salary and other benefits during the period after his leaving the bank until 31.12.11 totalling NOK 1.474.185. In accordance with the agreement the previous CEO will receive a pension with effect from 01.01.12 equivalent to 80% of salary at the termination date for 3 years and subsequently 70%.

Parent bank 2010

Amount in NOK thousands		Remuneration*	Wage	Pension	Profit share	Payment in kind	Total	Loans
Trond Tostrup	Managing Director		2.299	1.023	20	56	3.398	1.648
Kjell Engen	Financial director	70	1.326	227	20	158	1.801	3.797
Pål Strand	Director, private/corporate market	5	1.412	166	20	165	1.768	1.392
Arne K. Stokke	Lawyer		1.194	152	20	138	1.504	
Total, group management		**75**	**6.231**	**1.568**	**80**	**517**	**8.471**	**6.837**
Jorund Rønning Indrelid	Chairman	150					150	
Knut Smedsrud	Vice Chairman	100					100	
Ingebjørg Mæland	Board representative	75					75	23
Sverre Nedberg	Board representative	75					75	
Roar Norheim Larsen	Board representative	75					75	81
Leif Ove Sørby	Board representative	75					75	
Hanne Solem	Board representative							
Inger Helen Pettersen	Employee representative	75	437	39	20	38	609	2.357
Total, Board		**625**	**437**	**39**	**20**	**38**	**1.159**	**2.461**
Øivind Andersson	Manager of control committee	61					61	1
Marianne Sletten	Member of control committee	40					40	
Eli Kristin Nordsiden	Member of control committee	40					40	
Sjur Kortgaard	Member of control committee	40					40	561
Total, control committee		**181**					**181**	**562**
Frank Borgen	Trustee manager	40					40	972
Knut Andersen	Trustee member	6					6	
Trond Bollerud	Trustee member	6					6	
Åse Monsen Borgan	Employee representative	6	479	42	18	19	564	1.879
Siren Coward	Employee representative	3	653	77	20	30	783	2.519
Anna Therese Ekeberg	Employee representative	6	435	27	20	25	513	1.145
Kåre Fredriksen	Trustee member	6					6	301
Øivind Granlund	Trustee member	3					3	
Eva Grothe	Trustee member	5					5	
Kåre J. Grøtta	Trustee member	5					5	
Arne Gundersen	Trustee member	3					3	
Thomas F. Halvorsen	Trustee member							741
Øivind Haugen	Employee representative	3	391	34	20	24	472	1.166
Liv Hausmann	Trustee member	3					3	
Tom Hedalen	Trustee member	5					5	
Frode M. Helganger	Employee representative	3	364	16	20	9	412	2.415
Anne Siri Rhoden Jensen	Employee representative	20	602	86	20	13	741	176
Iver A. Juel	Trustee member	5					5	
Vegard Kvamme	Employee representative	6	576	38	20	26	666	1.813
Jørn Larsen	Trustee member	3					3	
Halldis Kjøs Lien	Employee representative	5	419	17	20	20	481	819
Thor-Kristian Lien	Trustee member	21					21	
Jon Lundanes	Trustee member							3.003
Anne Irene Lunden	Employee representative	6	601	62	20	15	704	1.300
Lars Geir Mortensen	Trustee member	2					2	1.433
Kristin Wittussen Myhre	Employee representative	5	522	54	8	29	618	2.179
Oddmar Nilsen	Trustee member							1.035
Borghild M. Dahler Nordlid	Trustee member	6					6	
Svein Nybø	Trustee member	3					3	
Gunnvor Ramnefjell	Trustee member	12					12	
Morten Ranvik	Trustee member	3					3	433
Nils Johan Rønniksen	Trustee member	6					6	
Anne-Tonje Sanden	Trustee member	5					5	
Marianne Seip	Trustee member	12					12	950
Jan Christian Skau	Employee representative	17	654	86	20	22	799	1.864
Amount in NOK thousands		**Remuneration***	**Wage**	**Pension**	**Profit share**	**Payment in kind**	**Total**	**Loans**
Egil Skretting	Trustee member	6					6	
Berit H. Steenberg	Trustee member	6					6	370
Nils Kr. Steenberg	Trustee member	3					3	212
Grethe Stenshorne	Trustee member	8					8	1
Thor S. Syvaldsen	Trustee member	23					23	443
Elly Th. Thoresen	Trustee member	2					2	
Finn Wang	Trustee member	3					3	
Kristian Warholm	Employee representative	6	447	23	20	7	503	318
Thor Wessel	Trustee member	5					5	
Johan Aasen	Trustee member	29					29	
Total, Trustees		**331**	**6.143**	**562**	**226**	**239**	**7.501**	**27.487**
Total remuneration and loans		**1.212**	**12.811**	**2.169**	**326**	**794**	**17.312**	**37.347**

* Remuneration paid to the group management relates to the duties of the Board of Directors and representatives at the subsidiaries.

NOTE 33 – RELATED PARTIES

Amount in NOK thousands	Group management 2011	Group management 2010	The Board and control committee 2011	The Board and control committee 2010	Other related parties 2011	Other related parties 2010
Loans						
Outstanding loans as at 01.01.	6.837	7.801	3.023	4.188	27.486	18.304
Net changes in loans in the period	8.081	-964	-325	-1.165	4.843	9.182
Outstanding loans as at 31.12.	**14.918**	**6.837**	**2.698**	**3.023**	**32.329**	**27.486**
Interest income	153	122	56	67	776	561
Loan losses	0	0	0	0	0	0
Deposits						
Deposits as at 01.01.	3.879	2.738	4.604	3.981	15.069	6.479
Net changes in deposits in the period	-1.779	1.141	-1.552	623	-2.603	8.590
Deposits as at 31.12.	**2.100**	**3.879**	**3.052**	**4.604**	**12.466**	**15.069**
Interest expenses	47	65	83	79	270	83
Other income	0	0	0	0	0	0
Guarantees issued	0	0	4.800	4.800	0	0

NOTE 34 – OTHER OPERATING INCOME

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
1,4	3,8	Operating costs investment properties	0,0	0,0
1,9	3,8	Operating income - real estate	1,5	1,9
44,3	49,6	Other operating costs	42,5	49,9
47,6	**57,2**	**Other operating costs**	**44,0**	**51,8**

NOTE 35 – AUDITOR'S REMUNERATION

Group 2011	Group 2010	Amount in NOK thousands	Parent bank 2011	Parent bank 2010
1.901	1.799	Audit	1.269	1.231
89	22	Other confirmation services	0	0
86	77	Taxation and excise consultancy	7	28
487	465	Other services	292	298
2.563	**2.363**	**Total**	**1.568**	**1.557**

These amounts include value-added tax.

NOTE 36 – TAXES

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Tax expenses for the year in the income statement appears as follow		
53,7	47,1	Current tax on profit for the year	45,5	39,5
1,1	28,6	Deferred tax recognised in income	-0,4	28,8
0,0	-0,7	Excess/deficit tax, previous year	-0,1	-0,7
54,8	**75,0**	**Total tax for the year**	**45,0**	**67,6**
		Tax on other income and expenses – recognised in profit and loss		
		Changes in net deferred tax assets		
0,0	0,0	- Change in investments available for sale	0,0	0,0
0,0	**0,0**	**Tax on other income and expenses**	**0,0**	**0,0**
		Changes in net deferred tax assets		
1,1	28,6	Recognised deferred tax in profit and loss statement	-0,4	28,8
0,0	0,0	Recognised deferred tax in other income and expenses	0,0	0,0
		Changes in net deferred tax assets recognised directly in the balance sheet		
12,2	0,0	- Deferred tax for acquisitions	0,0	0,0
13,3	**28,6**	**Total changes in net deferred tax assets**	**-0,4**	**28,8**
		Reconciliation of annual tax costs		
210,5	380,3	Profit before tax	171,0	354,3
58,9	106,5	Tax at nominal 28% rate	47,9	99,2
-4,1	-30,8	Tax effect of permanent differences	-2,8	-30,9
0,0	-0,7	Excess/deficit tax, previous year	-0,1	-0,7
54,8	**75,0**	**Tax costs**	**45,0**	**67,6**
		Current tax is recognised in the balance sheet as follows		
53,7	47,1	Current tax on profit for the year	45,5	39,5
3,1	3,9	Annual property tax	3,1	3,9
56,8	**51,0**	**Current tax is recognised in the balance sheet as follows:**	**48,7**	**43,3**

Group		Group			Parent bank		Parent bank	
		Change	Change				Change	Change
2011	2010	2011	2010	**Deferred tax obligation/deferred tax assets**	2011	2010	2011	2010
				Positive temporary differences				
136,0	79,7	-56,3	1,3	Capital equipment	0,0	0,0	0,0	0,0
0,0	0,1	0,1	-0,1	Receivables	0,0	0,0	0,0	0,0
136,0	79,8	-56,2	1,2	Total positive temporary differences	0,0	0,0	0,0	0,0
38,1	22,3	-15,7	0,3	Deferred tax obligation	0,0	0,0	0,0	0,0
				Negative temporary differences and loss to carry forward				
0,0	0,0	0,0	0,0	Capital equipment	1,7	1,4	-0,3	-0,4
43,2	45,5	2,3	67,2	Securities	44,8	45,5	0,7	67,2
55,3	43,2	-12,1	3,6	Derivatives	55,3	43,2	-12,1	3,6
0,2	0,0	-0,2	0,2	Receivables	0,0	0,0	0,0	0,0
2,7	3,6	0,9	-2,5	Other liabilities	2,0	3,6	1,6	-2,5
30,1	35,8	5,7	35,0	Pension commitments	22,3	30,9	8,6	35,1
5,8	0,5	-5,3	-0,3	Deficit to carry forward	0,0	0,0	0,0	0,0
137,3	128,6	-8,7	103,2	Total negative temporary differences and loss to carry forward	126,1	124,6	-1,5	103,0
38,4	36,0	-2,4	28,9	Deferred tax assets	35,3	34,9	-0,4	28,8
0,4	**13,7**	**13,3**	**28,6**	**Net deferred tax assets**	**35,3**	**34,9**	**-0,4**	**28,8**

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 37 - TREASURY BILLS, CERTIFICATES AND BONDS

Treausry bills, certificates and bonds divided by issuing sector and category as at 31.12.11 - Group

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Entered in balance sheet value
Treasury bills	925,0	920,9	0,0	0,0	0,0	0,0
Total treasury bills	**925,0**	**920,9**	**0,0**	**0,0**	**0,0**	**0,0**
State and government guarantees	242,0	245,3	0,0	0,0	250,0	252,6
Other public issuer	555,0	559,7	0,0	0,0	0,0	0,0
Preferential bonds	1.039,8	1.034,3	0,0	0,0	0,0	0,0
Financial companies	834,7	819,9	0,0	0,0	0,0	0,0
Non-financial companies	398,4	359,3	0,0	0,0	0,0	0,0
Total certificates and bonds	**3.069,9**	**3.018,5**	**0,0**	**0,0**	**250,0**	**252,6**

Treasury bills, certificates and bonds divided by issuing sector and category as at 31.12.11 - Parent bank

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Entered in balance sheet value
Treasury bills	925,0	920,9	0,0	0,0	0,0	0,0
Total treasury bills	**925,0**	**920,9**	**0,0**	**0,0**	**0,0**	**0,0**
State and government guarantees	242,0	245,3	0,0	0,0	250,0	252,6
Other public issuer	555,0	559,7	0,0	0,0	0,0	0,0
Preferential bonds	2.078,3	2.071,2	0,0	0,0	0,0	0,0
Financial companies	834,7	819,9	0,0	0,0	0,0	0,0
Non-financial companies	398,4	359,3	0,0	0,0	0,0	0,0
Total certificates and bonds	**4.108,4**	**4.055,4**	**0,0**	**0,0**	**250,0**	**252,6**

Treasury bills, certificates and bonds divided by issuing sector and category as at 31.12.10 - Group

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Entered in balance sheet value
Treasury bills	926,0	919,5	0,0	0,0	0,0	0,0
Total treasury bills	**926,0**	**919,5**	**0,0**	**0,0**	**0,0**	**0,0**
State and government guarantees	182,0	187,9	0,0	0,0	350,0	354,5
Other public issuer	165,0	165,6	0,0	0,0	0,0	0,0
Preferential bonds	766,0	765,3	0,0	0,0	0,0	0,0
Financial companies	654,7	650,9	0,0	0,0	0,0	0,0
Non-financial companies	465,9	402,3	0,0	0,0	0,0	0,0
Total certificates and bonds	**2.233,6**	**2.172,0**	**0,0**	**0,0**	**350,0**	**354,5**

Treasury bills, certificates and bonds divided by issuing sector and category as at 31.12.10 - Parent bank

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Entered in balance sheet value
Treasury bills	926,0	919,5	0,0	0,0	0,0	0,0
Total treasury bills	**926,0**	**919,5**	**0,0**	**0,0**	**0,0**	**0,0**
State and government guarantees	182,0	187,9	0,0	0,0	350,0	354,5
Other public issuer	165,0	165,6	0,0	0,0	0,0	0,0
Preferential bonds	1.765,5	1.764,8	0,0	0,0	0,0	0,0
Financial companies	654,7	650,9	0,0	0,0	0,0	0,0
Non-financial companies	465,9	402,3	0,0	0,0	0,0	0,0
Total certificates and bonds	**3.233,1**	**3.171,5**	**0,0**	**0,0**	**350,0**	**354,5**

Preferential bonds and government swap scheme

Sparebanken Øst has purchased preferential bonds (OMF) from Sparebanken Øst Boligkreditt AS which are used as collateral for swap agreements entered into with the government. The nominal value of these as at 31.12.11 was NOK 938,5 million and as at 31.12.10 was NOK 999,5 million. The bank has undertaken to buy back the preferential bonds at the original sale price and collect interest on preferential bonds as if these were not sold. From an accounting perspective the parent bank considers that the conditions for deduction in IAS 39 are not met, as the parent bank retains the risk of value development of the bonds and the remaining cash flows in the form of interest through swap agreements.

Treasury bills, certificates and bonds divided by maturity as at 31.12.11 - Group

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
Treasury bills	920,9	0,0	0,0	0,0	920,9
Total treasury bills	**920,9**	**0,0**	**0,0**	**0,0**	**920,9**
State and government guarantees	0,0	108,5	188,4	201,0	497,9
Other public issuer	410,1	0,0	97,1	52,5	559,7
Preferential bonds	0,0	25,0	813,2	196,1	1.034,3
Financial companies	200,3	93,8	456,5	69,3	819,9
Non-financial companies	290,9	25,0	24,5	18,9	359,3
Total certificates and bonds	**901,3**	**252,3**	**1.579,7**	**537,8**	**3.271,1**

Treasury bills, certificates and bonds divided by maturity as at 31.12.11 - Parent bank

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
Treasury bills	920,9	0,0	0,0	0,0	920,9
Total treasury bills	**920,9**	**0,0**	**0,0**	**0,0**	**920,9**
State and government guarantees	0,0	108,5	188,4	201,0	497,9
Other public issuer	410,1	0,0	97,1	52,5	559,7
Preferential bonds	0,0	25,1	1.751,7	294,4	2.071,2
Financial companies	200,3	93,8	456,5	69,3	819,9
Non-financial companies	290,9	25,0	24,5	18,9	359,3
Total certificates and bonds	**901,3**	**252,4**	**2.518,2**	**636,1**	**4.308,0**

Duration

	Group	Parent bank
Treasury bills	0,33	0,33
State and government guarantees	2,28	2,28
Other public issuer	0,63	0,63
Preferential bonds	0,18	0,19
Financial companies	0,19	0,19
Non-financial companies	0,12	0,12
Total duration	0,51	0,45

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

Treasury bills, certificates and bonds divided by maturity as at 31.12.10 - Group

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
Treasury bills	919,5	0,0	0,0	0,0	919,5
Total treasury bills	**919,5**	**0,0**	**0,0**	**0,0**	**919,5**
State and government guarantees	100,7	0,0	240,5	201,2	542,4
Other public issuer	0,0	65,1	25,2	75,3	165,6
Preferential bonds	0,0	0,0	610,6	154,7	765,3
Financial companies	185,4	25,1	422,3	18,1	650,9
Non-financial companies	35,7	22,1	319,3	25,2	402,3
Total certificates and bonds	**321,8**	**112,3**	**1.617,9**	**474,5**	**2.526,5**

Treasury bills, certificates and bonds divided by maturity as at 31.12.10 - Parent bank

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
Treasury bills	919,5	0,0	0,0	0,0	919,5
Total treasury bills	**919,5**	**0,0**	**0,0**	**0,0**	**919,5**
State and government guarantees	100,7	0,0	240,5	201,2	542,4
Other public issuer	0,0	65,1	25,2	75,3	165,6
Preferential bonds	0,0	0,0	1.610,1	154,7	1.764,8
Financial companies	185,4	25,1	422,3	18,1	650,9
Non-financial companies	35,7	22,1	319,3	25,2	402,3
Total certificates and bonds	**321,8**	**112,3**	**2.617,4**	**474,5**	**3.526,0**

NOTE 38 - SHARES AND CAPITAL CERTIFICATES

Shares and capital certificates divided by category as at 31.12.11

Group Fair value through profit and loss	Group Available for sale	Group Cost		Parent bank Fair value through profit and loss	Parent bank Available for sale	Parent bank Cost
35,3	0,0	0,0	Listed	35,3	0,0	0,0
0,0	441,2	0,4	Unlisted	0,0	441,2	0,4
35,3	**441,2**	**0,4**	**Total shares and capital certificates**	**35,3**	**441,2**	**0,4**

Annual value change on shares and equity certificates classified as available for sale amount to NOK -0.3 million.

Unlisted shares and equity certificates are included in the category available for sale. In assessing the fair value of the shares valuation techniques have been used. Refer to note 22. The value change on shares and equity certificates classified as available for sale for the year amounts to NOK -7.0 million. Of this NOK -6.7 represents write-downs of shares in Norne Eierselskap and is included in ”Net value changes and profit/loss on financial instruments” through profit and loss and NOK -0.3 million is the change in value recorded in the overall result. No reclassification from equity to profit and loss was carried out during the period.

The fair value of the shares in Nets Holding AS and Frende Holding AS remain unchanged throughout 2011. The valuation of shares in Eksportfinans ASA is based on the bank's portion of book equity in Eksportfinans ASA corrected for unrealized gains on the company’s long-term deposits. Based on the accounts for Eksportfinans ASA for Q3 2011, and an assessment of the situation the company now finds itself in, it is the bank's opinion that there are no grounds to revalue this share holding in 2011.

Shares and capital certificates divided by category as at 31.12.10

Group Fair value through profit and loss	Group Available for sale	Group Cost		Parent bank Fair value through profit and loss	Parent bank Available for sale	Parent bank Cost
61,6	0,0	0,0	Listed	61,6	0,0	0,0
0,0	442,5	0,4	Unlisted	0,0	442,5	0,4
61,6	**442,5**	**0,4**	**Total shares and capital certificates**	**61,6**	**442,5**	**0,4**

The value change on shares and equity certificates classified as available for sale for 2011 year amounts to NOK 64.8 million. Of this NOK -4.1 represents write-downs of shares in Norne Eierselskap and is included in ”Net value changes and profit/loss on financial instruments” through profit and loss and NOK 68.9 million is the change in value recorded in the overall result. No reclassification from equity to profit and loss was carried out during the period.

Specification of shares and capital certificates as at 31.12.11

	Share capital	Quantity of shares	Nominal value together	Holding in %	For purposes of accounts cost	Fair value
Eltek ASA	329,2	59.512	0,1	0,02	0,7	0,2
Oceanteam ASA	7,5	3.502.102	0,2	2,32	7,0	1,5
Reservoir Exploration Technology ASA	889,9	814.467	8,1	0,92	8,1	0,8
Visa Inc.	5.045,8	4.739	0,0	0,00	2,0	2,9
Voss Veksel- og Landmandsbank ASA	9,5	7.751	0,8	8,16	18,2	15,6
Ringerike Sparebank	1.394,6	6.650	0,7	0,05	0,9	0,8
Helgeland Sparebank	935,0	386.994	19,3	2,07	25,6	11,8
Klepp Sparebank	107,6	13.900	1,4	1,29	1,7	0,7
Nes Prestgjelds Sparebank	45,0	17.000	0,5	1,13	2,0	1,0
NorgesInvestor Opportunities AS A shares	4,4	1.600	0,1	2,90	0,2	0,2
NorgesInvestor Opportunities AS B shares	95,4	38.400	3,1	3,22	3,8	3,5
Nets Holding AS	184,3	2.223.883	2,2	1,21	96,4	96,4
Sparebankmateriell AS	3,2	302	0,0	0,96	0,0	0,0
Eiendomskreditt AS	240,5	126.594	12,7	5,26	13,2	13,2
Eksportfinans ASA	2.771,1	12.787	134,2	4,84	139,4	208,3
Kredittforeningen for Sparebanker	50,0	2.760	2,8	5,52	2,8	2,8
Dialog Eiendomsmegling Eiker Drammen AS	1,0	340	0,3	34,00	0,4	0,4
Nordito Property AS	21,3	269.244	2,7	6,70	2,4	2,4
Frende Holding AS	650,0	964.662	96,5	14,84	113,1	113,1
Norne Eierselskap	45,0	4.553.571	4,6	10,12	1,3	1,3
Bankenes ID-tjeneste AS	0,1	6.700	0,0	6,70	0,0	0,0
Other shares			0,3		0,0	0,0
Total shares and capital certificates			**290,6**		**439,2**	**476,9**

Specification of shares and capital certificates as at 31.12.10

	Share capital	Quantity of shares	Nominal value together	Holding in %	For purposes of accounts cost	Fair value
Eltek ASA	329,2	59.512	0,1	0,02	0,7	0,2
Oceanteam ASA	7,5	3.502.102	0,2	2,32	7,0	2,1
Reservoir Exploration Technology ASA	889,9	814.467	8,1	0,92	8,1	2,6
Visa Inc.	4.931,1	4.739	0,0	0,00	2,0	2,0
Voss Veksel- og Landmandsbank ASA	9,5	7.751	0,8	8,16	18,2	17,8
Ringerike Sparebank	1.394,6	6.650	0,7	0,05	0,9	0,9
Sparebank 1 Buskerud-Vestfold	233,4	121.829	12,2	5,22	14,3	15,8
Helgeland Sparebank	935,0	386.994	19,3	2,07	25,6	17,8
Klepp Sparebank	107,6	13.900	1,4	1,29	1,7	1,1
Nes Prestgjelds Sparebank	45,0	17.000	0,5	1,13	2,0	1,3
NorgesInvestor Opportunities AS A shares	4,4	1.600	0,1	2,90	0,2	0,2
NorgesInvestor Opportunities AS B shares	95,4	38.400	3,1	3,22	3,8	3,8
Nets Holding AS	184,3	2.223.883	2,2	1,21	96,4	96,4
Sparebankmateriell AS	3,2	302	0,0	0,96	0,0	0,0
Eiendomskreditt AS	199,6	101.047	10,1	5,06	10,5	10,5
Eksportfinans ASA	2.771,1	12.787	134,2	4,84	139,4	208,3
Kredittforeningen for Sparebanker	50,0	2.760	2,8	5,52	2,8	2,8
Dialog Eiendomsmegling Eiker Drammen AS	1,0	340	0,3	34,00	0,4	0,4
Nordito Property AS	21,3	269.244	2,7	6,70	2,4	2,4
Frende Holding AS	650,0	964.662	96,5	14,84	113,1	113,1
Norne Eierselskap	30,0	3.035.714	3,0	10,12	5,0	5,0
Bankenes ID-tjeneste AS	0,1	6.700	0,0	6,70	0,0	0,0
Other shares			0,3		0,0	0,0
Total shares and capital certificates			**298,6**		**454,5**	**504,5**

NOTE 39 - OWNERSHIP IN GROUP COMPANIES

Subsidiary companies	Acquisition time	Business office	Holding	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%

* Grev Wedels Have AS and Hawø Eiendom AS are wholly-owned subsidiaries of Sparebanken Øst Eiendom AS.

None of the subsidiaries are listed on the stock exchange.

Acquisition of enterprises

On 1 July 2011 Sparebanken Øst Eiendom AS purchased 100% of the shares in Hawø Eiendom AS for NOK 27.9 million. Hawø Eiendom AS is a limited company with its head office in Drammen, Norway. The company owns and manages real estate. The holding is the same as the voting rights.

The allocation of the added value from the acquisition of Hawø Eiendom AS is divided as follows:

	Entered in balance sheet value	Added/reduced value	Recognised value
Cash and cash equivalents	0,9	0,0	0,9
Accounts receivable	0,1	0,0	0,1
Other short-term receivables	0,1	0,0	0,1
Real estate	42,4	34,3	76,7
Deferred tax	-2,6	-9,6	-12,2
Interest-free liabilities	-0,7	0,0	-0,7
Interest-bearing liabilities	-37,0	0,0	-37,0
Net identifiable assets and liabilities	**3,2**	**24,7**	**27,9**
Purchase price			
Cash	27,9		
Direct costs	0,0		
Total	**27,9**		
Cashflow out for acquisition			
Paid in cash	27,9		
Cash received	0,9		
Net cash out	**27,0**		

The acquired company has contributed NOK 2.3 million to the group's operating income and NOK 1.0 million to the group's ordinary profit before tax during the period between the acquisition and 31.12.11.

If the acquisition had been completed as of 01.01.11, the group's total operating income for the entire period would have been NOK 3.4 million higher, and the group's ordinary profit before tax would have been NOK 0.2 million higher.

NOTE 40 - FIXED ASSETS AND INVESTMENT PROPERTIES

Capital equipment as at 31.12.11

Group Machinery/ inventor/ vehicles etc.	Group Property	Group Investment property		Parent bank Machinery/ inventor/ vehicles etc.	Parent bank Property	Parent bank Investment property
119,4	100,7	247,1	Purchase price as at 01.01.	100,1	46,3	0,0
4,8	7,4	243,3	Additions	2,6	6,6	0,0
16,9	0,0	0,0	Disposals	15,9	0,0	0,0
107,3	**108,1**	**490,4**	**Purchase price as at 31.12.**	**86,8**	**52,9**	**0,0**
84,9	13,2	17,1	Total ordinary depreciation and write-downs	69,6	7,5	0,0
22,4	**94,9**	**473,3**	**Book value as at 31.12.**	**17,2**	**45,4**	**0,0**
7,4	1,4	3,2	Ordinary depreciation for the year	5,8	0,4	
0,0	0,0	0,0	Write-downs for the year	0,0	0,0	
3-8 years	10-50 years	10-50 years	Financial life	3-5 years	10-50 years	
Linear	Linear	Linear	Depreciation plan	Linear	Linear	
		496,2	**Fair value in investment property**			
0,4	**13,0**		**Annual hire of assets not entered in the balance sheet**	**0,4**	**18,3**	

Investment properties

Fair value of investment properties is estimated by independent evaluation and after the earnings-based valuation kept together with market information.

For leasing income and operating costs on investment properties refer to note 31 Other operating income and note 34 Other operating costs.

Real estate for own activities

Group Book value 2011*	Group Area - m2 Own use	Leasing	Commercial building	Parent bank Area - m2 Own - Utilisation	Leasing	Parent bank Book value 2011*
361,8	3.363	22.133	Drammen	2.087	0	30,2
61,9	4.622	2.560	Øvre Eiker	0	0	0,0
11,8	1.591	1.958	Nedre Eiker	0	0	0,0
17,1	180	555	Asker	0	0	0,0
452,6	**9.756**	**27.206**	**Total commercial buildings**	**2.087**	**0**	**30,2**

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

Liabilities

The subsidiary Sparebanken Øst Eiendom AS' construction project "Engenekvartalet" was essentially completed and leased out in December 2011. The expected acquisition value is NOK 217.0 million. As at 31.12.11 the acquisition cost was NOK 187.0 million, of which NOK 9.9 million is in activated construction loan interest. Final completion will be made during Q1 2012.

The same subsidiary, Sparebanken Øst Eiendom AS, has as at 31.12.11 a construction project called "Kjerraten 4-10" underway. The expected acquisition cost is NOK 70.0 million. Activated costs as at 31.12.11 were NOK 56.2 million, of which NOK 0.9 million is in activated construction loan interest. The first construction phase is complete and was sold in 2012; the expected completion of the second construction phase is June 2012.

Capital equipment as at 31.12.10

Group Machinery/ inventor/ vehicles etc.	Group Property	Group Investmen property		Parent bank Machinery/ inventor/ vehicles etc.	Parent bank Property	Parent bank Investmen property
113,5	100,7	182,2	Purchase price as at 01.01.	97,3	46,3	0,0
7,6	0,0	67,5	Additions	3,9	0,0	0,0
1,7	0,0	2,6	Disposals	1,1	0,0	0,0
119,4	**100,7**	**247,1**	**Purchase price as at 31.12.**	**100,1**	**46,3**	**0,0**
93,8	11,8	14,0	Total ordinary depreciation and write-downs	79,5	7,0	0,0
25,6	**88,9**	**233,1**	**Book value as at 31.12.**	**20,6**	**39,3**	**0,0**
8,9	1,3	2,4	Ordinary depreciation for the year	7,5	0,4	
0,0	0,0	0,0	Write-downs for the year	0,0	0,0	
3-8 years	10-50 years	10-50 years	Financial life	3-5 years	10-50 years	
Linear	Linear	Linear	Depreciation plan	Linear	Linear	
		288,5	**Fair value in investment property**			
0,6	**16,5**		**Annual hire of assets not entered in the balance sheet**	**0,6**	**21,6**	

Real estate for own activities

Group Book value 2010*	Group Area - m2 Own use	Leasing	Commercial building	Parent bank Area - m2 Own - Utilisation	Leasing	Parent bank Book value 2010*
141,5	3.363	6.011	Drammen	2.087	0	30,5
61,5	4.622	4.074	Øvre Eiker	0	0	0,0
15,4	1.642	2.120	Nedre Eiker	0	0	0,0
17,3	180	555	Asker	0	0	0,0
235,7	**9.807**	**12.760**	**Total commercial buildings**	**2.087**	**0**	**30,5**

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

NOTE 41 - OPERATIONAL LEASING AGREEMENTS

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

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
13,4	17,1	Annual rental costs	18,7	22,2
		Annual rental costs correspond to minimum rent payments		
		Minimum future rental payments		
10,7	12,7	Within 1 year	14,9	16,9
29,7	33,6	Between 1 and 5 years	49,2	49,9
1,8	6,7	After 5 years	7,7	14,6
42,2	**53,0**	**Total**	**71,8**	**81,4**

NOTE 42 - OTHER ASSETS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
9,6	12,6	Membership contribution for Kredittforeningen for Sparebanker (Savings Bank Credit Association)	9,6	12,6
24,3	27,0	Other receivables	3,8	4,5
33,9	**39,6**	**Other assets**	**13,4**	**17,1**

NOTE 43 - PREPAID NON-ACCRUED COSTS AND EARNED NOT RECEIVED INCOMES

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
84,3	72,2	Accrued income not received	70,1	64,2
4,9	4,5	Other prepaid non-accrued costs	4,9	4,5
89,2	**76,7**	**Prepaid non-accrued costs and earned not received incomes**	**75,0**	**68,7**

NOTE 44 - DEBT TO CREDIT INSTITUTIONS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
20,5	0,0	Loans and receivables with credit institutions without agreed maturities or deadline for dismissal	27,5	10,5
1.897,6	1.892,8	Loans and receivables with credit institutions with agreed maturities or deadline for dismissal	1.917,7	1.924,1
1.918,1	**1.892,8**	**Liabilities to credit institutions**	**1.945,2**	**1.934,6**

NOTE 45 - DEPOSITS FROM AND DEBT TO CUSTOMERS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
6.708,9	6.440,9	Deposits from and debt to customers without agreed maturity date	6.702,4	6.432,4
2.223,8	1.189,3	Deposits from and debt to customers with agreed maturity date	2.224,0	1.189,5
8.932,7	**7.630,2**	**Deposits from and liabilities to customers**	**8.926,4**	**7.621,9**

Geographical distribution of deposits

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
2.289,2	2.133,1	Drammen	2.313,8	2.154,3
1.516,5	1.377,3	Nedre Eiker	1.514,4	1.375,1
1.448,2	1.395,2	Øvre Eiker	1.447,3	1.394,1
600,1	489,2	Other parts of Buskerud	588,4	478,2
1.118,3	806,7	Oslo	1.112,7	800,0
859,5	776,1	Akershus	851,8	772,0
385,3	325,3	Vestfold	383,8	325,2
64,1	39,6	Østfold	63,4	39,6
600,7	241,6	Rest of country	600,0	237,3
50,8	46,1	Foreign	50,8	46,1
8.932,7	**7.630,2**	**Total**	**8.926,4**	**7.621,9**

Distribution of deposits by sector and industry

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
4.700,5	4.320,0	Salaried employees	4.689,0	4.311,6
132,8	151,7	Public administration	132,8	151,7
118,5	116,7	Agriculture, forestry and fishing	118,5	116,7
249,3	194,6	Industry and mining, power and water supplies	249,3	194,5
428,3	373,4	Construction and civil engineering	427,4	371,0
453,6	434,2	Retail, hotel and catering	450,9	431,4
131,6	130,0	Transport and communications	131,2	129,4
1.384,7	838,8	Financial services	1.373,8	827,6
539,0	539,3	Other service industries	537,6	528,8
743,4	483,7	Real estate turnover and operations	764,9	511,4
51,0	47,8	Foreign	51,0	47,8
8.932,7	**7.630,2**	**Total**	**8.926,4**	**7.621,9**

NOTE 46 – DEBT CONTRACTED THROUGH THE ISSUING OF SECURITIES

Group	Outstanding volume 2011*	Average balance 2011	Weighted interest rate 2011	Outstanding volume 2010*	Average balance 2010	Weighted interest rate 2010
Certificates	**0,0**	**0,0**	**0,00%**	**0,0**	**0,0**	**0,00%**
Bond loan	14.093,3	12.656,2	3,72%	11.729,3	10.465,4	3,32%
Own holdings – bond loans	-223,0	-199,6	3,42%	-262,5	-326,1	1,98%
Liabilities incurred when issuing securities	**13.870,3**	**12.456,6**	**3,73%**	**11.466,8**	**10.139,3**	**3,36%**

* Measured at amortised cost on balance date.

Parent bank	Outstanding volume 2011*	Average balance 2011	Weighted interest rate 2011	Outstanding volume 2010*	Average balance 2010	Weighted interest rate 2010
Certificates	**0,0**	**0,0**	**0,00%**	**0,0**	**0,0**	**0,00%**
Bond loan	9.465,3	9.582,9	3,78%	10.282,7	9.854,0	3,32%
Own holdings – bond loans	-223,0	-199,6	3,42%	-262,5	-326,1	1,98%
Liabilities incurred when issuing securities	**9.242,3**	**9.383,3**	**3,79%**	**10.020,2**	**9.527,9**	**3,37%**

* Measured at amortised cost on balance date.

NOTE 47 – SUBORDINATE LOAN CAPITAL

	Outstanding volume 2011*	Average balance 2011	Weighted interest rate 2011	Outstanding volume 2010*	Average balance 2010	Weighted interest rate 2010
Eternal subordinate loan capital	**300,4**	**298,7**	**5,56%**	**299,8**	**298,2**	**5,16%**
Subordinate bond loans	299,7	300,0	4,21%	299,5	348,9	3,73%
Subordinate loan capital	**600,1**	**598,7**	**4,88%**	**599,3**	**647,1**	**4,39%**

* Measured at amortised cost on balance date.

NOTE 48 – LONG-TERM DEPOSITS DIVIDED BY MATURITY

Long-term deposits as at 31.12.11 - Group

	Loans from credit institutions	Bond loan	OMF (Preferential bonds)	Subordinate loans	Debts to the government	Total
2012	1.072,5	1.769,5	0,0	100,0	0,0	2.942,0
2013	61,9	2.082,0	0,0	200,0	421,9	2.765,8
2014	443,3	1.500,0	311,5	300,0	493,5	3.048,3
2015	161,9	2.600,0	1.000,0	0,0	0,0	3.761,9
2016	61,9	730,0	1.150,0	0,0	0,0	1.941,9
2017	61,9	177,0	1.000,0	0,0	0,0	1.238,9
2018	31,9	300,0	400,0	0,0	0,0	731,9
2019	1,9	0,0	0,0	0,0	0,0	1,9
2020 and later	21,3	0,0	750,0	0,0	0,0	771,3
Gross deposits	1.918,5	9.158,5	4.611,5	600,0	915,4	17.203,9
Direct costs and over/under discount	-0,4	83,8	16,5	0,1	0,0	100,0
Net deposits	**1.918,1**	**9.242,3**	**4.628,0**	**600,1**	**915,4**	**17.303,9**

Call/put loans divided by call/put date.

Long-term deposits as at 31.12.10 - Group

	Loans from credit institutions	Bond loan	OMF (Preferential bonds)	Subordinate loans	Debts to the government	Total
2011	0,0	2.503,0	0,0	0,0	0,0	2.503,0
2012	1.080,0	1.868,5	0,0	100,0	0,0	3.048,5
2013	60,0	2.320,0	0,0	200,0	421,9	3.001,9
2014	443,4	200,0	250,5	300,0	493,5	1.687,4
2015	160,0	2.600,0	700,0	0,0	0,0	3.460,0
2016	60,0	200,0	500,0	0,0	0,0	760,0
2017	60,0	0,0	0,0	0,0	0,0	60,0
2018	30,0	300,0	0,0	0,0	0,0	330,0
2019 and later	0,0	0,0	0,0	0,0	0,0	0,0
Gross deposits	1.893,4	9.991,5	1.450,5	600,0	915,4	14.850,8
Direct costs and over/under discount	-0,6	28,7	-3,9	-0,7	0,0	23,5
Net deposits	**1.892,8**	**10.020,2**	**1.446,6**	**599,3**	**915,4**	**14.874,3**

Call/put loans divided by call/put date.

Long-term deposits as at 31.12.11 - Parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Debts to the government	Total
2012	1.134,2	1.769,5	100,0	0,0	3.003,7
2013	60,0	2.082,0	200,0	421,9	2.763,9
2014	441,4	1.500,0	300,0	493,5	2.734,9
2015	160,0	2.600,0	0,0	0,0	2.760,0
2016	60,0	730,0	0,0	0,0	790,0
2017	60,0	177,0	0,0	0,0	237,0
2018	30,0	300,0	0,0	0,0	330,0
2019	0,0	0,0	0,0	0,0	0,0
2020 and later	0,0	0,0	0,0	0,0	0,0
Gross deposits	1.945,6	9.158,5	600,0	915,4	12.619,5
Direct costs and over/under discount	-0,4	83,8	0,1	0,0	83,5
Net deposits	**1.945,2**	**9.242,3**	**600,1**	**915,4**	**12.703,0**

Call/put loans divided by call/put date.

Long-term deposits as at 31.12.10 - Parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Debts to the government	Total
2011	41,8	2.503,0	0,0	0,0	2.544,8
2012	1.080,0	1.868,5	100,0	0,0	3.048,5
2013	60,0	2.320,0	200,0	421,9	3.001,9
2014	443,4	200,0	300,0	493,5	1.436,9
2015	160,0	2.600,0	0,0	0,0	2.760,0
2016	60,0	200,0	0,0	0,0	260,0
2017	60,0	0,0	0,0	0,0	60,0
2018	30,0	300,0	0,0	0,0	330,0
2019 and later	0,0	0,0	0,0	0,0	0,0
Gross deposits	1.935,2	9.991,5	600,0	915,4	13.442,1
Direct costs and over/under discount	-0,6	28,7	-0,7	0,0	27,4
Net deposits	**1.934,6**	**10.020,2**	**599,3**	**915,4**	**13.469,5**

Call/put loans divided by call/put date.

NOTE 49 – OTHER LIABILITIES

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
5,0	9,4	Liabilities associated with payment transfers	5,0	9,4
14,4	24,2	Trade creditors	3,3	3,3
57,3	40,9	Other liabilities	47,9	31,8
76,7	**74,5**	**Other liabilities**	**56,2**	**44,5**

NOTE 50 – INCURRED COSTS AND RECEIVED, UNEARNED INCOME

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
105,3	81,9	Accrued interest	82,2	81,2
32,9	45,0	Other accrued expenses	23,5	29,9
1,1	2,3	Received not earned income	0,9	1,5
139,3	**129,2**	**Accruals and deferred income**	**106,6**	**112,6**

NOTE 51 – ALLOCATIONS FOR COSTS AND COMMITMENTS INCURRED

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
30,1	35,8	Pension obligations (see note 53)	22,3	30,9
0,5	0,0	pecified allocations to guarantee commitments	0,5	0,0
30,6	**35,8**	**Provisions for accrued costs and liabilities**	**22,8**	**30,9**

NOTE 52 – PENSION OBLIGATIONS

Mandatory Occupational Pensions (OTP) are mandatory, and the group has schemes that satisfy these requirements. 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 reflected in the balance sheet.

As of 2007, a contribution-based pension scheme was introduced for all new employees, and other employees were given the opportunity to choose whether they wanted to continue with the defined benefit scheme or switch to a contribution-based scheme.

Pension schemes

Contribution-based

Sparebanken Øst has a collective pension scheme in Storebrand Livsforsikring AS. This scheme is contribution-based and covers old age and disability pensions to scheme members, and spouse and child pensions to members'surviving families. The contribution-based scheme currently covers 253 persons, 168 active and 85 retired, of whom 20 are completely or partly disabled.

Deposit-based

From 1 January 2007 Sparebanken Øst introduced a defined contribution scheme for all new employees in the bank while the bank's other employees were permitted to choose whether they would continue in the defined benefit plan or switch to defined contribution scheme.

The scheme is managed by Storebrand Livsforsikring AS. 5 per cent of salaries between 1 and 6 G (national insurance basis amount or in Norwegian "Folketrygdens grunnbelop"), plus 8 per cent of salaries between 6 and 12 G, are paid. Amounts paid in are managed in various Storebrand funds. The contribution-based scheme now includes 78 employees, of which none are on disability. The premiums for these are paid and expensed on an on-going basis.

Subsidiary companies

AS Financiering has a collective pension scheme which comprises 22 persons, 15 active and 7 disabled/retired. On 31 December 2007 the company's employees chose whether they wished to continue with the contribution-based scheme, or to go over to the deposit-based scheme New staff members can join the deposit-based scheme. As at 31.12.11 the deposit-based scheme includes 12 people.

Sparebanken Øst Eiendom AS has a contribution-based scheme for 5 persons, all of whom are active.

Agreement-based early retirement pension (AFP)

The banking and finance business' old AFP (early retirement scheme) agreement involved all employees being able to choose to take early retirement from the date they turn 62 years old. This scheme was phased out in February 2010 and it was only possible to take early retirement on the old scheme until 31.12.10. The gains from phasing out the scheme were recognised as income of NOK 30.7 million in 2010, and is presented as a reduction on salary costs. A remaining allocation applies to the portion for person who have taken early retirement under the old scheme. At the end of 2011, there were 17 persons receiving pensions within the old/phased out scheme.

To replace the old AFP scheme a new AFP scheme has been set up (AFP contribution act). The new AFP scheme is, in contrary to the old one, not an early retirement scheme, but rather a scheme that gives lifelong supplement on the ordinary pension. The employees can choose to take the new AFP scheme from the time they turn 62 years old, and continue to work, which provides additional income for those who work until they turn 67 years old. The new AFP scheme is a defined benefit multi-company pension scheme, and is financed through premiums determined as a percentage of the salary. Thus far there is no reliable measure and allocation for obligations and funds in the scheme. For accounting purposes this scheme is therefore treated as a contribution-based pension scheme where the premium payments are recognised as costs on a running basis, and no allocations are made in the accounts. When such considerations become relevant in the future, the AFP obligation must then according to the new scheme be carried to the balance sheet as a defined-benefit scheme.

Operating pensions

The bank has separate pension agreements in place for 4 persons on salaries above 12G, of which 3 persons are no longer employed by the bank. AS Financiering has one pension scheme for salaries above 12G charged to operations. The same applies to Sparebanken Øst Eiendom AS.

Remaining qualification period

For secured schemes Sparebanken Øst's calculations are based on a remaining qualification period for active members of 10 years, whilst Sparebanken Øst Eiendom AS and AS Financiering's calculations are based on 10 and 14 years respectively. The average remaining qualification period for operational pensions lie in intervals of 1 – 8 years.

Actuarial assumptions

Calculations are based on death table K2005 and disability tariff KU. The calculations are based on standard assumptions concerning death and disablement trends drawn up by the Finance Norway. A retirement rate is expected that slowly increases from 8% for the age group 20-24 years, and down to 0% 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	2011	2010
Expected return on pension funds	4,80%	4,60%
Discount rate	3,30%	3,20%
Annual salary growth	3,50%	3,50%
Annual G adjustment	3,75%	3,75%
Annual pension regulation	0,70%	0,50%
Employers' contribution	14,10%	14,10%

Pension costs

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Net pension costs, contribution-based scheme		
11,4	12,1	Present value of annual pension savings	9,5	10,4
8,2	10,1	Interest expenses for pension obligations	7,4	9,2
-8,2	-9,3	Expected return on pension funds	-7,5	-8,6
0,0	-30,7	Phasing out/settlement of AFP obligation	0,0	-30,7
3,5	3,1	Estimate differences recognised in the period	0,5	3,1
14,9	**-14,7**	**Net pension costs including employer's contribution**	**9,9**	**-16,6**
1,5	1,4	Premium paid, contribution-based scheme	1,3	1,2
1,0	0,0	Premium paid, AFP scheme	1,0	0,0
17,4	**-13,3**	**Total pension costs**	**12,2**	**-15,4**

Specification of pension obligations and pension funds - Group

2011 Funded	2011 Unfunded	2011 Total		2010 Funded	2010 Unfunded	2010 Total
			Changes to gross pension obligations			
235,1	27,9	263,0	Pension obligations as at 01.01.	209,3	66,4	275,7
0,0	0,0	0,0	Access and retirement	0,0	-38,3	-38,3
10,4	0,9	11,3	Costs of current period's pension earnings	10,9	1,2	12,1
7,2	0,9	8,1	Interest costs	9,0	1,2	10,2
3,1	4,1	7,2	Actuarial gains and losses	11,8	2,1	13,9
-6,5	-3,9	-10,4	Payment pension/paid-up policies	-5,9	-4,6	-10,5
249,3	**29,9**	**279,2**	**Gross pension obligations as at 31.12.**	**235,1**	**28,0**	**263,1**
			Changes to gross pension funds			
210,6	0,0	210,6	Fair value of pension funds as at 01.01.	193,1	0,0	193,1
6,7	0,0	6,7	Actual return on pension funds	7,6	0,0	7,6
14,5	0,0	14,5	Premium payments	13,9	0,0	13,9
-4,4	0,0	-4,4	Payment of pension/paid-up policies	-4,0	0,0	-4,0
227,4	**0,0**	**227,4**	**Fair value of pension funds as at 31.12.**	**210,6**	**0,0**	**210,6**
21,9	**29,9**	**51,8**	**Net pension obligation (+)/- pension funds (-)**	**24,5**	**28,0**	**52,5**
-21,4	-0,3	-21,7	Unrecognised actuarial gains	-17,1	0,4	-16,7
0,0	0,0	0,0	Unrecognised plan changes	0,0	0,0	0,0
0,5	**29,6**	**30,1**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**7,4**	**28,4**	**35,8**

2011		2010
35,8	**Net pension obligations as at 01.01.**	**70,8**
14,9	Recognised pension cost	-14,7
-16,6	Paid-in pension premiums	-15,7
-4,0	Pension payments	-4,6
30,1	**Net balance sheet pension obligations as at 31.12.**	**35,8**
12,7	Expected premium payment next year, contribution-based scheme	11,6
1,8	Expected premium payment next year, deposit-based scheme	1,6
1,2	Expected premium payment next year, new AFP scheme	0,9

2011	Placement of pension funds, percentage:	2010
25%	Money market/bonds	37%
38%	Construction bonds	26%
17%	Shares	18%
17%	Property	16%
3%	Other	3%
4,5%	Booked returns totalled	4,6%

Specification of pension obligations and pension funds - Parent bank

2011 Funded	2011 Unfunded	2011 Total		2010 Funded	2010 Unfunded	2010 Total
			Changes to gross pension obligations			
212,8	26,9	239,7	Pension obligations as at 01.01.	189,5	65,3	254,8
0,0	0,0	0,0	Access and retirement	0,0	-38,3	-38,3
8,8	0,7	9,5	Costs of current period's pension earnings	9,4	1,0	10,4
6,6	0,8	7,4	Interest costs	8,1	1,1	9,2
3,4	1,1	4,5	Actuarial gains and losses	11,0	2,3	13,3
-5,8	-3,9	-9,7	Payment pension/paid-up policies	-5,2	-4,5	-9,7
225,8	**25,6**	**251,4**	**Gross pension obligations as at 31.12.**	**212,8**	**26,9**	**239,7**
			Changes to gross pension funds			
194,2	0,0	194,2	Fair value of pension funds as at 01.01.	178,4	0,0	178,4
6,9	0,0	6,9	Actual return on pension funds	7,1	0,0	7,1
12,8	0,0	12,8	Premium payments	12,2	0,0	12,2
-4,0	0,0	-4,0	Payment of pension/paid-up policies	-3,5	0,0	-3,5
209,9	**0,0**	**209,9**	**Fair value of pension funds as at 31.12.**	**194,2**	**0,0**	**194,2**
15,9	**25,6**	**41,5**	**Net pension obligation (+)/- pension funds (-)**	**18,6**	**26,9**	**45,5**
-18,6	-0,6	-19,2	Unrecognised actuarial gains	-14,7	0,1	-14,6
0,0	0,0	0,0	Unrecognised plan changes	0,0	0,0	0,0
-2,7	**25,0**	**22,3**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**3,9**	**27,0**	**30,9**

2011		2010
30,9	**Net pension obligations as at 01.01.**	**66,0**
9,9	Recognised pension cost	-16,6
-14,6	Paid-in pension premiums	-13,9
-3,9	Pension payments	-4,6
22,3	**Net balance sheet pension obligations as at 31.12.**	**30,9**
10,8	Expected premium payment next year, contribution-based scheme	9,9
1,5	Expected premium payment next year, deposit-based scheme	1,5
1,2	Expected premium payment next year, new AFP scheme	0,9

2011	Placement of pension funds, percentage:	2010
25%	Money market/bonds	37%
38%	Construction bonds	26%
17%	Shares	18%
17%	Property	16%
3%	Other	3%
4,5%	Booked returns totalled	4,6%

Development in pensions - Group

	2011	2010	2009	2008	2007
Gross pension obligation (hedged and non-hedged schemes)	279,2	263,1	275,7	304,0	248,7
Gross fair value of pension funds	227,4	210,6	193,1	176,1	161,7
Net pension obligations	**51,8**	**52,5**	**82,6**	**127,9**	**87,0**

Development in pensions - Parent bank

	2011	2010	2009	2008	2007
Gross pension obligation (hedged and non-hedged schemes)	251,4	239,7	254,7	281,6	230,7
Gross fair value of pension funds	209,9	194,2	178,4	163,5	151,4
Net pension obligations	**41,5**	**45,5**	**76,3**	**118,1**	**79,3**

NOTE 53 – GUARANTEE LIABILITIES

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
121,0	218,6	Payment guarantees	120,3	217,3
149,7	185,8	Contract guarantees	150,4	185,8
85,1	27,8	Loan guarantees	85,0	27,7
29,7	31,6	Other guarantee liabilities	29,7	31,6
385,5	**463,8**	**Total guarantee liabilities to customers**	**385,4**	**462,4**
53,3	59,7	Guarantee to Eksportfinans ASA*	53,3	59,7
0,0	8,3	Guarantees to the Norwegian Banks' Guarantee Fund	0,0	8,3
438,8	**531,8**	**Total guarantee liabilities**	**438,7**	**530,4**

* The bank has put up a guarantee for Eksportfinans ASA. The net guarantee liability is NOK 100 million. The guarantee liability is defined as a derivative, and the net booked liability as at 31.12.11 amounts to NOK 12.3 million (NOK 40.3 million as at 31.12.10). Refer to note 21 Financial derivatives.

For the rating process in Sparebanken Øst Boligkreditt AS, the bank has issued a guarantee for all preferential bond (OMF) commitments in the housing credit company.

NOTE 54 - PLEDGES AND RIGHTS

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
3.066,9	2.926,5	Bond, nominal value, pledged as security for borrowing facilities at Norges Bank	3.066,9	2.926,5
3.066,9	**2.926,5**	**Pledges ***	**3.066,9**	**2.926,5**
938,5	**999,5**	**Preferential exchange scheme**	**938,5**	**999,5**
4.711,5	**1.450,5**	**Rights according to the Financial Institutions Act, section 2-35**	**0,0**	**0,0**

* Debt secured against pledges as at 31.12.11 is an F loan with a nominal value of NOK 1,000 million issued by Norges Bank (NOK 1,000 milllion as at 31.12.10).

Group 2011	Group 2010	Security in property	Parent bank 2011	Parent bank 2010
36,7	0,0	Liabilities with security in property	0,0	0,0
76,2	0,0	Book value of pledged properties	0,0	0,0

NOTE 55 - 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

	2011	2010
Charges in NOK thousands	0	11.999

NOTE 56 - ADDITIONAL INFORMATION CASH FLOW STATEMENT

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
		Cash and cash equivalents		
580,9	**696,5**	Cash and receivables at central banks	**580,9**	**696,5**
920,9	919,5	Treasury bills	920,9	919,5
186,9	13,7	Loans to and receivables on credit institutions that are clean placements	185,1	13,7
1.688,7	**1.629,7**	**Total**	**1.686,9**	**1.629,7**
		Changes in assets in connection with operations		
26,3	**-4,4**	Net changes in financial assets held for the purposes of trade	26,3	-4,4
-22,4	-3,4	Net changes in financial derivatives (net assets and liabilities)	-22,4	-3,4
-846,5	572,2	Net change in financial assets at fair value as determined by the result.	-883,9	822,7
23,6	329,5	Changes in gross loans to credit institutions	-960,1	487,4
-2.682,1	-2.871,6	Changes in gross loans to credit institutions	1.413,4	-1.783,0
-6,8	0,0	Net changes to other assets	-2,6	7,5
-3.507,9	**-1.977,7**	**Total**	**-429,3**	**-473,2**
		Changes in assets in connection with operations		
1.302,5	**333,4**	Changes in customer deposits	**1.304,5**	**379,8**
0,0	0,0	Change in liabilities to the state, swap of OMF preferential bonds	0,0	0,0
27,1	-469,9	Changes in debt to credit institutions	12,4	-482,1
-0,4	-18,1	Changes in other liabilities	-9,9	-73,3
1.329,2	**-154,6**	**Total**	**1.307,0**	**-175,6**
		Non-cash items included in profit before tax		
12,0	**12,6**	Write-downs on fixed assets	**6,2**	**7,9**
1,9	2,9	Amortisation of financial investments held to maturity	1,9	2,9
-26,1	1,7	Write-down of financial assets	-26,8	-0,2
6,0	8,1	Amortisation financing activities measured at amortised cost	5,6	7,8
-6,2	**25,3**	**Total**	**-13,1**	**18,4**

NOTE 57 - EQUITY CERTIFICATES

Profit per equity certificate

Earnings per. equity certificate is calculated by dividing the portion of profit after tax that goes to equity capital holders by the weighted average number of outstanding equity capital 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 is calculated based on the proportion of deficit that is drawn from the Cohesion fund.

Sparebanken Øst has not issued options or other instruments that can lead to a dilution of profits per equity certificate. Diluted profits per equity certificate are therefore not the same as profit per equity certificate.

Group 2011	Group 2010		Parent bank 2011	Parent bank 2010
155,7	305,3	After-tax profit	126,0	286,7
71,7	149,7	Profit after tax allocated to equity certificate owners	58,0	140,6
20,7	20,7	Weighted average of number of outstanding equity certificates	20,7	20,7
3,46	7,22	Profit per equity certificate	2,80	6,78

Weighed number equity certificates

2011	
Number of equity certificates in 2011	20.731.183
Total number of equity certificates in 2011	20.731.183
2010	
Number of equity certificates in 2010	20.731.183
Total number of equity certificates in 2010	20.731.183

Fractional ownership parent bank.........................

	01.01.12	01.01.11
Equity instruments	207,3	207,3
Premium reserve	387,8	387,8
Cohesion fund (excl. dividend)	154,3	137,8
Available for sale reserve	30,9	31,7
Total numerator (A)	780,3	764,6
Total equity (year's allocation for dividends excluded)	1.734,9	1.660,7
Sum denominator(B)	1.734,9	1.660,7
Fractional ownership(A/B) in %	**44,98**	**46,04**

Dividend

The Boards proposal for dividends is NOK 41,462,366, which amounts to NOK 2 per equity certificate

2011	In NOK	2010
41.462.366	Total dividends paid out	103.655.915
2	Paid out per equity certificate	5

The largest equityl certificate holders as at 31.12.11

	Name	Quantity	%		Name	Quantity	%
1	MP Pensjon	2.050.218	9,89%	11	Høibraaten, Claus Jørgen	200.000	0,96%
2	Skagen Vekst VPF.	1.500.000	7,24%	12	Hustadlitt AS	200.000	0,96%
3	Directmarketing Invest AS	999.500	4,82%	13	Terra utbytte VPF	190.649	0,92%
4	Nordea Bank Norge ASA	484.534	2,34%	14	Julius Johannessen & Sønner AS	175.000	0,84%
5	Hansen, Asbjørn Rudolf	466.443	2,25%	15	Anna AS	162.280	0,78%
6	Storetind AS	429.998	2,07%	16	Andersen, Gunnar	152.262	0,73%
7	AS Andersen Eiendom	354.500	1,71%	17	Løkke, Helge Arnfinn	148.433	0,72%
8	Sparebankstiftelsen DnB NOR	308.320	1,49%	18	Øvrum Invest AS	121.440	0,59%
9	Foretakskonsulenter AS	243.600	1,18%	19	Teigen, Hellik	120.400	0,58%
10	Teleplan Holding AS	239.665	1,16%	20	Profond AS	120.000	0,58%

Development in the equity certificate capital

Year	Issue type	Payments to equity certificate capital		Total equity certificate capital	
1988	Public issue	Norwegian Kroner (NOK)	25.000.000	Norwegian Kroner (NOK)	25.000.000
1989	Issue 1:1	Norwegian Kroner (NOK)	25.000.000	Norwegian Kroner (NOK)	50.000.000
1991	Issue 1:2	Norwegian Kroner (NOK)	25.000.000	Norwegian Kroner (NOK)	75.000.000
1991	Private placing issue	Norwegian Kroner (NOK)	20.000.000	Norwegian Kroner (NOK)	95.000.000
1993	Converted subordinate loan	Norwegian Kroner (NOK)	15.531.000	Norwegian Kroner (NOK)	110.531.000
1993	Issue 1:3	Norwegian Kroner (NOK)	36.843.700	Norwegian Kroner (NOK)	147.374.700
1993	Converted subordinate loan	Norwegian Kroner (NOK)	245.000	Norwegian Kroner (NOK)	147.619.700
1994	Converted subordinate loan	Norwegian Kroner (NOK)	5.128.000	Norwegian Kroner (NOK)	152.747.700
1994	Issue 1:3	Norwegian Kroner (NOK)	50.915.900	Norwegian Kroner (NOK)	203.663.600
1995	Converted subordinate loan	Norwegian Kroner (NOK)	395.000	Norwegian Kroner (NOK)	204.058.600
1996	Converted subordinate loan	Norwegian Kroner (NOK)	808.000	Norwegian Kroner (NOK)	204.866.600
1997	Converted subordinate loan	Norwegian Kroner (NOK)	7.893.000	Norwegian Kroner (NOK)	212.759.600
1997	Public issue	Norwegian Kroner (NOK)	60.000.000	Norwegian Kroner (NOK)	272.759.600
1999	Issue 1:3	Norwegian Kroner (NOK)	90.919.900	Norwegian Kroner (NOK)	363.679.500
2008	Dividend issue	Norwegian Kroner (NOK)	24.252.400	Norwegian Kroner (NOK)	387.931.900
2009	Impairment of face value from NOK 100 to NOK 20	Norwegian Kroner (NOK)	310.345.520	Norwegian Kroner (NOK)	77.586.380
2009	Impairment of face value from NOK 20 to NOK 10	Norwegian Kroner (NOK)	38.793.190	Norwegian Kroner (NOK)	38.793.190
2009	Rights issue	Norwegian Kroner (NOK)	168.518.640	Norwegian Kroner (NOK)	207.311.830

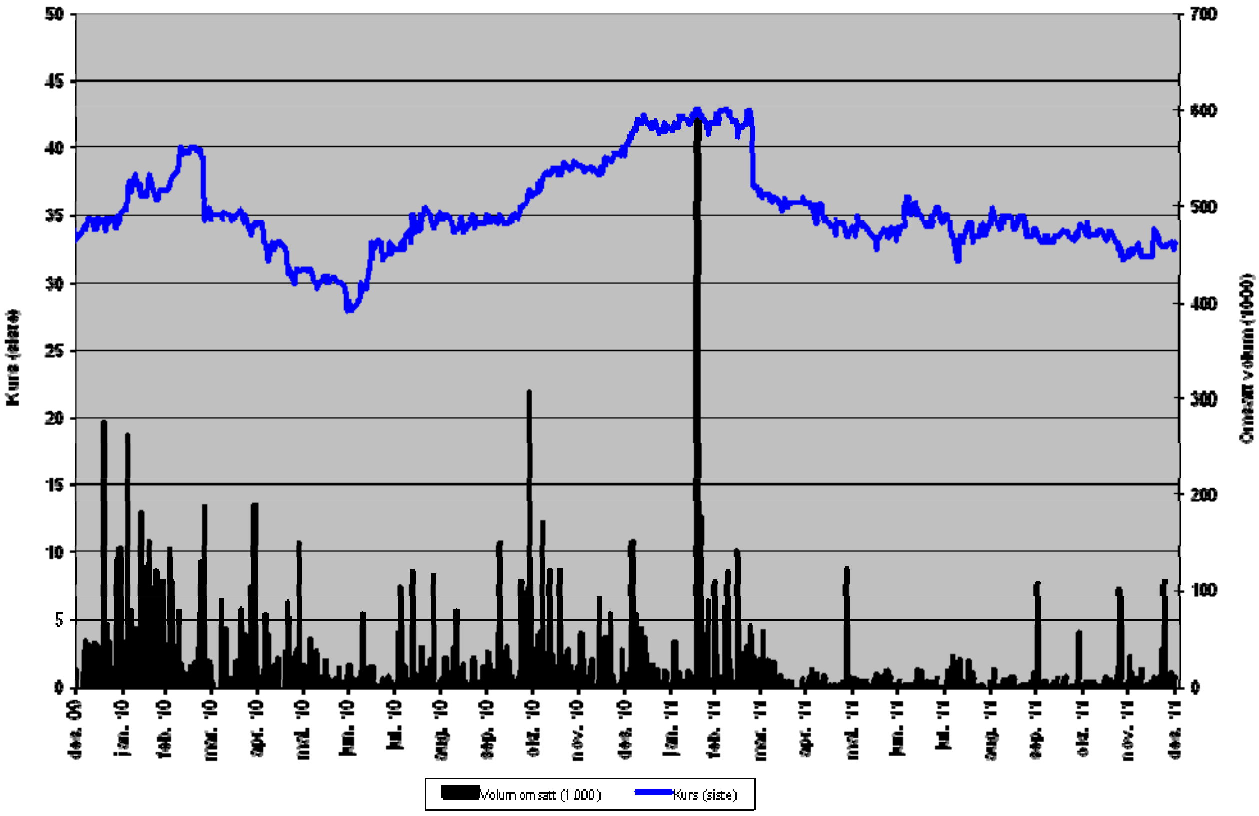
Owner statistics – geographical distribution

	Number of owners	%	Number equity certificates	%
Foreign	66	1,9%	1.309.186	6,3%
Øvre Eiker	306	9,0%	814.616	3,9%
Nedre Eiker	190	5,6%	643.414	3,1%
Drammen	235	6,9%	2.822.038	13,6%
Other parts of Buskerud	287	8,4%	683.333	3,3%
Asker/Bærum	152	4,5%	1.098.975	5,3%
Oslo	417	12,2%	7.555.105	36,5%
Trondheim	834	24,5%	375.744	1,8%
Bergen	96	2,8%	638.952	3,1%
Rest of the country	827	24,2%	4.789.820	23,1%
Total	**3.410**	**100,0%**	**20.731.183**	**100,0%**

Equity certificate's spread

Number of equity certificates per owner	Number of owners	%	Number equity certificates	%
1-100	472	13,8%	23.919	0,1%
101-1.000	1.723	50,6%	661.270	3,2%
1.001-10.000	942	27,6%	3.316.466	16,0%
10.001- 100.000	246	7,2%	7.296.801	35,2%
100.001-	27	0,8%	9.432.727	45,5%
Total	**3.410**	**100,0%**	**20.731.183**	**100,0%**

Revenue and exchange rate developments over the last two years



NOTE 58 - ELECTED REPRESENTATIVES

Board of Trustees	Number equity certificates
Jon Aas	0
Thor-Kristian Lien	0
Oddmar Nilsen	0
May-Britt Andersen	0
Nils Kr. Steenberg	0
Morten Ranvik	0
Thomas F. Halvorsen	0
Berit H. Steenberg	796
Øivind Granlund	0
Arne Gundersen	0
Lars Geir Mortensen	0
Elly Th. Thoresen	18
Thor S. Syvaldsen	0
Kåre Fredriksen	0
Liv Hausmann	0
Tom Hedalen	0
Nils Johan Rønniksen	0
Geir Opdahl	0
Jan Christian Skau	0
Anne Irene Lunden	1.000
Øivind Haugen	285
Vegard Kvamme	2.000
Halldis Kjøs Lien	200
Siren Coward	117
Ole-Martin Solberg	0
Anne Siri Rhoden Jensen	416
Rune Paule	300
Gunnar Sanden	428
Kristian Warholm	0
Gunnvor Ramnefjell	34.187
Inger Haug Fjerdingstad (representative for Fjerdingstad Eiendom)	19.000
Inger Haug Fjerdingstad	3.215
Ole B. Hoen (representative for Hoen Invest AS)	2.372
Tom R. Svendsen	3.003
Frank Borgen	33.123
Hilde Elisabeth Hofgaard	7.000
Iver A. Juel	102.152
Asbjørn R. Hansen	466.443
Trond Bollerud (representative for Melquists legat)	30.300
Eva Grothe (representative for Sparebankstiftelsen DnB NOR)	308.320
Borghild M. Dahler Nordlid	6.000
Marianne Seip	7.000
Egil Skretting	17.525
Johan Aasen (representative for Skagenfondene)	1.576.800
Kåre J. Grøtta (representative for Storetind AS)	429.998
Jørn Larsen (representative for Bondeungdomslaget in Drammen)	17.500
Finn Wang	1.050
Anne-Tonje Sanden	7.625

Board of Directors with personal close relationships	Number equity certificates
Jorund Rønning Indrelid	34.485
Roar Norheim Larsen	0
Leif Ove Sørby	87.918
Ingebjørg Mæland	0
Sverre Nedberg	163.375
Hanne Solem	0
Knut Smedsrud	0
Ann Kristin Plomås	0

Senior employees with personal close relationships	Number equity certificates
Pål Strand	0
Kjell Engen	0
Per Øyvind Mørk	0
Finn Mathisen	0
Jan-Roger Vrabel	0
Anne Siri Rhoden Jensen	416
Lars-Runar Groven	0

Control committee	Number equity certificates
Marianne Sletten	3.003
Sjur Kortgaard	0
Eli Kristin Nordsiden	897
Øivind Andersson	4.125

DONATION ALLOCATION FOR 2010 PAID IN 2011

The Board of Trustees' donation allocation committee has made the following distribution as donations for purposes for the public good:

Bakke IF	NOK	400.000
Drammen Røde Kors	NOK	300.000
Drammen & Oplands Turistforening	NOK	300.000
Mjøndalen Menighet	NOK	300.000
Fiskum Gamle Kirke	NOK	240.000
Nedre Eiker Kirke	NOK	200.000
Metodistkirken Drammen	kr.	200.000
Düvelgården	kr.	150.000
Konnerud Speidergruppe	kr.	150.000
Eiker Janitsjar	kr.	150.000
Solberg Musikkorps	kr.	145.000
Mjøndalen Betania	kr.	140.000
Strømsgodset Menighet	kr.	100.000
Filadelfia Drammen	kr.	100.000
Varlo Grendehus	kr.	100.000
Hermansenteret	kr.	100.000
Åssiden Eldresenter	kr.	100.000
Konnerud Sanitetsforening	kr.	100.000
Mjøndalen Misjonskirke	kr.	90.000
Horne Vel	kr.	80.000
Bollerud Vel	kr.	80.000
Østsiden Vel	kr.	80.000
MIF Håndball	kr.	75.000
Skotselv Skolekorps	kr.	50.000
Krokstad Skole	kr.	50.000
Eiker Arkiv	kr.	50.000
Drammen Mannskor	kr.	50.000
Skogvang Ungdomslokale	kr.	50.000
Frelsesarmeen Drammen	kr.	50.000
Hokksund Fotball	kr.	43.000
Drammen KFUK - KFUM	kr.	40.000
Solsetra Misjonssenter	kr.	40.000
Vestre Skoger Vel	kr.	40.000
Kirkens SOS	kr.	30.000
Eiker Spellemannslag	kr.	25.000
Vestfossen Blanda Kor	kr.	20.000
Drammen Kunstforening	kr.	20.000
Pavilionen Åskollen	kr.	20.000
Eknes Svømmehall	kr.	20.000
Nordbylia Nærmiljø	kr.	20.000
Total	**kr.**	**4.298.000**

The Board of Directors has also allocated donations throughout 2011, of which the most significant are:

Høgskolen i Buskerud	kr.	805.000
Marcus Thrane monument	kr.	699.166
Ungdomsfondet Øvre Eiker	kr.	250.000
Portåsen	kr.	250.000
Buskerud Idrettskrets	kr.	150.000
Kirkens Bymisjon	kr.	120.000

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Board of Trustees as
Sparebanken Øst

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Sparebanken Øst, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2011, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

In our opinion, the financial statements of Sparebanken Øst have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 December 2011 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Drammen, 15.march 2012
ERNST & YOUNG AS

Atle Terum
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

DIRECTOR'S REPORT FROM THE CONTROL COMMITTEE FOR 2011

The control committee at Sparebanken Øst has conducted a control and inspection of the bank’s activities, and ensured that the enterprise is run in accordance with provisions in the Financial Institutions Act, the Savings Banks Act, the bank’s own articles of association, the articles of the Board of Trustees, and other provisions that the bank is obligated to follow.

The control committee has reviewed the Board’s records, as well as undertaken necessary examinations as required by law and the committee’s own directives. The control committee has reviewed the Board’s annual report, profit and loss accounts, and balance sheet without these showing any reasons for comments, and has thus found the Board’s assessment of the company’s financial standing as accurate.

All documents and information the committee believed necessary for executing this work were submitted to the control committee.

Cooperation efforts between the bank’s Board of Directors, administration, and auditors have been exemplary.

The control committee refers here to the auditor’s report, and recommends that the profit and loss account and balance sheet, as well as the consolidated accounts, be established as the accounts for the bank and the group for the year 2011.

Drammen, 15.03.12

Øivind Andersson   Marianne Sletten

Eli Kristin Nordsiden   Sjur Kortgaard