170th year

ANNUAL REPORT 2012

Sparebanken Øst

CONTENTS

Key figures - Group

		2012	2011	2010	2009	2008
	Average number of outstanding equity certificates	20.731.183	20.731.183	20.731.183	15.606.370	3.778.267
	Average equity (NOK mill.)	1.966,5	1.814,5	1.632,2	1.343,4	1.305,4
	Average total assets (NOK mill.)	28.693,6	26.502,2	23.515,3	23.556,2	22.885,9
1.	Return on equity capital (%)	13,43	8,58	18,70	21,92	-29,56
2.	Result - level I (%)	0,92	0,59	1,30	1,25	-1,69
3.	Result - level II (%)	1,35	0,86	1,66	1,81	-1,15
4.	Net interest income (%)	1,78	1,66	1,78	2,05	1,91
5.	Costs/income (before credit losses) (%)	42,84	55,95	41,82	42,04	1.033,91
	Costs/income excl. yields on financial investments (%)	48,06	55,77	56,77	55,43	57,06
6.	Cost effectiveness - personnel costs (%)	0,56	0,63	0,60	0,75	0,68
7.	Cost effectiveness - other costs (%)	0,39	0,42	0,54	0,51	0,54
8.	Cost effectiveness - total operating costs (%)	1,01	1,09	1,19	1,31	1,28
9.	Equity capital ratio (%)	6,97	6,55	7,12	6,84	4,42
	Asset growth during the last 12 months (%)	4,00	15,16	12,65	-12,76	14,28
	Growth in lending to customers during the last 12 months (%)	1,71	13,65	17,12	-4,91	4,15
10.	Losses as a ratio of net lending (%)	0,11	0,09	0,06	0,17	0,56
11.	Loss provisions as a ratio of gross lending (%)	0,65	0,64	0,86	0,92	0,87
12.	Overall deposit coverage (%)	51,81	40,27	39,18	43,91	43,68
	Capital adequacy (%)	15,68	15,77	17,16	17,11	11,51
	Core capital ratio (%)	14,85	14,23	15,39	14,15	8,39
13.	Tier 1 capital ratio (%)	12,76	12,07	12,93	11,96	7,03
	Number of man-years	224	252	261	267	271
	Dividend (NOK)	3,00	2,00	5,00	4,00	0,00
14.	Profit per equity certificate after tax, NOK	5,73	3,46	7,22	7,05	-8,05
15.	Profit coverage per equity certificateafter tax, NOK	12,74	7,51	14,73	14,20	-102,13
16.	Equityratio as at 01.01. (%)	44,98	46,04	49,05	49,63	33,39
17.	Equity per equity certificate (NOK)	43,14	40,49	39,14	35,56	124,47
	Equity certificate turnover (traded volume/total)	11,69	21,61	45,09	103,10	8,21

Definitions

1. After-tax result as a percentage of average equity capital
2. After-tax result as a percentage of average assets
3. Result before losses on loans/guarantees as a percentage of average assets
4. Net interest and commission income as a percentage of average assets
5. Total other operating costs as a percentage of net interest and commision income and total other income
6. Personnel costs as a percentage of average assets
7. Other operating costs as a percentage of average assets
8. Total other operating costs as a percentage of average assets
9. Equity capital excluding dividend as a percentage of assets
10. Credit losses on customers as a percentage of net lending at the start of the period
11. Loan loss provisions as a percentage of gross lending to customers
12. Deposits from customers as a percentage of net lending to customers
13. Net tier 1 capital less hybrid capital in tier 1 capital as a percentage of the calculation basis
14. Equity certificate owners' ratio of profit after tax, based on primary capital ratio january 1st.
15. Profit after tax distributed on average number of equity certificates
16. Equity certificate holders' capital in % of total equity capital (excl. provision for annual dividend) (Basis on 01.01, time-weighted on issu
17. Primary capital distributed on average number of equity certificates. The year's provision for dividend is excluded from the calculation

REPORT OF THE BOARD OF DIRECTORS FOR 2012

This is the annual report for the bank's 170th 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 21 offices. During the year a new branch was established in Kongsberg. In the national market, self-service Internet clients have access to competitive prices for a narrower range of products. This applies to the Internet channels DinBank.no, Boligkreditt.no and Topprente.no.

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

The bank has a total effective customer spread of almost 2 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 of Directors believes that the bank's growth can best be achieved with organic growth.

VISION AND STRATEGY

Vision

Sparebanken Øst wishes to be a leading savings bank in southeastern Norway.

Business idea

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

General financial goals

Sparebanken Øst is to be a profitable bank, run according to sound 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 as a percentage of average equity, should amount to at least 11 per cent (Group).

<u>Capital adequacy</u>

The Group's capital must be a minimum of 5 per cent above the statutory requirement of 8 per cent, whereby the tier 1 capital must be at least 11 per cent.

Core values

The core values to support the vision are: predictable, homespun and forward-leaning.

Savings bank identity

Sparebanken Øst must be:

- Socially minded and have high ethical requirements
- A 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 Kongsberg, 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 approximately one 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.

There are 160,000 people resident in our local market, of whom 65,000 in Drammen. The business development in the municipalities is sound, and the business community is thriving. Strong population growth and an increase in commercial enterprise are expected. This means that a large market is available to us.

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 authorisation scheme for financial advisors (AFR). At the beginning of the year the bank had 52 qualified authorised financial advisors.

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

In our local market we want to, as 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 generally 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 by the bank's three central financial objectives.

Risk tolerance
Banking activities require 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.

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

The profit for the year will be divided between equity certificate holders and primary capital in accordance with their 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 dividend. In a normal year, around 10 per cent will be allocated for donation purposes.

On determining the dividend and donations, allowance will be made for 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.

Subsidiary companies

AS Financiering
The company aims to be a leading player in financing purchases of second-hand cars. The company shall contribute to increased profits in Sparebanken Øst every year.

Sparebanken Øst Eiendom AS
The company shall be an active and leading player in the development, management and leasing of real estate. An acceptable annual profit shall be contributed to Sparebanken Øst, while at the same time real estate must achieve increased market value.

Sparebanken Øst Boligkreditt AS
The purpose of Sparebanken Øst Boligkreditt AS is to issue preferential bonds against mortgages purchased from the bank in order to achieve lower funding costs for the Group.

Multi-branding

Sparebanken Øst has chosen a threefold, segmented market model. We have chosen "House of Brands" as our brand strategy.

DinBANK.no
DinBANK.no is Sparebanken Øst’s online service which started up in 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 real estate, 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.

YoungBank.no
The concept is designed to offer young people a technical and communication banking platform that is matched to this customer group.

Topprente.no
Topprente.no was established in March 2011. Topprente.no offers highly competitive interest rates on savings and has been established as an effective self-service concept. At the end of the year Topprente.no had 5,200 customers from all over the country, predominantly customers in the counties of Oslo, Akershus and Buskerud.

Boligkreditt.no
Boligkreditt.no was established in December 2012. This is an Internet-based self-service concept that offers mortgage loans against owner-occupied homes as collateral. Boligkreditt.no offers one of the market’s best interest rates on mortgage loans of over NOK 2 million for up to 70 per cent of the property’s market value.

THE NORWEGIAN ECONOMY IN 2012

There was increased activity in the Norwegian economy in 2012, against a backdrop of uncertainty and turbulence abroad. The Eurozone is in a new recession, driven by sovereign debt crises, low consumption and low investments. The USA is achieving moderate growth, but still faces major political and economic challenges. China and the other emerging economies are the key drivers of global growth, but have begun to be affected by the constraints faced by their trading partners. Throughout 2012 the world’s largest central banks undertook extensive measures by lowering official interest rates and contributing substantial liquidity, and this reduced uncertainty to a degree in the second half-year, especially in the Eurozone. The effect is a record-low interest-rate level and reduced risk premiums in the financial markets, also in Norway. At the start of 2012, Norges Bank had just substantially reduced its official interest rate in order to dampen the effect of the weak economic development seen by our trading partners. Money-market interest rates fell considerably from January to September, and the outlook for higher interest rates has been pushed further into the future.

A Norway out of economic sync with Europe has led to a considerable influx of manpower, but we still have a stable low level of unemployment (3.1-3.5 per cent in 2012). Disposable real incomes increased strongly last year and SSB expects continued considerable real income and wage growth in 2013. Housing price increases of 6.7 per cent, as well as low interest rates, give high household credit growth, and residential construction has increased strongly. Throughout 2012 lending to private households increased by 7.2 per cent, while the growth in credit extension to businesses was 5.0 per cent.

The economy shows clearer signs of a split: reduced traditional exports due to the strong Norwegian exchange rate and lower demand from the Eurozone; and an increased level of activity in the petroleum-related sector, due to new discoveries and a high oil price. In 2012, private services linked to the oil-related industry and building and construction were the strongest drivers behind GDP growth of 3.5 per cent for mainland Norway, and 3.2 per cent in total. Low consumption growth both for private households and in the public sector affected growth negatively. In the fourth quarter, GDP growth for mainland Norway was declining, at only 0.3 per cent. Consumer price inflation fell to 0.8 per cent, driven down in particular by the decline in electricity prices and low price inflation for imported goods. Core inflation, KPI-JAE, is as low as 1.2 per cent.

Growth in the Norwegian economy is reliant on international development. The sovereign debt crisis and bank problems have been affecting the Eurozone and the USA for many years. Even though the situation seems to be less volatile than before, it is still uncertain. Major financial assistance packages have remedied the situation to a degree, but the need for structural changes and cuts in government expenditure means that economic conditions will be difficult for many years to come in many of the countries with high sovereign debt. This will probably dampen growth in the industrialised countries for a sustained period. The oil price will be a key factor in ensuring continuing strong domestic demand.

BUSINESS IN 2012

IFRS (International Financial Reporting Standards)

Sparebanken Øst's consolidated and financial statements for 2012 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 2012, the Group achieved a pre-tax profit of NOK 362.1 million, compared with NOK 210.5 million in 2011. The increase stems mainly from increased net interest income, net value changes and gains/losses on financial investments, and increases in other income in the subsidiary Sparebanken Øst Eiendom AS.

As a percentage of average total assets, the profit before tax amounts to 1.26 per cent, compared to 0.79 per cent for the same period last year.

The profit after tax amounts to NOK 264.1 million, compared to NOK 155.7 million in 2011. The return on equity in 2012 is 13.43 per cent, compared to 8.58 per cent in 2011.

Net interest income

Net interest income and credit commission was NOK 509.5 million, showing an increase of NOK 68.5 million compared to 2011. There was positive growth in net interest income and credit commission in all four quarters of 2012. The largest increases were in the first and second quarters, but the bank also enjoyed moderate increases in net interest income and commission in the third and fourth quarters.

Net interest income and credit commission corresponds to 1.78 per cent of the average total assets, as compared to 1.66 per cent in 2011.

Operating income

Dividends received from equity instruments amounted to NOK 11.4 million in 2012 compared to NOK 31.1 million in 2011. The reduction was mainly due to Eksportfinans ASA's failure to pay dividend in 2012. NOK 4.4 million in dividend and income from securities with variable returns concerning money-markets funds was recognised as income in 2012. In addition, the parent bank recognised NOK 48.0 million as dividend from subsidiaries in 2012.

Commission and income from banking services amounted to NOK 86.1 million, with a decrease by NOK 4.9 million from 2011. Commission income was high in 2011, in view of the large income amounts recognised concerning one individual commercial customer. Commission income is derived from traditional banking services.

Commission costs and costs of banking services amounted to NOK 38.3 million, showing an increase of NOK 5.7 million compared with 2011. The increase is completely attributable to agency commission in AS Financiering as a result of increased lending.

Net value adjustments and gains/losses on financial assets of NOK 62.3 million were recognised as income in 2012. Of this income, an amount of NOK 52.5 million was attributable to the Eksportfinans ASA guarantee. By way of comparison, net value changes and gains/losses on financial assets amounted to a loss of NOK 32.8 million, of which NOK 6.1 million was attributable to the Eksportfinans ASA guarantee.

Other operating income amounted to NOK 46.7 million, which is an increase of NOK 25.9 million compared with 2011 and is attributable to increased leasing income and capital gains on the sale of property in Sparebanken Øst Eiendom AS.

Operating costs

Total operating costs amounted to NOK 290.3 million, which corresponds to 1.01 per cent of average total assets. In comparison, total operating costs amounted to NOK 290.1 million in 2011, equivalent to 1.09 per cent of average total assets. In January 2012, the bank implemented a cost cutting programme for the parent bank. The programme was aimed at a reduction in the number of employees through natural wastage and an employment stop to 195 full-time equivalents at the end of 2012. In 2012, the parent bank’s total costs were reduced to NOK 238.1 million, compared with NOK 245.4 million in 2011.

Payroll and general administration costs amounted to NOK 222.7 million in 2012, compared with NOK 230.5 million in 2011. In 2012, NOK 5.1 million (including employer tax) was allocated to profit dividends for employees. No allocations for profit dividends were made in 2011.

The Group’s FTE positions at the end of 2012 amounted to 224, compared with 252 at the end of 2011. At the end of 2012 the number of FTE positions in the parent bank was 195, compared with 223 at the end of 2011.

Depreciation in 2012 amounted to NOK 16.7 million, which is an increase of NOK 4.7 million compared with 2011. The increase is attributable to the completion of a commercial construction project by the subsidiary Sparebanken Øst Eiendom AS. The increase in consolidated depreciation must be viewed in the light of considerably higher income from the leasing of property from the same company.

Other operating costs amounted to NOK 50.9 million in 2012, compared with NOK 47.6 million in 2011. The increase in other consolidated operating costs is mainly attributable to Sparebanken Øst Eiendom AS, and should be viewed in the context of considerably higher income from the leasing of property from the same company.

Losses on loans and guarantees

The Group entered losses on loans and guarantees of NOK 25.3 million in 2012, compared with NOK 17.9 million in 2011. The increase is attributable to increased losses in the subsidiary AS Financiering. The loss for the parent bank is very limited and amounted to NOK 7.3 million in 2012, compared with NOK 7.9 million in 2011.

Individual impairment losses on loans and guarantees to customers amounted to NOK 105.4 million at the end of 2012, compared to NOK 100.7 million at the end of 2011.

Impairment losses on groups of loans to customers amounted to NOK 43.3 million at the end of 2012, and are unchanged since the beginning of the previous year.

Gross defaults and non-performing exposures amounted to NOK 426.7 million at the end of 2012, compared with NOK 396.1 million at the end of 2011. Net defaults and non-performing exposures were NOK 322.4 million, showing an increase of NOK 26.5 million from 31.12.11.

Allocation of the annual profit

The Board of Directors proposes that the annual profit of the parent bank be allocated as follows. A dividend of NOK 3.00 per equity certificate is proposed.

(Amounts in NOK million)	**2012**
Equity certificate dividend	62.2
Transferred to equalisation reserve	42.5
Transferred to primary capital	123.1
Endowments	5.0
Profit for the year	**232.8**

The equalisation reserve (excluding dividends) presently amounts to NOK 196.8 million, which is equivalent to NOK 9.49 per equity certificate

Balance sheet

Total assets have increased by NOK 1,141.0 million since the beginning of the previous year, and amounted to NOK 29,637.9 million at the end of 2012.

Cash and receivables at central banks, as well as Treasury bills, seen in total, declined by NOK 302.1 million from the end of the previous year and amounted to NOK 1,199.7 million as at 31.12.12.

Net loans to credit institutions have declined by NOK 237.1 million since 31.12.11, and amounted to NOK 4.1 million as at 31.12.12.

Net loans to customers amounted to NOK 22,560.2 million, which represents growth of NOK 376.7 million since the end of the previous year, equivalent to 1.7 per cent. Net lending to private customers increased by 4.2 per cent, while net lending to business customers declined by 6.5 per cent.

Gross loans to private customers accounted for 78.0 per cent of total loans to customers.

Holdings of equity certificates and bonds show an increase of NOK 675.1 million since the end of the previous year and amount to NOK 3,946.2 million. In addition, Treasury bills show a decrease by NOK 424.5 million since the end of the previous year, amounting to NOK 496.4 million at the end of 2012.

The liquidity portfolio, including Treasury bills and money-market funds, amounts to a nominal value of NOK 4,911.7 million and a market value of NOK 4,947.3 million.

The liquidity portfolio’s weighted average maturity up to the agreed due date is estimated at 2.18 years

The bank makes use of money-market funds as part of its liquidity management. The funds are exposed to very low credit risk, with good liquidity, and are an alternative to the bank’s own management of bonds in the liquidity portfolio. The fund units are listed in the balance sheet under shares and other securities at variable yields.

Deposits from customers amounted to NOK 11,687.9 million as at 31.12.12, having increased by NOK 2,755.2 million, equivalent to 30.84 per cent, over the previous 12 months. Deposit cover at the end of 2012 amounted to 51.81 per cent, compared with 40.27 per cent as at 31.12.11.

Liabilities arising from the issuance of securities amounted to NOK 13,612.0 million, a decrease of NOK 258.3 million since the end of the previous year. Issues in 2012 consisted of both senior bonds and preferential bonds. The bank is enjoying good access to the Norwegian bond market at prices in line with comparable banks. In 2012, the Group issued preferential bonds in the Swedish capital market.

Other long-term borrowing amounted to NOK 844.5 million at the end of 2012, showing a reduction of NOK 1,073.6 million since the beginning of the year. The reduction can mainly be attributed to the redemption of F loans at Norges Bank for a value of NOK 1,000 million. At the end of 2012 the Group had no F loans with Norges Bank.

In 2009, the bank participated in the government exchange scheme for an amount of NOK 915.4 million, and in 2012 redeemed NOK 421.9 million of this amount.

Short-term funding (defined as funding with a remaining maturity of less than 1 year) amounted to NOK 1,915.0 million.

RISK CONDITIONS

Credit risk

Credit growth has declined in 2012. This is related to the increased capital requirements in the banks, as well as high household savings rates. The development in credit risk is monitored on an ongoing basis via quarterly reports to the Management and Board of Directors. The risk development has been positive, with an increase in the ratio of lending with low risk. The risk on lending to customers is measured by classifying the risk that each customer represents, as an integrated element of the credit process. Customers are classified by risk based on a calculation of private customers’ free liquidity after costs, analyses of key ratios in companies’ accounts, level of indebtedness, collateral, and assessment of other more specific factors.

The breakdown of ordinary lending activities in the Group by sector as at 31.12.12 is 78 per cent as gross lending to private customers and 22 per cent as lending to business customers. A small ratio of loans to companies contributes to a low concentration risk.

The bank's loan portfolio to private customers and companies is distributed geographically in the central southeastern area of Norway, with emphasis on the municipalities of Øvre Eiker, Nedre Eiker and Drammen. The lending activities are not deemed to be particularly exposed to individual companies (cornerstone industries) or one-sided economic development in the region. The proximity to Oslo gives both private customer and business customer activities a large market area with flexibility in terms of customers and markets.

The lending portfolio to business customers is divided into different business sectors. The exposure to property and property development accounts for a relatively large share. Trading and operation of real estate accounts for 52 per cent of the business portfolio. Measured as a ratio of the total lending portfolio in the Group, exposure to the trading and operation of real estate is still not more than 12 per cent. Real estate is a cyclical industry that is particularly vulnerable in periods of economic downturn. The exposures are nonetheless considered to be well-secured, often with additional collateral.

Losses on lending and guarantees were low in 2012. More than half of the losses are due to losses in the subsidiary AS Financiering, and must be viewed in the context of the strong growth in lending in 2011.

Net defaults and non-performing exposures increased somewhat in 2012, The quality of the portfolio is stable and individual write-downs and write-downs on groups of loans are considered to be adequate. An ordinary review of defaults and non-performing exposures was performed.

Placement in fixed-income securities for liquidity purposes is linked to the liquidity management strategy adopted by the Board of Directors. The adopted strategy, and the investment policy, specifies risk tolerance, allocation to asset classes, frameworks and mandates. In addition, a significant element of the portfolio must be suitable for use as collateral for a borrowing facility at Norges Bank On placing funds in certificates and bonds, the risk is assessed on the basis of the securities' liquidity, the issuer's rating and other counterparty-specific factors. Fixed-income securities are recognised at market value, so that changes in risk are continuously reflected in the accounts. Disregarding unrealised value increases, there were no credit losses on the securities portfolio in 2012.

Market risk

Interest risk is kept within fixed limits and is limited since assets and liabilities have variable interest rates or have been swapped to variable-interest-rate terms. Credit spread risk, or the risk of margin changes on fixed-income securities, is managed so that the loss on a given change in the credit spread does not exceed a fixed level. Currency risk is hedged via the use of forward contracts or basis swaps. Exposure to equity instruments excluding the bank's subsidiaries and strategic investments is limited.

Liquidity risk

The bank maintains a conservative approach to liquidity risk in which a long-term, proactive view in relation to future maturity is a fundamental factor. 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.

The bank has its own framework for liquidity buffers that provide a robust liquidity position. This means, among other things, that the bank must at all times have sufficient liquidity to manage 12 months' normal operations without the injection of new liquidity. The liquidity prognosis for the bank shows adequate liquidity as at the end of 2012, which is in line with the objective of 12 months 'operations.

Deposits are a key source of financing for the banks. After the financial crisis, the competition for deposits has intensified. Adjustments to the range of products available to our customers has led to an increased influx of deposits. Topprente.no has made a particular contribution to increasing the bank's deposit cover.

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

The Norwegian market for preferential bonds is the most important funding source for the Group. The OMF market has developed and become deeper and more liquid in 2012, and is becoming a central element of the Norwegian securities market. Preferential bonds provide security to investors in the form of preferential rights to low-risk home loans. The market is attractive for Norwegian institutional investors because the supply of Norwegian government debt is low due to the strong Norwegian government finances. Based on the economic situation in Europe and the rest of the western world, this market is also attractive to international investors. Issuing preferential bonds ensures that the Group has access to external capital. Emphasis is therefore on a strategy to issue preferential bonds. Today, Sparebanken Øst also has bilateral loans from European banks and insurance companies as funding sources.

Operational risk

Operational risk is subject to management and control via annual reviews of the bank's key processes and quarterly reporting of registered incidents and the assessed risk level to the Board of Directors and Management. The Group has not registered significant losses due to the failure of internal processes, systems, human error or unforeseen events in 2012.

CAPITAL ADEQUACY

Long-term capital management in Sparebanken Øst is intended to ensure good solvency and adequate liquidity for the entire Group. Good solvency is maintained first and foremost by ensuring that there are sufficient capital buffers in excess of the minimum capital requirements. Net subordinate capital amounted to NOK 2,312.6 million at the end of 2012, of which the Group's net tier 1 capital amounted to NOK 2,190.3 million. With a calculation basis of NOK 14,748.8 million, this represents capital adequacy of 15.68 per cent, of which 14.85 per cent is tier 1 capital adequacy. This entails actual capital adequacy above the internal targets of 13 per cent and 11 per cent, respectively, and an adequate buffer above the minimum requirements.

Actual tier 1 capital adequacy amounts to 12.76 per cent. The bank applies the standard method in the Basel II rules to calculating the minimum requirement of the subordinate capital for credit risk. The calculation related to operational risk is calculated using the basis method.

Using ICAAP, the bank's Board of Directors continuously assesses the equity requirement. The assessments take place at Group level, with assessment of the ongoing development. Growth and planned growth in loans and other assets will therefore always take account of the need for buffer capital. Otherwise significant emphasis is placed on maintaining prudent 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. The bank does not currently have any plans for new equity issues. In 2012, the bank redeemed a subordinate loan of NOK 100 million. The bank continuously assesses the need to raise subordinate loans and fund notes.

RATING

The bank has an A3/P-2 rating from Moody's Investors Service. The rating outlook is stable. Moody's last confirmed the bank's rating in its Credit Opinion dated 5 July 2012.

SUBSIDIARIES

Sparebanken Øst Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Øst. The company was established on 14 April 2009 with the object of granting or acquiring home mortgage loans, property mortgage loans, loans secured by liens on other registered assets or public loans, and financing lending activities, mainly by issuing preferential bonds. The loan-to-value ratio (LTV) at the end of 2012 was 45.3 per cent, compared with 46.2 per cent at the end of 2011.

At the end of 2012, the company's total assets amounted to NOK 8.478,8 million and mainly consisted of first priority mortgages on homes, which are financed via preferential bonds and drawing rights on the parent company. The company's paid-in capital is NOK 450.0 million, of which NOK 266.5 million is share capital and NOK 183.5 million makes up the share premium account. The result after tax was a profit of NOK 46.4 million in 2012, compared with NOK 2.9 million in 2011. The company has no employees, but procures services from Sparebanken Øst. Since the first quarter of 2011, preferential bonds issued by Sparebanken Øst Boligkreditt AS have been rated AAA by Moody's Investors Services.

AS Financiering is a wholly-owned financing subsidiary of Sparebanken Øst. Its main product is debenture financing of vehicles, with the main emphasis on second-hand cars. The company achieved a profit after tax of NOK 26.6 million in 2012, compared with NOK 17.6 million in 2011. Total assets amount to NOK 1,570.8 million. Growth in net lending to customers amounted to 10.6 per cent in 2012, compared with 39.8 per cent in 2011. At the end of 2012, the company had 25 employees, equivalent to 23 full-time equivalents.

Sparebanken Øst Eiendom AS' main object is standard property operations, including purchase, sale, rental and development of real estate, and the purchase and sale of fixtures and fittings within various business areas. In 2012, with effect from 01.01.12, a Group demerger took place whereby six of the properties were divested to subsidiaries of Sparebanken Øst Eiendom AS. The companies established were Arbeidergaten 28 AS, EngeneKvartalet AS, Krokstad Terasse AS, Stasjonsgaten 12 AS and Tollbugt 49-51 AS. Operating income totalled NOK 49.9 million in 2012, compared with NOK 23.6 million in 2011. The increase stems from increased rental income and management income as a consequence of the completion of an industrial construction project in Drammen, leasing income from the Hawø Eiendom AS subsidiary, and capital gains on the sale of real estate. The result after tax is an overall profit of NOK 9.2 million in 2012, compared with NOK 2.4 million in 2011. The company has seven employees, equivalent to six full-time equivalents, and the share capital is NOK 35.1 million.

Øst Prosjekt AS' main object is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees and the share capital amounts to NOK 12.0 million. Profit after tax amounted to NOK 0 million in 2012, compared with a profit of NOK 5.7 million in 2011. The profit in 2011 was primarily due to gains on the sale of shares.

EMPLOYEES, MANAGEMENT AND THE BOARD OF DIRECTORS

At the end of 2012 the group had 243 employees, equivalent to 224 active full-time equivalents. The number of full-time equivalents in the parent bank is 200, with 195 active full-time equivalents in 2012. The average age is 49. The Group's objective is to be a workplace with full equality between men and women. The Group's policy includes provisions designed to prevent gender discrimination in such matters as salary, promotion and recruitment. The proportion of female employees in the parent bank is 64.2 per cent. The number of managers was reduced by 25 per cent during 2012. The proportion of women in managerial positions declined somewhat in 2012 compared to 2011, and amounted to 27 per cent at the end of the year. The average age of employees in managerial positions is 45 years. When advertising managerial positions there is focus is placed on internal recruitment.

Pål Strand is the company's CEO. The executive management currently consists of the following persons:

Pål Strand, born 1965
CEO
Employed by the bank since 1984

Anne Siri R. Jensen, born 1961
HR manager
Employed by the bank since 1985

Per Øyvind Mørk, born 1965
Manager – Marketing and communication
Employed by the bank since 2011

Lars-Runar Groven, born 1966
Manager - Credit
Employed by the bank since 1992

Kjell Engen, born 1969
Vice President (finance and internal operations)
Employed by the bank since 2003

Jan-Roger Vrabel, born 1971
Manager - Private market
Employed by the bank since 2011

Halvor Kirkebøen, born 1955
Manager – Corporate market
Employed by the bank since 2012
Has also previously been employed by the bank

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
Vice Chair from 2003, Chairperson from 2009
Former deputy member of the Board and control committee

Elly T Thoresen, born 1957
Teacher
Board member since 2012
Previous Board of Trustees member

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

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

Knut Smedsrud, born 1960
Lawyer
Board member since 2009
Vice 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

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

Follow-ups in connection with robberies are included in the bank’s 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 occupational health service. The bank was not subject to any robberies in 2012. No personal injuries were registered, nor any accidents of any kind among the employees.

Total illness-related absence amounted to 6.41 per cent of total working hours in 2012, compared to 4.75 per cent in 2011, 5.39 per cent in 2010, 4.86 per cent in 2009 and 4.94 per cent in 2008. Sick leave in 2012 was distributed as 3.3 per cent for men and 8.4 per cent for women.

THE EXTERNAL ENVIRONMENT
Wherever possible, there is consistent use of district heating, and otherwise electrical heating is used in the bank’s buildings, hereby limiting the bank’s impact on the external environment.

MEASURES TO PREVENT MONEY LAUNDERING AND FINANCING OF TERRORISM
Sparebanken Øst has established procedures and instructions in order to comply with all laws and regulations concerning the prevention of money laundering and the financing of terrorism. We have placed considerable emphasis on training and building awareness. Extensive control routines have also been established to detect any deviations.

Sparebanken Øst undertakes risk-based customer control of all new customers according to the "know you customer" principle. This also involves checking of identity and storing copies of identification documents. Furthermore, there is continuous follow-up of existing customers and the 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.

During 2012, we reported 34 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 a small reduction from 2011, when 38 cases were reported.

In connection with the establishment of the Topprente.no and Boligkreditt.no deposit concept, the bank has begun to use electronic identification and signature on the establishment of new customers and new agreements. During 2013 this will also be implemented in other parts of the bank.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

In addition to the managing and controlling agencies at the bank, an all-inclusive internal steering and control system has been developed to ensure effective and targeted operation of the bank’s activities. Annual strategies are prepared within all business areas, with regular reporting of credit risk, operational risk and liquidity and market risk to the Board of Directors.

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 and business customers is the bank's largest area of operation. Authorisations are mainly given to central credit functions. Personal authorisations are limited.

The Board of Directors’ annual review and reporting

The Board of Directors’ annual review of the strategic plans is the basis for the Board of Directors’ consideration and resolution of cases during the year. Review of the bank’s risk is part of this annual review. A quarterly review of more operational risks is also performed. The Board of Directors also performs an annual review of key management documents in the bank, in order to ensure that they are updated and cover relevant areas.

Various internal control bodies

BSK
The bank's balance sheet management committee (BSK) holds regular meetings where the status and measures with regard to the liquidity situation are discussed. The CEO, Vice CEO, Business Controller and Financial Manager attend BSK meetings.

PM Kreditt
PM Kreditt is a central credit function and is the authorisation body for the granting of credit to private customers. The credit function is located and organised as one unit. The department decides on the granting of credit to all private customers of the bank. Use of individual authorisations is very limited.

Credit department
The credit department takes credit decisions above a certain size for customers in the business market and the private customer market. The department consists of four credit managers. If the required credit authorisation exceeds the authorisation given to the credit department, a final decision on the case is made by the Board of Directors. Smaller exposures are entered into in accordance with the adopted framework and personal authorisations in the business customer department.

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

Controllers
The bank has three independent controllers. They all report directly to the CEO. The Controllers each have their own work areas and cover business, risk and compliance, respectively. The Controllers submit quarterly reports to the CEO, who presents them to the Board of Directors. The compliance status is also reported in an annual report from the CEO to the Board of Directors.

Key process
The bank’s executive management group annually defines the bank’s most critical business areas, and performs a risk assessment of each area. Any measures are followed up by the compliance function.

Anti-money laundering officer
A separate operative position as anti-money laundering officer has been created. The position entails following up on compliance with the regulations, as well as control of all new customer undertakings.

Internal auditor, Financial Supervisory Authority of Norway, Moody’s Investor Service

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.

Banks are required by law to undergo internal audits in accordance with fixed standards and the regulations of the Financial Supervisory Authority of Norway. The bank’s internal auditor in 2012 was KPMG. The internal auditor undertakes an annual statutory audit of risk management and internal control, and reports the results of the various controls to the Board of Directors and Management. The bank finds that KPMG holds the required expertise within the central specialist and risk areas that affect the bank’s operations. The bank's two subsidiaries, AS Financiering and Sparebanken Øst Boligkreditt AS, are also subject to statutory internal audits.

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

The international rating company Moody's Investor Service performs an annual review of the bank's operations and follows this up with regular rating reports that make it possible for external parties to assess the risk related to 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 income and credit commission is influenced by competition in the banking market. Increased competition moving forward will exert pressure on the margins for the bank's lending products. The bank's funding costs are affected by continued low market interest rates.

The bank assumes a nominal decrease in costs compared with 2012. Losses on loans to customers are a risk area, but these are expected to lie within the long-term targets.
The bank is making major investments in insurance products. The focus is long-term in nature and the scope of earnings will increase even further in the years ahead.

Market-value fluctuations in the guarantee to Eksportfinans ASA and securities in general cannot be excluded. Eksportfinans ASA has received a writ of summons from investors in Japanese Samurai bonds. Eksportfinans ASA has strongly refuted this summons.

As from 1 January 2013, changes will be introduced to the accounting principles for pensions (IAS 19). The corridor method will be removed and estimated deviances at the time of implementation will be posted against equity via the overall result. The implementation effect as of 1 January 2013 gives an estimated positive equity effect of NOK 3.9 million. In 2012, the Group set the discount rate on the basis of preferential bonds (OMF), rather than the government bond yield as before.

BOARD OF DIRECTORS AND ADMINISTRATION THANKS

the bank's customers, business partners, and elected representatives for supporting the bank and its activities. The Board and administration wishes to praise its employees for their great efforts made in 2012.

Hokksund, 31 December 2012
Drammen, 14 March 2013

Jorund Rønning Indrelid Chairman	Knut Smedsrud Vice Chairman	Morten André Yttreeide
Roar Norheim Larsen	Sverre Nedberg	Elly Therese Thoresen
Hanne Solem	Ann Kristin Plomås Employee representative	Pål Strand CEO

CORPORATE GOVERNANCE IN SPAREBANKEN ØST

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

The Board of Directors and Management of Sparebanken Øst annually assess the corporate governance principles and how they function in the organisation. Sparebanken Øst first submits a report on the corporate governance principles and practice in accordance with section 3-3b of the Norwegian Accounting Act. This is followed by a report with comments on each item of the Norwegian Code of Practice. The review is based on the last revised version of the Code of Practice of 23 October 2012.

Section 3-3b(2) of the Accounting Act (report on corporate governance)

The following description is given of how Section 3-3b (2) of the Accounting Act is complied with in Sparebanken Øst.

The structure refers to the numbering in the section.

1-3. **Statement of the corporate governance recommendations and regulations to which Sparebanken Øst is subject or complies with**
Savings banks are subject to extensive regulations governing the banks' activities. The Norwegian Savings Bank Act and Financial Institutions Act play a central role in this respect. Sparebanken Øst furthermore adheres to the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES), as appropriate. The Code of Practice is available at nues.no. Any deviations from the Code of Practice are commented on.

4. Description of the main elements of the bank's internal control and risk management systems related to the financial reporting process
See item 10 of the Norwegian Code of Practice for Corporate Governance below.

5. Provisions in the Articles of Association that fully or partly extend or waive provisions in Part 5 of the Public Limited Companies Act.
Sparebanken Øst is governed by the Savings Bank Act and its Articles of Association comply with the requirements of this Act.

6. The composition of managerial bodies and a description of the key elements of current instructions and guidelines for the work of the bodies and any committees
See items 6, 7, 8 and 9 of the Norwegian Code of Practice for Corporate Governance below.

7. Provisions of the Articles of Association governing the appointment and replacement of members of the Board of Directors
See item 8 of the Norwegian Code of Practice for Corporate Governance below.

8. Provisions of the Articles of Association and delegation of authority entitling the Board of Directors to take decisions to buy back or issue own shares or equity certificates
See item 3 of the Norwegian Code of Practice for Corporate Governance below.

Corporate governance

1. REPORT ON CORPORATE GOVERNANCE

The corporate governance of Sparebanken Øst contributes to safeguarding the interests of employees, depositors, equity certificate holders and other external parties in Sparebanken Øst. Corporate governance is the overall responsibility of the Board of Directors and must ensure the optimum functioning of bodies and functions, and that the business activities are managed in an effective and purposeful manner over time.

Management principles at Sparebanken Øst are founded on a declared and resolved vision and company mission, and on the company’s aims, strategies, and value choices – including the bank’s ethical rules adopted by the Board of Directors. Management control is maintained by the bank’s chosen agencies and functions to which management responsibility has been assigned. Sound qualifications and competence within the bank’s core activities, with an appropriate organisation based on private and business customer activities, finance, IT and special exposures, form the basis for the effective and well-targeted operation of Sparebanken Øst. Furthermore, the bank holds sound internal legal competence. The framework for the corporate governance of savings banks is laid down in a comprehensive body of legislation and regulations. The regulations consist of special rules for savings banks that in a number of areas are significantly more comprehensive than general corporate legal provisions and recommendations directed at limited liability companies in general. The special rules pertain to supervisory requirements, concessions, nature of the business activities, equity and dividends, as well as the composition and responsibility of steering bodies, risk management and control, and matters related to acquisitions, mergers, etc.

Sparebanken Øst practices a “comply or explain” principle with regard to the Code of Practice (NUES), so that any deviations from NUES are commented on. In this respect we take into account that savings banks are self-governing foundations and that the governance structure and composition of the governing organs differ significantly from those of limited liability companies.

Presentations, quarterly reports, etc. are available at www.oest.no, under Investor (select in English). The Articles of Association are available on the bank’s website, under Customer Service (in Norwegian).

2. THE COMPANY

Object

Sparebanken Øst’s overall activities are presented in the Articles of Association. The object of Sparebanken Øst is to promote savings by accepting deposits from an unlimited circle of depositors, and to manage the funds it administers on a sound basis, in accordance with the legal rules applying to savings banks at any time. The bank may also operate financing activities and in this way offer, intermediate and provide guarantees for credit, and in other ways contribute to the financing of other parties' activities, in accordance with the Financial Institutions Act and other provisions applying to financial enterprises at any time.

Furthermore, the bank can conduct all normal banking operations and banking services in accordance with the Savings Banks Act or stipulations pursuant to this Act.

The bank has issued equity certificates. Only holders of equity certificates are entitled to dividends from the bank. The bank may hold interests in other financial institutions, as well as in companies that conduct activities that are naturally related to bank and financing activities, in accordance with the stipulations in the Financial Institutions Act and other Acts in effect at any time. The bank may also hold shares in other companies, but may not operate or participate actively as a liable party in companies that operate activities other than those stated in this section, unless this is temporary and necessary to secure the bank's claims.

Banking activities otherwise take place within the framework laid down under the licence to operate a savings bank, and the rules pursuant to the Savings Banks Act, the Financial Institutions Act, and other Acts and regulations applicable to savings banks.

Vision

Sparebanken Øst wishes to be a leading savings bank in southeastern Norway.

Business aim

Sparebanken Øst must be a free-standing, independent and locally managed supplier of financial services that enables the general public, and small and medium-sized enterprises, to utilise their financial resources in the best possible way.

Mission

To achieve its vision of being a leading savings bank in southeastern Norway, Sparebanken Øst has created a strategy for the bank to be a profitable bank that is operated according to sound business principles. The bank has three primary financial goals. The bank must achieve a return on equity of at least 11 per cent. The liquidity target is for illiquid assets be financed on a long-term basis. Long-term financing must represent at least 105 per cent of illiquid assets. The Group's capital adequacy must be a minimum of 5 per cent above the current statutory requirement of 8 per cent, of which the tier 1 capital must be at least 11 per cent.

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

Core values
Core values to support the vision are predictable, homespun and forward-leaning.

Market
The bank's main market is the central southeastern area of Norway. 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 of Norway is deemed to be a potential market via self-service concepts such as DinBank.no.

Ethics and corporate social responsibility
The bank has drawn up ethical rules which are reviewed each year by the Board of Directors. The introduction to the rules is as follows:

> *"Sparebanken Øst and the other savings banks pay a central role in modern society. We are more dependent on the trust of all groups than other businesses. Trust is naturally based not only on solvency and profitability, but also on attitudes and how we conduct ourselves as a bank. We cannot act independently of our surroundings. We have to be accepted by the market. To achieve this, there must be no doubt about our high ethical level.*
>
> *The ethical level in Sparebanken Øst is the employee's responsibility. It is naturally also the responsibility of the Management and the elected representatives. Via their conduct, managers determine the ethical level, but managers alone cannot ensure a high ethical standard. Everyone contributes to determining the ethical level in the bank. This is our common challenge.*
>
> *At Sparebanken Øst we require loyalty, integrity and openness among managers and employees. There is scope for disagreement in internal discussions and deliberations, but after a decision has been taken, all employees are expected to remain loyal to the decision."*

Sparebanken Øst must be development-oriented, with a local anchoring, and sound, far-sighted and credible. Sparebanken Øst's corporate social responsibility is anchored in statutes and guidelines. In the bank's overall strategy it is clearly stated that Sparebanken Øst is to be community oriented and have high ethical standards. The bank must contribute to wealth creation – not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen.

Corporate social responsibility also applies to financing the development of the local business community, and the development of the local community via local area development and donations to culture, sport and other social activities. The Board of Trustees is the bank's highest authority. The composition of the Board of Trustees is stated in the Articles of Association. The Board of Trustees 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 certificate holders.

Endowments
In 2012 the bank made donations for NOK 6.4 million. These donations were made to associations and clubs involved in sporting, cultural and social activities. For a complete overview, see the summary after the notes to the financial statements.

Subsidiary companies
Sparebanken Øst has four wholly-owned subsidiaries:

<u>AS Financiering</u> is a financing company. The company aims to be a leading player in financing purchases of second-hand cars.

The company shall contribute to increased profits in Sparebanken Øst every year. The company has 25 employees, which is the equivalent of 23 full-time equivalent positions.

Sparebanken Øst Eiendom AS is a property company. The company must be an active and recognised player within the development, management and lease of real estate, and the purchase and sale of movable property within different business areas. Investments must primarily be long-term, as part of Sparebanken Øst's area development in the local market. Sparebanken Øst Eiendom AS owns properties both directly and via subsidiaries. The subsidiaries are Grev Wedels Have AS, Hawø Eiendom AS, Arbeidergaten 28 AS, EngeneKvartalet AS, Krokstad Terasse AS, Stasjonsgaten 14 AS and Tollbugt. 49-51 AS. An acceptable annual profit must be contributed to Sparebanken Øst, at the same time as the properties' market value increases. The company has 7 employees, equivalent to 6 full-time equivalent positions.

The object of Sparebanken Øst Boligkreditt AS is to issue home mortgage bonds in order to achieve lower funding costs for the Group, at the same as the company contributes directly or indirectly to strengthening the bank's position in the private customer market. The company has no employees, but has two seconded employees from Sparebanken Øst, from which it also procures services.

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

3. COMPANY CAPITAL AND DIVIDEND

Company capital

The Board of Directors undertakes an ongoing assessment of the capital situation in the light of the company's mission, strategy and required risk profile. Minimum equity requirements for savings banks are laid down in Section 2-9a of the Financial Institutions Act. In its strategy, the bank has stipulated capital adequacy of 5 per cent above the statutory requirement of 8 per cent. The adjustment is based on an assessment of the bank's risk level and the desire for financial freedom of action. Additionally, the equity capital must reflect the bank's strategy and goals. The Financial Supervisory Authority of Norway conducts inspections to ensure that the bank is operated on an adequate solvency basis in relation to the actual risk level.

Dividend policy

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

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

On determining the dividend and donations, consideration will be made of the development in the bank's results, 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. The authorisation is valid for 18 months as from 29.03.12 and is subject to annual review. The Financial Supervisory Authority of Norway has approved the authorisation. In this regard, for practical reasons the bank deviates from the NUES Code of Practice that such authorisations should apply for one year.

Capital augmentation

The Board of Trustees has not granted the Board of Directors a general authorisation to augment the bank's capital. If the bank requires increased capital, this will be considered as a separate matter at a meeting of the Board of Trustees. Decisions to increase the ownership capital must be approved by the Financial Supervisory Authority of Norway, cf. Section 2b-26 (6) of the Financial Institutions Act.

4. EQUAL TREATMENT AND TRANSACTIONS WITH RELATED PARTIES

Equal treatment
Sparebanken Øst has an equity capital certificate class. The bank's equity capital certificates are listed on the Oslo Stock Exchange in line with the rules laid down in financial legislation. All equity certificate holders have the same rights. In 2012 no transactions took place between the bank and the equity certificate holders and their related parties other than loans, deposits and payment settlement, as well as salaries/fees to employees and elected representatives that are equity certificate holders.

Preferential rights
The preferential rights of equity certificate holders in the event of capital augmentations are stated in Section 2b-23 of the Financial Institutions Act. This states that in the event of an increase in the ownership capital, the equity certificate holders have preferential subscriptions rights for the new equity certificates on a pro rata basis according to their existing ownership of equity certificates issued by the institution.

Transactions with related parties
The bank's ethical rules stipulate that members of the Board of Directors and employees have a duty of notification if they directly or indirectly hold significant interests in agreements entered into by the bank. No such notifications were received in 2012.

5. FREE NEGOTIABILITY

The bank's equity certificates are freely negotiable on the Oslo Stock Exchange. There are no ownership restrictions in the Articles of Association, although the rules provided in the Financial Institutions Act concerning ownership restrictions and licensing obligations also apply to equity certificate holders in Sparebanken Øst.

6. BOARD OF TRUSTEES

The Board of Trustees shall ensure that the bank acts in accordance with its purpose pursuant to relevant Acts, the Articles of Association and decisions adopted by the Board of Trustees. The Board of Trustees adopts the financial statements and approves the remuneration of the bank's elected representatives, including the Board of Directors, Control Committee, Nomination Committee and elected auditor. The Board of Trustees appoints the Nomination Committee from among the members of the Board of Trustees.

Object
The Board of Trustees decides all cases submitted by the Board of Directors for the Board of Trustees to reach a decision. The Board of Trustees shall:

- elect the Board of Directors, including the Chairman and Vice Chairman of the Board of Directors
- elect the Control Committee,
- determine the annual report,
- elect the auditor,
- determine the fee to elected representatives
- make decisions in all matters related to changes to the bank's business activities, acquisitions of other companies, or other matters that 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 matter should be decided by the Board of Directors, and only then submitted to the Board of Trustees.

Composition
The composition of the Board of Trustees is stated in the Articles of Association. Local corporate social responsibility is exercised via the composition of the Board of Trustees, in which customers (elected investors), the local community (municipal representatives), equity certificate holders and the employees are represented.

The Board of Trustees consists of a total of 48 members, with 36 deputy Board members. 18 members, comprising 9 elected investors and 9 municipal representatives, are elected on a proportional basis from the municipalities of Øvre Eiker, Nedre Eiker and Drammen. Twelve members are elected by the employees, and 18 members are elected by the equity certificate holders. The members of the Board of Trustees are elected for four years.

The members of the Board of Trustees are elected in accordance with the Savings Bank Act and the bank's Articles of Association. This entails that the position is personal and meetings may not be attended by proxy. NUES' Code of Practice on the use of proxies at general meetings thus does not apply to equity certificate holders in Sparebanken Øst.

In 2012, the Chairman of the Board of Trustees has been Frank Borgen and the Vice Chairman has been May-Britt Andersen.

Meetings
The Board of Trustees holds two fixed meetings each year: an accounts meeting and a nomination meeting. In addition, meetings of the Board of Trustees are convened as necessary by the Chairman of the Board of Trustees. The Board of Trustees only held the two aforementioned meetings in 2012.

In accordance with Section 11 (3) of the Savings Bank Act, eight days' notice is required to convene a meeting of the Board of Trustees. Sparebanken Øst hereby deviates from the NUES Code of Practice of 21 days' notice.

The bank's auditor, Board of Directors and any members of the Control Committee who are not trustees are all invited to the meetings of the Board of Trustees. The Board of Trustees' meetings are chaired by the Chairman of the Board of Trustees, cf. the Articles of Association and the Savings Bank Act, and thus comply with the Code of Practice for the independent chairing of meetings.

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

7. NOMINATION COMMITTEES

The bank's Articles of Association state that election of members of the Board of Trustees and the Board of Directors must take place according to the recommendation of the Nomination Committee.

There are 3 Nomination Committees in Sparebanken Øst.

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

The employees' representatives on the Board of Trustees and the Board of Directors are elected by and from among the employees, in accordance with Regulation no. 9386 of 23.12.1977.

The Nomination Committee for the Board of Trustees has representatives from all groups that are represented on the Board of Trustees, which also includes equity certificate holders. It must be ensured that due consideration is made of independence and 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 Directors of the bank. The various Nomination Committees must also ensure that access to the required competence is available with regard to the tasks faced by the Nomination Committee.

The Nomination Committee for the Board of Trustees and the Board of Directors is elected by and from among the members of the Board of Trustees.

The composition of the Nomination Committee is detailed in the bank's Articles of Association. NUES' Code of Practice in this respect is followed for as long as it is sanctioned by the Articles of Association.

The recommendation of the Nomination Committee with regard to the Board of Trustees is described in accordance with NUES. The Nomination Committee has drawn up separate guideline,s which have been approved by the Board of Trustees.

In 2012, the Nomination Committee for the Board of Trustees and Board of Directors consisted of the following persons:

Johan Aasen, Chairman
Thomas F. Halvorsen
Thor-Kristian Lien
Bent Inge Bye
Anne Siri Rhoden Jensen (employee)

The bank fulfils the requirement that a majority of the members of the Nomination Committee are independent of the Board of Directors and other managerial employees. The bank's Articles of Association require that all members of the Nomination Committee are members of the Board of Trustees. NUES' Code of Practice recommendation that at least one member should not be a member of the corporate assembly, board of representatives (board of trustees) or the Board of Directors, is therefore not relevant.

NUES recommends that managerial employees should not be members of the Nomination Committee. The Savings Bank Act and the bank's Articles of Association do not set any requirement of impartiality. NUES' Code of Practice is therefore not relevant in this respect in terms of employee representatives on the Nomination Committee.

In 2012, the Nomination Committee held separate meetings with both the Chairman of the Board of Directors and the bank's CEO.

7.1 Control Committee

This item is not subject to the Code of Practice.

The Control Committee must supervise the bank's activities in accordance with Section 13 of the Savings Banks Act and the guidelines set by the Board of Trustees. The Control Committee reviews the Board of Directors' minutes, numbered letters, cf. Section 5-4 of the Auditors Act, and the auditor's report, tests the security for selected loans, and ensures that the management of the savings bank's funds is performed on a responsible basis.

The Board of Directors and the internal auditor are obliged to give the Control Committee all the information the committee believes is necessary to perform its tasks. The Control Committee makes statements to the Board of Trustees concerning the annual financial statements and the annual report, and whether the annual financial statements prepared should be adopted. If the Control Committee gains knowledge of significant omissions, errors or defaults of great significance or scope, or if it believes that the bank has suffered major losses, the committee is obliged to immediately take the case to the Financial Supervisory Authority of Norway. The Control Committee is elected from among the members of the Board of Trustees.

The Control Committee is elected by and from among the members of the Board of Trustees.

In 2012 the Control Committee consisted of the following persons:

Øivind Andersson, Chairman,
Sjur Kortgaard
Eli Kristin Norsiden
Randi H. Sandli

Management secretary Nina Sem Røren is the secretary of the Control Committee.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Sparebanken Øst does not have a corporate assembly.

Composition of the Board of Directors
The Board of Directors consists of 7 external members and 1 representative elected by the employees, with the right to vote. The employees' deputy representative also attends meetings. The CEO is required to attend meetings of the Board of Directors, but does not hold voting rights.

In 2012 the members of the Board of Directors were the following:

Jorund Rønning Indrelid, Chairman of the Board of Directors and Board member since 2001
Knut Smedsrud, Vice Chairman of the Board of Directors and Board member since 2009
Roar Norheim Larsen, Board member since 2007
Sverre Nedberg Board, Board member since 2006
Hanne Solem, Board member since 2010
Elly Therese Thoresen, Board member since 29.03.2012
Morten Andre Yttreeide, Board member since 29.03.2012
Ann Kristin Plomås, employee representative, Board member since 2011.
Leif Ove Sørby, Board member up to 29.03.2012
Ingebjørg Mæland, Board member up to 29.03.2012

In addition, meetings are attended by Inger Helen Pettersen, as deputy representative elected by the employees.

Detailed information concerning each Board member can be found (in Norwegian) at www.oest.no/banken/kundeservice.

Attendance of Board meetings in 2012 was as follows:

24 January	– absence Leif Ove Sørby, Ingebjørg Mæland
14 February	– absence Ann Kristin Plomås
15 March	– absence Inger Helen Pettersen (deputy)
29 March	– absence Leif Ove Sørby, Ann Kristin Plomås. Deputy member Sissel Album Fjeld attended
8 May	– absence Hanne Solem
29 May	– absence Knut Smedsrud
26 June	– all present
12 July	– all present
28 August	– absence Inger Helen Pettersen (deputy)
25 September	– absence Roar Norheim Larsen, Knut Smedsrud, Ann Kristin Plomås
29 September	– all present
30 October	– absence Roar Norheim Larsen, Inger Helen Pettersen (deputy)
27 November	– all present
18 December	– all present

The CEO and Vice CEO attended all meetings of the Board of Directors.

Where there is no deputy for an absent member, the reason is late notice of absence.

Election of the Board of Directors
The election of members of the Board of Directors takes place on the basis of the deliberations of a Nomination Committee appointed by the Board of Trustees. The Nomination Committee prepares a recommendation to the Board of Trustees.

Members of the Board of Directors are elected for two years at a time. The Board of Trustees nominates the Chairman and Vice Chairman. The competence and working experience of the members of the Board of Directors are presented to the Board of Trustees in connection with the nomination process.

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

Board members’ holdings of own equity certificates
The Board members holding equity certificates in Sparebanken Øst as of 31.12.12 are stated in Note 58.

9. THE BOARD OF DIRECTORS' ASSIGNMENTS

The duties of the Board The overall objective of the Board of Directors is to ensure the responsible administration of the bank's funds. The Board of Directors determines plans and budgets for the bank's operations in line with the bank's goals and strategies. The Board of Directors supervises the day-to-day management and stays updated on the bank's activities on an ongoing basis. The Board of Directors is assigned to establish the bank's rules and regulations for appropriations.

The Board of Directors has responsibility for ensuring that the bank at all times has the equity sufficient for the risks and scope of the activities undertaken by the bank. The Board of Directors has delegated elements of the managerial responsibility to the administration via various delegation resolutions. These resolutions are given for different lengths of time. The Board of Directors has also determined instructions the internal auditor, who is to undertake operational audits in line with current standards for such audits. The bank's internal auditor is KPMG.

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

Instructions for the Board of Directors
The Board of Directors' responsibilities and work tasks are set out in the Savings Bank Act, the Financial Institutions Act, the Articles of Association and their own instructions. The Board of Directors has drawn up its own separate set of instructions, which are subject to annual review. The instructions were last revised on 29.05.12. These instructions describe which responsibilities the Board of Directors holds, which matters the Board of Directors is to consider, and which rules are the basis for the deliberations. The Board of Directors determines the procedures for the CEO, who is responsible for the day-to-day management of the bank. The instructions for the Board of Directors and for the CEO stipulate the division of responsibilities and tasks between the Board of Directors and the CEO.

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

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

Committees of the Board of Directors

Remuneration Committee

In accordance with Section 2-18 of the Financial Institutions Act and regulation F01.12.2010 no. 150,7 a Remuneration Committee has been established for the bank. The purpose of the Remuneration Committee is to prepare guidelines for the Board of Directors for the remuneration of managerial employees. They must also ensure that the company at all times has and practices guidelines and a framework for the remuneration scheme that are in accordance with the rules for the remuneration schemes of financial institutions, securities companies and securities funds' management companies.

The Remuneration Committee executes its duties according to the guidelines determined by the Board of Directors. The committee nominates its chairman.

Its members are nominated by the Board of Directors. In 2012 the Remuneration Committee consisted of the following persons:

Hanne Solem, Chairman
Sverre Nedberg
Knut Smedsrud
Leif Ove Sørby (up to April 2012) and Knut Smedsrud as from April 2012
Inger Helen Pettersen, deputy meeting participant in the Board of Directors for the employees.

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

The Board of Directors has approved the Remuneration Guidelines in Sparebanken Øst.

Audit Committee

In accordance with Section 17c of the Savings Bank Act, the bank has established an Audit Committee according to the guidelines provided by the Act. The members are elected by the Board of Directors and serve for one year at a time. The chairperson of the committee is appointed by the Boardof Directors.

The main tasks of the Audit Committee are to prepare the Board of Directors' follow-up work on accounts and reporting; monitor systems for risk management and internal control, as well as internal audit work; and assess and monitor the auditor's independence.

The committee executes its duties according to the instructions determined by the Boardof Directors. The Audit Committee holds six to seven meetings per year.

In 2012 the Audit Committee consisted of the following persons:

Sverre Nedberg, chairman
Jorund Rønning Indrelid
Knut Smedsrud
Hanne Solem

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

Minutes are kept of the meetings of the Audit Committee. The minutes are presented by the chairman of the committee to the full Board of Directors at the next-following meeting of the Board of Directors.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The responsibility of the Board of Directors and the purpose of internal control

The bank's Board of Directors and Management hold the ultimate responsibility for risk management and internal control. The Board of Directors adopts the overall 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 the framework set.

In addition to the managing and controlling agencies at the bank, an extensive internal steering and control system has been developed to ensure effective and targeted operation of the bank's activities. Annual strategies are prepared within all business areas, with regular reporting of credit risk, operational risk and liquidity and market risk to the Board of Directors.

The CEO is responsible for implementing satisfactory internal controls and risk management. The responsibility for risk exposure and internal 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 Board of Directors' annual review and reporting

The Board of Directors' annual review of the strategic plans is the basis for the Board of Directors' consideration and resolution of cases during the year. Review of the bank's risk is part of this annual review. A quarterly review of more operational risks is also performed. The Board of Directors also performs an annual review of key management documents in the bank, in order to ensure that they are updated and cover relevant areas.

Various internal control bodies

BSK

The bank's balance sheet management committee (BSK) holds regular meetings where the status and measures with regard to the liquidity situation are discussed. The CEO, Vice CEO, Business Controller and Financial Manager attend BSK meetings.

PM Kreditt

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

Credit department

The credit department takes credit decisions above a certain size for customers in the business market and the private customer market. The department consists of four 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 adopted framework and personal authorisations in the corporate department.

Risk committee

The risk committee assesses risk exposure and risk reporting. The committee also assesses capital requirements. The members of the committee are the bank's attorney, Credit Manager, Financial Manager, Head of SE department, IT Manager and 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 shows the correct exposures, are submitted as an appendix to the risk report. The report is submitted to the Board of Directors on a quarterly basis.

Controllers

The bank has three independent controllers. They all report directly to the CEO. The Controllers each have their own work areas and cover business, risk and compliance, respectively. The Controllers submit quarterly reports to the CEO, who presents them to the Board of Directors. The compliance status is also reported in an annual report from the CEO to the Board of Directors.

Key process

The bank's executive management group annually defines the bank's most critical business areas, and performs a risk assessment of each area. Any measures are followed up by the compliance function.

Anti-money laundering officer

A separate operative position as anti-money laundering officer has been created. The position entails following up on compliance with the regulations and control of all new customer undertakings.

Internal auditor, Financial Supervisory Authority of Norway, Moody's Investor Service

A number of independent bodies undertake independent evaluations of the bank's profile, follow-up and organisation with regard to the handling of financial and operational risk. These include the Control Committee, internal auditor, external auditors, the Financial Supervisory Authority of Norway and Moody's Investor Service.

Banks are required by law to undergo internal audits in accordance with fixed standards and the regulations of the Financial Supervisory Authority of Norway. The bank's internal auditor in 2012 was KPMG. The internal auditor undertakes an annual statutory audit of risk management and internal control, and reports the results of the various controls to the Board of Directors and Management. The bank finds that KPMG holds the required expertise within the central specialist and risk areas which affect the bank's operations. The bank's two subsidiaries, AS Financiering and Sparebanken Øst Boligkreditt AS, are also subject to statutory internal audits.

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

The international rating company Moody's Investor Service performs an annual review of the bank's operations and follows this up with regular rating reports which make it possible for external parties to assess the risk related to Sparebanken Øst as a counterparty or as a debt and equity investment object.

11. REMUNERATION OF THE BOARD OF DIRECTORS AND OFFICERS

Remuneration to the Board of Directors, Board of Trustees, Control Committee and Nomination Committee is determined by the Board of Trustees. It is sought to match the remuneration to the workloads and responsibilities that rest on each elected representative, and details are found in the notes to the annual financial statements. The 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 elected representatives.

None of the members of the Board of Directors have carried out other tasks for the bank than their duties as Board members in 2012.

12. REMUNERATION OF SENIOR EMPLOYEES

In accordance with applicable law, Sections 2-18 to 2-22 of the Financial Institutions Act, the Board of Directors determines the required guidelines for the remuneration of senior managerial employees. The guidelines are presented to the Board of Trustees for advisory voting and/or approval.

The remuneration of senior managerial employees is listed in the notes to the annual financial statements. Sparebanken Øst has a main principle of fixed remuneration. The Board of Directors determines the remuneration of the CEO. The CEO determines the remuneration of the executive management. There is no agreement concerning variable remuneration, or option of bonus agreements. The Board of Directors can decide to grant a one-off supplement to the CEO. The CEO may decide on an equivalent one-off supplement to the executive management.

13. INFORMATION AND COMMUNICATION

The bank's goals and objectives for information and communication are based on openness and accessibility. To ensure the necessary information flow, financial information must be published in line with the fixed financial calendar on the bank's website, while information must be notified to the Oslo Stock Exchange and in presentations to investors and other stakeholders. The bank arranges open investor presentations in conjunction with the presentation of the annual and quarterly results. The presentations concerning the annual and quarterly results are made available on the bank's website together with the presentation. However, the rules for information and communication, rules for good stock market ethics, as well as a general requirement of equal treatment, impose limitations on the bank's opportunity to publishinformation, including to analysts.

Sparebanken Øst has drawn up investor relations guidelines. These guidelines show how the bank wishes to have extensive and effective communication with the financial markets, with an emphasis on openness and credibility. The bank wishes to have long-term mutual relations with as many securities brokers as possible.

Investment decisions must be based on financial calculations, rather than relations. The bank must take a positive approach to investment decisions that do not significantly affect current profitability estimates, and which would be favourable for 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 notified to the Oslo Stock Exchange. The bank must seek to provide correct and balanced verbal and written information, and no investors must be given preferential treatment. All information provided must be distributed to all investors and must be presented in a uniform manner. The bank must seek 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, the Oslo Stock Exchange and mailing lists.

14. TAKE-OVER

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

15. AUDITOR

Auditing at Sparebanken Øst is undertaken according to acknowledged auditing principles, with consideration of planning, implementation, and reporting. Ernst & Young is the bank's external auditor. The external auditor attends a meeting of the Audit Committee and of the Board of Directors to review the auditor's assessments of the bank's risks. The external auditor always participates in the meeting of the Board of Directors at which the annual financial statements are adopted 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 meetings of the Board of Directors if necessary. At least once a year the external auditor meets the Board of Directors without the CEO being present. The external auditor is invited to all meetings of the Board of Trustees. Attention is also drawn to note 35 to the annual financial statements in connection with the remuneration of the auditor, including the breakdown of the remuneration.

FINANCIAL CALENDAR 2013

- Publication of quarterly results
- Preliminary accounts 2012 (4th quarter 2012) published on 13.02.2013
- The Annual Financial Statements for 2012 are considered at the meeting of the Board of Trustees on 21.03.2013
- Ex. dividend date – 22.03.2013 (dividend will be paid on 09.04.2013)
- Firstquarter of 2013 - 08.05.2013
- Secondquarter of 2013 - 12.07.2013
- Third quarter of 2013 - 30.10.2013

INVESTOR RELATIONS CONTACTS

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

We hereby confirm that, to the best of our knowledge, the annual financial statement for the period from 1 January to 31 December 2012 have been prepared in accordance with IFRS, and that the information in the annual financial statements gives a true and fair view of the company and the Group's assets, liabilities, financial position and overall profit or loss, and that the information in the Directors' report gives a true and fair view of the development, profit or loss and financial position of the company and the Group, together with a description of the principal risks and uncertainties to which the companies are subject.

Hokksund, 31 December 2012
Drammen, 14 March 2013

THE BOARD OF DIRECTORS OF SPAREBANKEN ØST

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

INCOME STATEMENT

Group	Group			Parent bank	Parent bank
2012	**2011**	Amounts in NOK million	**Noter**	**2012**	**2011**
1.254,6	1.175,0	Interest income and similar income	25,26	919,6	972,2
745,1	734,0	Interest expenses and similar expenses	25,26	584,3	625,9
509,5	**441,0**	**NET INTEREST AND CREDIT COMMISSION INCOME**		**335,3**	**346,3**
11,4	31,1	Dividends and other income from securities with variable yields	27,30	59,4	31,1
86,1	91,0	Commission income and income from banking services	28	95,4	96,4
38,3	32,6	Commission costs and costs of banking services	28	13,6	15,2
62,3	-32,8	Net value changes and gains/losses on financial instruments	29,30	66,3	-39,8
46,7	20,8	Other operating income	31	7,4	5,5
161,1	167,7	Salaries, etc.	32,52	136,8	140,8
61,6	62,8	Administration costs		53,0	54,4
16,7	12,0	Depreciation/write-downs and value changes to non-financial assets	40	5,4	6,2
50,9	47,6	Other operating costs	34,35,41	42,9	44,0
387,4	**228,4**	**PROFIT BEFORE LOSSES**		**312,1**	**178,9**
25,3	17,9	Losses on loans and guarantees	11,13,16	7,3	7,9
362,1	**210,5**	**PRE-TAX PROFIT**		**304,8**	**171,0**
98,0	54,8	Tax costs	36	72,0	45,0
264,1	**155,7**	**ANNUAL RESULT**		**232,8**	**126,0**
5,73	3,46	Profit per equity certificate	57	5,05	2,80
5,73	3,46	Diluted profit per equity certificate	57	5,05	2,80

TOTAL PROFIT/LOSS

Group	Group			Parent bank	Parent bank
2012	**2011**	Amounts in NOK million	**Notes**	**2012**	**2011**
264,1	**155,7**	**ANNUAL RESULT**		**232,8**	**126,0**
5,3	-0,3	Changes in fair value of investments available for sale	30	5,3	-0,3
269,4	**155,4**	**TOTAL PROFIT/LOSS**		**238,1**	**125,7**

BALANCE SHEET

Group 31.12.12	Group 31.12.11	Amounts in NOK million	Notes	Parent bank 31.12.12	Parent bank 31.12.11
		ASSETS			
703,3	580,9	Cash and receivables at central bank		703,3	580,9
496,4	920,9	Treasury bills	20,22,37	496,4	920,9
4,1	241,2	Loans to and receivables from credit institutions	15,16	2.915,2	2.322,7
22.560,2	22.183,5	Loans to and receivables frombanks	10,11,12,13,14	13.052,2	14.426,2
3.946,2	3.271,1	Certificates, bonds and other fixed-income securities	20,22,37	4.927,4	4.308,0
981,9	476,9	Shares, units and other variable-yield securities	20,22,38	981,9	476,9
235,9	108,3	Financial derivatives	21,22	184,8	90,5
0,0	0,0	Ownership interests in Group companies	39	616,2	376,2
0,0	0,4	Deferred tax assets	36	12,1	35,3
457,1	473,3	Investment properties	40	0,0	0,0
122,4	117,3	Fixed capital assets	40	67,6	62,6
41,7	33,9	Other assets	42	25,2	13,4
88,7	89,2	Prepayments for non-accrued costs and accrued income not rece	43	74,6	75,0
29.637,9	**28.496,9**	**TOTAL ASSETS**		**24.056,9**	**23.688,6**
		LIABILITIES AND EQUITY			
844,5	1.918,1	Liabilities to credit institutions	44,48	940,8	1.945,2
11.687,9	8.932,7	Deposits from and liabilities to customers	45	11.670,7	8.926,4
493,5	915,4	Liabilities to the government, exchange of OMF preferential bond	48	493,5	915,4
51,7	49,0	Financial derivatives	21,22	51,7	48,6
13.612,0	13.870,3	Liabilities incurred on the issued of securities	46,48	8.204,6	9.242,3
81,1	56,8	Current taxes	36	52,2	48,7
70,9	76,7	Other liabilities	49	59,8	56,2
107,8	139,3	Accruals and deferred income	50	81,3	106,6
31,4	30,6	Provisions for accrued costs and liabilities	51,52	28,0	22,8
19,9	0,0	Deferred tax liability	36	0,0	0,0
508,4	600,1	Subordinate loan capital	47,48	508,4	600,1
27.509,1	**26.589,0**	**TOTAL LIABILITIES**		**22.091,0**	**21.912,3**
595,1	595,1	Invested equity	57	595,1	595,1
1.533,7	1.312,8	Accrued equity		1.370,8	1.181,2
2.128,8	**1.907,9**	**TOTAL EQUITY**	6	**1.965,9**	**1.776,3**
29.637,9	**28.496,9**	**TOTAL LIABILITIES AND EQUITY**		**24.056,9**	**23.688,6**

Hokksund, 31 December 2012
Drammen, 14 March 2013

Jorund Rønning Indrelid
Chairman

Knut Smedsrud
Vice Chairman

Morten André Yttreeide

Roar Norheim Larsen

Sverre Nedberg

Elly Therese Thoresen

Hanne Solem

Ann Kristin Plomås
Employee representative

Pål Strand
CEO

CHANGES IN EQUITY - GROUP

Amounts in NOK million

2012	Total equity	Invested equity: Equity share certificate	Share ium reserve	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve	Other equity
Equity as at 31.12.11	1.907,9	207,3	387,8	195,8	887,4	29,4	68,6	131,6
Total profit/loss	264,1	0,0	0,0	104,7	123,1	5,0	0,0	31,3
Changes in fair value for investments TFS	5,3	0,0	0,0	0,0	0,0	0,0	5,3	0,0
Total result	269,4	0,0	0,0	104,7	123,1	5,0	5,3	31,3
Dividend 2011 finally adopted	-41,5	0,0	0,0	-41,5	0,0	0,0	0,0	0,0
Dividend from the endowment fund	-7,0	0,0	0,0	0,0	0,0	-7,0	0,0	0,0
Equity as at 31.12.12	**2.128,8**	**207,3**	**387,8**	**259,0**	**1.010,5**	**27,4**	**73,9**	**162,9**

This year's allocation for dividends of NOK 62.2 million forms part of the Equalisation Fund until finally adopted by the Board.

Reference is otherwise made to note 57 on equity certificates.

2011	Total equity	Invested equity: Equity share certificate	Share ium reserve	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve	Other equity
Equity as at 31.12.10	1.866,1	207,3	387,8	241,4	826,4	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
Dividend 2010 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**	**887,4**	**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.

CHANGES IN EQUITY - PARENT BANK

2012	Total equity	Invested equity: Equity share certificate	Share ium reserve	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve
Equity as at 31.12.11	1.776,3	207,3	387,8	195,8	887,4	29,4	68,6
Total profit/loss	232,8	0,0	0,0	104,7	123,1	5,0	0,0
Changes in fair value for investments TFS	5,3	0,0	0,0	0,0	0,0	0,0	5,3
Total result	238,1	0,0	0,0	104,7	123,1	5,0	5,3
Dividend 2011 finally adopted	-41,5	0,0	0,0	-41,5	0,0	0,0	0,0
Dividend from the endowment fund	-7,0	0,0	0,0	0,0	0,0	-7,0	0,0
Equity as at 31.12.12	**1.965,9**	**207,3**	**387,8**	**259,0**	**1.010,5**	**27,4**	**73,9**

This year's allocation for dividends of NOK 62.2 million forms part of the Equalisation Fund until finally adopted by the Board.

Reference is otherwise made to note 57 on equity certificates.

2011	Total equity	Invested equity: Equity share certificate	Share ium reserve	Accrued equity: Equalisation fund	Savings bank fund	Endowment fund	Available for sale reserve
Equity as at 31.12.10	1.764,2	207,3	387,8	241,4	826,4	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
Dividend 2010 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**	**887,4**	**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.

CASH FLOW STATEMENT

Group 2012	Group 2011	Amounts in NOK million	Note	Parent bank 2012	Parent bank 2011
		Operating activities			
362,1	210,5	Profit before tax		304,8	171,0
		Adjusted for:			
-1.547,9	-3.507,9	Changes in assets in connection with operations	56	-565,2	-429,3
2.705,5	1.329,2	Changes in liabilities in connection with operations	56	2.783,8	1.307,0
27,8	-6,2	Non-cash items included in profit before tax	56	6,5	-13,1
-7,8	0,9	Net gains from investment activities		-0,2	6,4
-56,7	-50,4	Taxes paid for the period		-48,6	-42,6
1.483,0	-2.023,9	**Net cash flow from operating activities**	**A**	2.481,1	999,4
		Investment activities			
-70,4	-243,4	Purchase of fixed assets		-10,4	-9,1
72,6	0,9	Proceeds from sale of fixed assets		0,2	0,4
-7,7	99,7	Net proceeds/expenses from sale/purchase of financial investments		-247,7	4,4
-5,5	-142,8	**Net cash flow from investment activities**	**B**	-257,9	-4,3
		Financing activities			
-1.471,9	0,0	Net incoming/outgoing for loans to/from credit institutions		-1.471,9	0,0
-2.532,7	-2.840,0	Payments for repayment of securities		-2.431,8	-2.840,0
2.083,7	5.169,3	Proceeds from securities issued		1.238,7	2.005,7
-41,5	-103,6	Payment of dividend		-41,5	-103,6
-1.962,4	2.225,7	**Net cash flow from financing activities**	**C**	-2.706,5	-937,9
-484,9	59,0	Net change in cash and cash equivalents	**A+B+C**	-483,3	57,2
1.688,7	1.629,7	Cash and cash equivalents as at 01.01.		1.686,9	1.629,7
1.203,8	**1.688,7**	**Reserves of cash and cash equivalents as at 31.12.**	56	**1.203,6**	**1.686,9**

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 ANNUAL FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Sparebanken Øst is an equity certificate bank listed on the Oslo Stock Exchange. The bank's head office is in Drammen, and its visiting address is Bragernes Torg 2. Sparebanken Øst 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, Hawø Eiendom AS, EngeneKvartalet AS, Arbeidergaten 28 AS, Krokstad Terrasse AS, Stasjonsgaten 14 AS, and Tollbugt. 49-51 AS.

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

The Annual Financial Statements for 2012 were considered and adopted by the Board of Directors of Sparebanken Øst on 14 March 2013.

NOTE 2 – ACCOUNTING PRINCIPLES

1.GENERAL

Sparebanken Øst's consolidated and parent company financial statements are prepared in accordance with international accounting standards, the International Financial Reporting Standards (IFRS) 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 in the Notes are stated in NOK million.

2. CHANGES IN ACCOUNTING PRINCIPLES

The accounting principles applied are consistent with the principles applied in the preceding financial period. No changes have been made to the accounting principles applied in 2012. New standards and interpretations that the Group has implemented with effect from 1 January 2012 are presented below.

IFRS 7 Financial instruments – disclosure
Information on financial assets transferred that are not fully deducted, and transferred financial assets that are deducted in full, but in which the company is still involved. The change had no impact on the accounts.

3. CONSOLIDATION

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

The financial statements for the Group comprise 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, Hawø Eiendom AS, EngeneKvartalet AS, Arbeidergaten 28 AS, Krokstad Terrasse AS, Stasjonsgaten 14 AS and Tollbugt. 49-51 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 to the recognition of acquisitions of subsidiaries. On taking over control in a company, all identifiable assets and liabilities 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.

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

The accounting principles of subsidiaries are adjusted where necessary to harmonise them with the accounting principles of the Group.

3.1 Ownership interests 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 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 associated companies are assessed at historical cost. The bank has no ownership interests in what is defined as associated companies.

4. CURRENCY

The accounts are presented in NOK, which is also 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 rates 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 recognised as income.

5. INCOME

5.1 Interest income and costs

Interest income and costs are recognised in the income 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 via the income statement.

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 commission, but are included in the calculation of the effective interest rate and correspondingly recognised as income.

5.3 Other income

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

5.4 Dividends received

Dividend received for equity instruments and money-market funds is recognised as income after the Group's entitlement to receive payment/units has been determined and is included in "Dividend and other income on variable-yield securities".

6. FINANCIAL INSTRUMENTS

6.1 Recognition and deduction

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to receive the cash flows are transferred.

Financial liabilities are derecognised when the liability ends; this is when the liability stated in the contract is fulfilled, cancelled or expires.

6.2 Classification

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

- Financial assets at fair value with value adjustments via the income statement
  - financial assets held for trading
  - financial assets are recognised at fair value with changes via the income statement, 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 via the income statement, 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 the basis on which financial instruments at fair value are estimated. Where observable market prices do not exist and the fair value can not be derived directly or indirectly from observable inputs in the market, various valuation techniques are used. These are methods that can involve using discretionary evaluations to some degree. Such discretionary evaluations may be liquidity risk, credit risk and volatility. Changes in the attitude toward these factors may affect the determination of the fair value of a financial instrument. All adjustments to fair value are recognised directly in the 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 6.4

6.3.3 Takeover of assets

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

6.3.4 Hedge accounting

The bank employs fair value hedging of fixed rate 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 income statement. 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".

Defaults and non-performing exposures
Non-performing loans are defined as loans that have defaulted on payment exceeding 90 days. Loans and other exposures that are not defaulted, yet where the customer’s financial situation makes it likely that the Group will accrue losses, are classified as non-performing exposures.

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 instalments, agreed changes in interest rates or other terms and conditions as a result of problems at the debtor, debt negotiation with the debtor, other financial restructuring or bankruptcy proceedings.

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

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 than 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 exposures. 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 Note 3 "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 cannot be recovered from loss provisions, and any surplus or deficit in relation to previous write-downs, are recognised in the income 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 income" in the income statement.

6.4.3 Certificates and bonds

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

- at fair value via the income statement
- 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 income statement for this credit loss under "Net value adjustments and profit/loss on financial instruments" in the income 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 via the income statement
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 are 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 loss are posted to "Net value adjustments and profit/loss on financial instruments".

6.4.4 Equity instruments and money-market funds

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 loss are posted to "Net value adjustments and profit/loss on financial instruments". The Group's listed shares and equity certificates fall into this category.

Dividends received are recognised as income once the Group's right to receive payment/units has been determined, and posted to "Dividends and other income on securities at variable yields".

Available for sale
The Group's equity instrument holdings that are not classified as held for trading are classified as available for saleand are estimated at fair value with value adjustments presented as income and expenses in the overall result. 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 per cent, and when the impairment lasts longer than 6 months. Impairment losses recognised in net income for this category will not be reversed to income.

Dividends received on equity instruments are recognised in the results once the Group's right to receive payment 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 via the income statement The derivative is recognised as an asset if the actual value is positive and as a liability if the actual value is negative. Sparebanken Øst participates in a guarantee consortium in Eksportfinans ASA which supports Eksportfinans ASA's liquidity portfolio for values losses on credit risk. This guarantee is a derivative assessed at actual value. Reference is made to note 21.

Realised and unrealised profits and losses on financial derivatives are recognised in the income 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 section.

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. Fixed interest bond debt constitutes an interest risk. Bond 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 income 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, re-pricing 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 accrued over the loan term using the effective interest method. Interest expenses and amortisation effects on instruments are posted to "Interest expenses and similar" in the income 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 capitalised at cost less any impairment losses. The cost price includes all directly included costs on the procurement of assets, with the addition of cost price for later improvements. All other repair and maintenance costs are recognised in the period in which they are incurred. On determining the 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 sales price and the book value and are included in the income statement.

Buildings under construction are classified as non-current assets 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 ongoing basis and form part of the cost price.

Assessments are performed of depreciation when there are indications of impairment of value. If the balance sheet value of an operating asset is higher than the recovery amount, a 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 assets. 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 capitalised and recognised as income over the maturity period and posted as short-term liabilities in the accounts.

<u>The Group as a lessee</u>
The Group has only signed operational lease agreements as a lessee. Lease payments are recognised as an expense in the income statement linearly over the term of the lease, unless another systematic basis provides a better expression of the utility value over time.

9. UNCERTAIN LIABILITIES

The Group issues financial guarantees as part of its ordinary business. See note 53 for an assessment of loss provisions on guarantees issued by the bank together with an assessment of losses on lending. Reference is made to note 13. The same principles are used to assess whether there has been a reduction in value.

Provisions are made for other uncertain commitments if it is most likely that 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 in the parent bank (as from 2007) and the subsidiary AS Financiering (as from 2008) are included in the contribution based scheme.

<u>Defined benefit schemes</u>
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 compared 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 via the Group's operations. Pension obligations on such agreements are posted as a liability in the balance sheet.

In 2010 the original AFP scheme was partly deducted based on the closure and discontinuation of the 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 as 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. Reference is made to note 52 for closer consideration.

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 recognised in the income statement over a period equivalent to the expected 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 accrued employer's payroll tax. The net pension costs for the period are posted to "salaries, etc." in the income statement.

Assessment of pension obligations is furthermore described in note 3 Use of estimates. As from 01.01.13, there are significant changes concerning the recognition of defined benefit schemes in the income statement and balance sheet. Reference is made to clause 17 concerning IAS 19 Payments to employees.

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 no further commitments in terms of work performed 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 under “Salaries, etc.” in the income statement.

12. INCOME TAX

The annual tax expenses in the income statement 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 income 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 of assets and liabilities. Deferred tax assets are calculated on the tax effects of losses carried forward.
Deferred tax assets are entered as assets in the balance sheet to the extent it is expected that the Group will have sufficient taxable profit in later periods to utilise the deferred tax assets. Deferred tax assets and deferred tax liabilities are 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 is entered directly in the balance sheet to the extent that the tax items relate to equity transactions.

Property tax is not regarded as tax in accordance with IAS 12, but is recognised as an operating expense.

13. SEGMENTS

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

14. CASH FLOW STATEMENT

Cash flow statements show the cash 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 actual investments.

15. EQUITY

15.1 Profit per equity certificate

Profit per equity certificate is calculated as equity the certificate holders' share of the bank's profit for the period of time, distributed on 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 financial statements. Events after the balance sheet date which do not affect the company's financial position on the balance sheet date, but which will affect the company's financial position in the future, are reported if such information is material.

17. FUTURE CHANGES TO ACCOUNTING PRINCIPLES

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

Changes to IFRS 7 - Financial instruments - information

The changes entail that the company is obliged to provide information on set-off rights and related agreements (for example security pledges). The information must give the users of the financial statements useful information in order to evaluate the effect of set-off agreements on the Group's financial position. The new notes are required for all recognised financial instruments that are presented on a net basis in accordance with IAS 32 Financial instruments – presentation. The information requirements also include recognised financial instruments that are subject to an "enforceable master netting arrangement" or equivalent agreement, irrespective of whether they are presented on a net basis in accordance with IAS 32. The changes will not affect the Group's financial position or result. The changes apply with effect for the financial year commencing on 1 January 2013.

IFRS Financial instruments

IFRS 9, as published today, reflects the first phase of IASB's work to replace today's IAS 39, and concerns the classification and measurement of financial assets and liabilities as these are defined in IAS 39. Initially, the standard was to enter into force for the financial year commencing on 1 January 2013 or later, but changes to IFRS 9 adopted in December 2011 deferred the date of entry into force until 1 January 2015. Subsequent phases of this project are related to the recognition of security and the write-down of financial assets. The Group will evaluate potential effects of IFRS 9 in conjunction with the other phases, as soon as the final standard, including all phases, has been published.

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 on a single control model to be applied to all units, including special purpose enterprises (SPE). The changes introduced in IFRS 10 require the management to exercise a significant estimate to determine which units are controlled by the parent company, where all units controlled must be consolidated. The changes in IFRS 10 will not affect which units are to be consolidated in the Group. The changes apply with effect for the financial year commencing on 1 January 2014.

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. The changes do not affect the Group's financial position or result. The changes apply with effect for the financial year commencing on 1 January 2014.

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. The changes are not assessed to affect the Group's financial position or result. IFRS 13 applies with effect for the financial year commencing on 1 January 2013.

IAS 1 Presentation of financial accounts:
The changes in IAS 1 entail that the items under other income and costs (OCI) must be grouped in two categories. Items that can be reclassified to the result at a future time (such as the net gain on the hedging of net investments, conversion differences on the conversion of foreign activities to the presentation currency, the net change in the hedging of cash flow, and the net gain or loss on financial assets classified as available for sale) must be presented separately from items that will never be re-classified(for example actuarial gains and losses related to defined benefit pension schemes). The changes only affect presentation and do not affect the Group's financial position or result. The changes apply with effect for the financial year commencing on 1 July 2012, and will therefore be implemented in the Group's first annual financial statements after entry into force.

IAS 19 Payments to employees
IASB has adopted a number of changes to IAS 19. The changes are both of a fundamental nature, such as that the corridor method is no longer permitted and that the expected return on pension funds is changed conceptually, and of a simpler nature as clarifications and re-formulations. The lapse of the corridor method entails that actuarial gains and losses must be recognised in other income and costs (OCI) in the period that they arise. The change in IAS 19 will affect net pension costs as a consequence of how the expected yield on pension funds must be calculated at the same interest rate as applied to discounting the pension obligation. The changes entail retrospective restructuring as from 1 January 2012. The effect on net pension obligations as of 31.12.12 is estimated as a reduction of NOK 5.3 million for the parent bank, and NOK 5.4 million for the Group, respectively. The impact on equity is estimated as an increase of NOK 3.8 million for the parent bank, and NOK 3.9 million for the Group, respectively. The changes apply with effect for financial years beginning on 1 January 2013 and later.

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 to clarify the application of IAS 32's set-off criteria for settlement systems such as clearing house systems which apply mechanisms for gross settlement which do not occur simultaneously. The changes apply with effect for the financial year commencing on 1 January 2014.

17.1 Annual improvement project 2009-2011

IAS 1 Presentation of financial accounts:
The changes in IAS 1 entail clarification of the difference between voluntary comparative figures and the minimum requirements. Usually a presentation of the preceding period's comparative figures will fulfil the minimum requirements. The changes do not affect the Group's financial position or result. The changes apply with effect for financial years beginning on 1 January 2013 or later, but are not yet approved by the EU.

IAS 32 Financial instruments - presentation
The change entails clarification of the income tax originating from the distribution to owners of equity instruments that are recognised in accordance with IAS 12. The changes apply with effect for the financial year beginning on 1 January 2013 or later, although the EU has not approved the changes.

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
- Net pension obligations

3.1 Losses on loans and guarantees

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

Groups of loans are written down in the same way as individual loans when there is objective evidence that the overall group has a reduced value as the result of an event that has occurred. Estimating credit losses on groups of loans is based on historical loss data compared with bank specific and/or market parameters such as, for example, risk classification, macroeconomic factors and 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. Reference is made to note 13.

3.2 Fair value of financial instruments

In principle, observable market prices must 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.

Reference is made to note 22 for valuation of financial assets and liabilities at fair value.

3.3. Net pension obligation

The Group's defined benefit 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 calculation, including the expected return on pension funds, the discount rate, annual payroll growth, the change in G (national insurance basis amount or in Norwegian "Folketrygdens grunnbelop") and the regulation of pensions.

The discount interest rate is based on the rate of interest on preferential bonds(OMF) in the Norwegian market, since the OMF market in Norway is considered to satisfy the requirements of corporate bonds of high quality, with a deep market. The discount rate is adjusted by a premium to give an interest rate that reflects the estimated time of payment. The expected return on the pension funds is set as the discount rate in accordance with IAS 19. The pension funds are to a high degree invested in liquid assets that are valued at the actual value on the balance sheet date. The other economic assumptions are based on expected long-term change in the parameters. A far higher risk is assessed to be associated with estimated gross pension obligations than with estimated pension funds. Reference is made to note 52 for more information.

NOTE 4 - OPERATIONAL SEGMENTS

Segment reporting is based on the bank's internal reporting format, in which the parent bank and the housing credit company are split into the private market, the business market and finance. In addition there are the other subsidiaries, and a non-reportable segment with items that are not distributed on 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 five operational segments based on the products and services as follows: The private market and business market segments mainly consist of lending to and deposits from customers. Finance mainly consists of the bank's liquidity portfolio, while the main product of AS Financiering is debenture financing of vehicles. Sparebanken Øst Eiendom AS engages in property purchase and sale, leasing and development of real estate. Earnings from the private market, business market and AS Financiering mainly comprise net interest income, while income from Sparebanken Øst Eiendom AS primarily comprises income from leasing. Income taxes are controlled on a consolidated basis and are not allocated to operating segments, except for subsidiaries that are reported as separate operating segments.

Interest rates are reported on a net basis, since the majority of segment revenues are derived from interest income on loans. Management is based primarily on net interest income and not gross interest income and expenses. Transactions between operational segments are based on arm's-length pricing equivalent to transactions with third parties. No single customer accounts for more than 10 per cent of the bank's total income in 2012 and 2011.

Income Statement

2012	**PM**	**BM**	**Finance**	**AS Financiering**	**Spb Øst Eiendom**	**Undistributed**	**Elimination**	**Group**
Net interest and commission income external	480,4	304,0	119,3	152,5	-1,2	-545,5	0,0	509,5
Net interest and commission income internal	-258,8	-86,8	-166,6	-39,2	-16,7	568,1	0,0	0,0
Net interest and commission income	**221,6**	**217,2**	**-47,3**	**113,3**	**-17,9**	**22,6**	**0,0**	**509,5**
Total net other income external	55,5	23,2	19,5	-22,8	41,7	51,1	0,0	168,2
Total net other income internal	0,0	0,0	0,0	0,0	8,2	54,4	-62,6	0,0
Total income	**277,1**	**240,4**	**-27,8**	**90,5**	**32,0**	**128,1**	**-62,6**	**677,7**
Payroll and general administration costs	65,3	22,9	0,0	27,1	5,5	101,9	0,0	222,7
Depreciation	0,0	0,0	0,0	1,8	9,5	5,4	0,0	16,7
Other operating costs external	1,0	0,1	-0,2	6,3	8,1	35,6	0,0	50,9
Other operating costs internal	0,0	0,0	0,0	0,1	1,2	9,4	-10,7	0,0
Total operating costs	**66,3**	**23,0**	**-0,2**	**35,3**	**24,3**	**152,3**	**-10,7**	**290,3**
Profit before losses	**210,8**	**217,4**	**-27,6**	**55,2**	**7,7**	**-24,2**	**-51,9**	**387,4**
Losses on loans, guarantees, etc.	1,0	4,9	1,4	18,0	0,0	0,0	0,0	25,3
Profit before tax	**209,8**	**212,5**	**-29,0**	**37,2**	**7,7**	**-24,2**	**-51,9**	**362,1**
Tax costs	0,0	0,0	0,0	10,6	-1,5	90,1	-1,2	98,0
After-tax profit	**209,8**	**212,5**	**-29,0**	**26,6**	**9,2**	**-114,3**	**-50,7**	**264,1**

Income Statement

2011	**PM**	**BM**	**Finance**	**AS Financiering**	**Spb Øst Eiendom**	**Undistributed**	**Elimination**	**Group**
Net interest and commission income external	430,1	302,7	168,5	124,2	-0,8	-583,7	0,0	441,0
Net interest and commission income internal	-278,4	-95,1	-192,2	-37,8	-6,1	609,6	0,0	0,0
Net interest and commission income	**151,7**	**207,6**	**-23,7**	**86,4**	**-6,9**	**25,9**	**0,0**	**441,0**
Total net other income external	63,5	26,6	-29,1	-15,5	15,2	16,8	0,0	77,5
Total net other income internal	0,0	0,0	0,0	0,0	8,4	-0,9	-7,5	0,0
Total income	**215,2**	**234,2**	**-52,8**	**70,9**	**16,7**	**41,8**	**-7,5**	**518,5**
Payroll and general administration costs	72,4	22,5	0,0	29,4	5,6	100,6	0,0	230,5
Depreciation	0,0	0,0	0,0	1,4	4,3	6,3	0,0	12,0
Other operating costs external	1,0	0,1	0,0	5,6	3,5	37,4	0,0	47,6
Other operating costs internal	0,0	0,0	0,0	-0,1	0,0	9,2	-9,1	0,0
Total operating costs	**73,4**	**22,6**	**0,0**	**36,3**	**13,4**	**153,5**	**-9,1**	**290,1**
Profit before losses	**141,8**	**211,6**	**-52,8**	**34,6**	**3,3**	**-111,7**	**1,6**	**228,4**

Losses on loans, guarantees, etc.	-0,1	8,0	0,0	10,0	0,0	0,0	0,0	17,9
Profit before tax	**141,9**	**203,6**	**-52,8**	**24,6**	**3,3**	**-111,7**	**1,6**	**210,5**
Tax costs	0,0	0,0	0,0	7,0	0,9	46,5	0,4	54,8
After-tax profit	**141,9**	**203,6**	**-52,8**	**17,6**	**2,4**	**-158,2**	**1,2**	**155,7**

Balance Sheet

2012	**PM**	**BM**	**Finance**	**AS Financiering**	**Spb Øst Eiendom**	**Undistributed**	**Elimination**	**Group**
Net loans and receivables with customers	14.779,9	5.826,8	0,0	1.536,0	0,0	744,5	-327,0	22.560,2
Other assets	31,1	41,4	6.660,8	34,8	477,6	4.463,5	-4.631,5	7.077,7
Total assets	**14.811,0**	**5.868,2**	**6.660,8**	**1.570,8**	**477,6**	**5.208,0**	**-4.958,5**	**29.637,9**
Deposits from and liabilities to customers	6.909,3	3.479,2	1.179,3	24,6	0,0	103,2	-7,7	11.687,9
Other liabilities	719,0	243,6	15,6	1.393,5	365,2	17.417,3	-4.333,0	15.821,2
Inter-company accounts	7.182,7	2.145,4	5.465,9	0,0	0,0	-14.794,0	0,0	0,0
Total liabilities per segment	14.811,0	5.868,2	6.660,8	1.418,1	365,2	2.726,5	-4.340,7	27.509,1
Total equity	0,0	0,0	0,0	152,7	112,4	2.481,5	-617,8	2.128,8
Total liabilities and equity	**14.811,0**	**5.868,2**	**6.660,8**	**1.570,8**	**477,6**	**5.208,0**	**-4.958,5**	**29.637,9**
Investments during the year	**0,0**	**0,0**	**0,0**	**3,0**	**57,0**	**10,4**	**0,0**	**70,4**

* In December, lending to Sparebanken Øst Eiendom of NOK 327 million was moved from segment BM to undistributed.

Balance Sheet

2011	**PM**	**BM**	**Finance**	**AS Financiering**	**Spb Øst Eiendom**	**Undistributed**	**Elimination**	**Group**
Net loans and receivables with customers	14.293,5	6.427,1	0,0	1.388,5	0,0	421,2	-346,8	22.183,5
Other assets	31,3	26,0	6.092,8	29,5	507,9	3.220,4	-3.594,5	6.313,4
Total assets	**14.324,8**	**6.453,1**	**6.092,8**	**1.418,0**	**507,9**	**3.641,6**	**-3.941,3**	**28.496,9**
Deposits from and liabilities to customers	4.616,7	3.609,0	596,3	32,1	0,0	104,4	-25,8	8.932,7
Other liabilities	1.116,0	224,0	-24,5	1.259,9	404,6	18.216,9	-3.540,6	17.656,3
Inter-company accounts	8.592,1	2.620,1	5.521,0	0,0	0,0	-16.733,2	0,0	0,0
Total liabilities per segment	14.324,8	6.453,1	6.092,8	1.292,0	404,6	1.588,1	-3.566,4	26.589,0
Total equity	0,0	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**	**6.092,8**	**1.418,0**	**507,9**	**3.641,6**	**-3.941,3**	**28.496,9**
Investments during the year	**0,0**	**0,0**	**0,0**	**1,3**	**245,1**	**9,1**	**0,0**	**255,5**

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. Risk is reported to the Management and Board of Directors on a quarterly basis. The report shows the on-going status in respect of the various defined internal and statutory frameworks for risk.

Credit risk

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

Measuring of risk when lending to customers is done by classifying the risk a customer represents as an integrated part of the credit process. Customers are classified by risk based on a calculation of private customers' free liquidity after costs, analyses of key ratios in companies' accounts, level of indebtedness, collateral, and assessment of other more specific factors.

Credit policies on loans to customers are effected in day-to-day operations by means of credit manuals, frameworks and authorisations handled via the bank's two credit departments: PM Kreditt and BM Kreditt. The credit departments are responsible for implementing the bank's adopted credit policy. The departments thus solely hold banking, and not sales, responsibility.

PM Kreditt is a central credit function and is the approval body for the granting of credit to private customers. The credit function is located and organised as one unit. The department decides on the granting of credit to all private customers of the bank. Use of individual authorisations is highly limited.

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

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

Settlement risk is a form of credit risk. Should contract counterparties not meet their commitments, settlement in the form of cash or securities stand at risk of being lost. 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 lost if the counterparty goes bankrupt or is unable to settle its payment obligations. Such contracts are only entered into with financial institutions rated an A or better by a credit assessment agency known by the bank.

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

The ordinary lending business in the Group is distributed on sector as at 31.12.12 with 78 per cent of gross loans to private customers and 22 per cent 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 business customers is distributed geographically in the central southeastern area of Norway, with an emphasis on the municipal districts of Øvre Eiker, Nedre Eiker and Drammen. The lending activities are not deemed to be particularly exposed to individual companies (cornerstone industries) or one-sided financial growth in the region. The proximity to Oslo gives both private and business customer departments 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 share. Turnover and operations in real estate amount to 57 per cent of the business portfolio. Measured as a share of the total lending portfolio in the Group, exposure to turnover and operations in real estate is still not more than 12 per cent. Real estate is a cyclical industry that is particularly vulnerable in periods of economic downturn. Commitments are, however, regarded as well secured, often with additional collateral.

Sparebanken Øst in principle has an upper limit for exposures to the local market of NOK 100 million. Exceptionally, exposures up to NOK 200 million are accepted. The upper limit for exposures in the niche market is in principle NOK 50 million. Exceptionally, exposures up to NOK 100 million are accepted. Furthermore, limits have been set for concentration in that the three largest exposures in the business market portfolio may not constitute more than 9 per cent of the business market portfolio, and the ten largest no more than 18 per cent.

The bank had in its lending operations as at 31.12.12, apart from loans to subsidiaries (AS Financiering, Sparebanken Øst Boligkreditt AS and Sparebanken Øst Eiendom AS), one exposures to external customers of over 10 per cent of own subordinate capital. As at 31.12.12 loans to the Group's largest loan customer represent 1.1 per cent of gross lending. The Group's ten largest loan customers represent 4.9 per cent of gross lending, and the Group's 20 largest loan customers represent 7.1 per cent of gross lending.

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 the level of interest rates (interest risk), through changes in market prices of financial instruments, including changes in the risk premium/credit spread (price risk) on fixed-income securities, exchange rates (currency risk) and by changes in share prices (share risk).

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

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

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

Currency risk
Currency risk is the risk of loss of value due to exchange rate fluctuation. Such risk is reduced by matching asset and liability positions with each other in the balance sheet using currency derivatives.

For assets where the debtor has the opportunity to repay before the final maturity revolving swaps are used. Where final maturity shall not be waived, positions are secured using basis swaps.

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

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

Risk-reducing measures
The bank uses guarantees, derivatives and financial 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. Reference is made to the descriptions of each individual risk area.

The bank's loans, credits and guarantees to private and business customers are secured in real estate, movable property and/or through guarantees. The bank has a limited number of unsecured loans. For business customers, the value of the collateral is often dependent on operations. The value of this type of collateral will fluctuate over time. For this type of business customer the bank will often secure itself by means of additional collateral in the form of collateral in real estate 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.

Lending to other banks and lending as bond placements is provided on an unsecured basis.

Liquidity risk
Liquidity risk involves the bank not being in a position to meet its ongoing 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. In addition to deposits from customers, the Norwegian certificate and bond market, including the market for preferential bonds, and bilateral loans from European banks and insurance companies, are current funding sources.

Deposits are a key source of financing for the banks. After the financial crisis, the competition for deposits has intensified. Adjustments to the range of products available to our customers has led to an increased in influx of deposits. Topprente.no has made a particular contribution to increasing the bank's deposit cover. Topprente.no is a self-service concept that offers customers competitive deposit terms. As of 31.12.12 deposits from customers account for 51.8 per cent of the Group's net lending, compared to 40.3 per cent as of 31.12.11.

The Norwegian certificate and bond market is characterised by how large institutional investors are the primary investors in the banks' issues of debt securities. It is therefore sought to make bond issues of sufficient size, and to ensure predictability for investors in this market.

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

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

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. In addition, frameworks have been established for maximum cash flow per day and per week. The bank maintains liquidity reserves in the form of cash and drawing rights on Norges Bank and a bond portfolio in liquid securities of high credit quality.

The frameworks are as follows: (1) the bank must have a liquidity indicator (Norges Bank) of at least 105 per cent. This entails that illiquid assets (with a maturity exceeding 12 months) must be financed with long-term debt; (2) the bank may not have short-term financing (defined as deposits with a maturity of less than 12 months) that constitutes more than 15 per cent of the managed capital; (3) the bank must not have a daily net refinancing requirement that exceeds NOK 400 million, or NOK 1 billion per week. In recent years the bank has had a greater need to obtain financing in the capital market. The bank uses the capital market actively to finance the capital requirement arising when lending to customers exceeds ordinary deposits from customers.

Long-term capital management
Long-term capital management in Sparebanken Øst is intended to ensure good solvency and adequate liquidity for the entire Group. Good solvency 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 per cent and the tier 1 capital adequacy ratio shall be over 11 per cent. The minimum statutory requirement for capital adequacy is 8 per cent and for tier 1 capital adequacy it is 4 per cent.

The long-term capital adequacy objectives for the Group in other words entail capital buffers well above 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.

Adequate liquidity is maintained by always ensuring a high ratio of long-term financing. This is achieved, among other things, via a framework for the element of short-term financing, and a significant liquidity buffer comprising securities with a low credit risk and sound market liquidity. Good management with planned liquidity flows in and out of the Group and a requirement to diversify financing sources and terms help to ensure that the Group has continuous access to financing.

Further reference is made to Notes 6-19.

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 performed using the basis method.

In accordance with statutory requirements, subordinate capital must be at least 8 per cent. 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 per cent while the tier 1 capital adequacy ratio shall be over 11 per cent.

For more information reference is made to the Group's Tier III document, which can be found on Sparebanken Øst's website.

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
207,3	207,3	Equity certificate capital	207,3	207,3
387,8	387,8	Premium reserve	387,8	387,8
1.010,5	887,4	Primary certificate capital	1.010,5	887,4
449,4	356,8	Other reserves not included in tier 1 capital	286,5	225,2
308,4	300,4	Fund notes up to 15 per cent	308,4	287,8
0,0	0,0	Other tier 1 capital	0,0	0,0
-62,2	-41,8	Deductions in tier 1 capital	-74,3	-76,8
-110,9	-116,1	50/50 deduction in tier 1 capital	-102,7	-108,5
2.190,3	**1.981,8**	**Net tier 1 capital**	**2.023,5**	**1.810,2**
0,0	0,0	Fund notes in additional capital	0,0	12,6
199,9	299,7	Subordinate loan capital	199,9	299,7
33,3	30,9	Unrealised gains IFRS	33,2	30,9
-110,9	-116,1	50/50-deduction in additional capital	-102,7	-108,5
122,3	**214,5**	**Net additional capital**	**130,4**	**234,7**
2.312,6	**2.196,3**	**Net subordinated capital**	**2.153,9**	**2.044,9**
		Calculation basis		
0,0	0,0	Governments and central banks	0,0	0,0
150,9	108,1	Local and regional authorities	150,9	108,1
0,0	100,8	Publicly-owned companies	0,0	100,8
452,2	683,8	Institutions	1.581,6	1.446,0
3.498,0	2.395,6	Companies	3.498,0	2.395,6
1.520,5	1.579,1	Mass market accounts	366,0	535,2
6.168,2	6.742,3	Accounts secured on property	3.574,9	4.723,0
334,5	209,7	Accounts due	334,5	209,7
179,5	103,9	Preferential bonds	277,6	207,6
100,9	0,0	Shares in money-market funds	100,9	0,0
997,5	907,5	Other exposures	537,9	427,4
13.402,2	**12.830,8**	**Calculation base balance sheet items**	**10.422,3**	**10.153,4**
53,6	31,2	Interest rate and foreign currency instruments	37,0	25,2
395,5	485,6	Calculation base off-balance sheet items	1.694,5	1.291,4
449,1	**516,8**	**Calculation base off-balance sheet items**	**1.731,5**	**1.316,6**
0,0	**0,0**	**Calculation base exchange risk**	**0,0**	**0,0**
1.203,3	**896,9**	**Calculation base operational risk**	**1.043,7**	**796,9**
-221,8	-232,3	Subordinate capital in other financial institutions	-205,5	-217,0
-43,4	-43,4	Write-downs on groups of loans	-40,1	-40,1
-40,6	-37,7	Unrealised gains IFRS	-40,6	-37,7
-305,8	**-313,4**	**Deductions from the calculation base**	**-286,2**	**-294,8**
14.748,8	**13.931,1**	**Total calculation base (risk-weighted balance)**	**12.911,3**	**11.972,1**
15,68 per cent	**15,77 per cent**	**Capital adequacy**	**16,68 per cent**	**17,08 per cent**
14,85 per cent	**14,23 per cent**	**Tier 1 capital adequacy**	**15,67 per cent**	**15,12 per cent**
12,76 per cent	**12,07 per cent**	**Pure core capital adequacy**	**13,28 per cent**	**12,72 per cent**

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 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Liabilities		
193,5	293,1	Loan pledges	63,9	179,6
1.081,2	1.040,7	Overdraft facilities	1.302,1	2.195,3
214,1	385,5	Guaranties to customers	213,3	385,4
242,0	195,3	Guarantee to Eksportfinans ASA	242,0	195,3
0,0	0,0	Guarantee for all OMF obligations in the mortgage credit company *	5.368,0	4.611,5
1.730,8	**1.914,6**	**Total liabilities**	**7.189,3**	**7.567,1**

* For the rating process in Sparebanken Øst Boligkreditt AS, the parent bank has issued a guarantee for all preferential bond (OMF) commitments in the mortgage credit company. In the amounts, the parent bank's holdings of OMF for nominal NOK 978.5 million as of 31.12.12 and NOK 1,038.5 million 31.12.11 have been drawn.

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 the exposure to NOK 100 million. Reference is made 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, condominium units or blocked deposits. Other security could also include holiday homes, land, sales mortgages, securities, share/bond apartments, boats, life insurance policies, pledges on movable property or other security provided by a third party. For loans against mortgages on real estate, the general rule is a loan to value ratio of up to 85 per cent on a sound asset basis, usually assessed on the basis of documented marketable values, rates or agent valuations.

In principle, loans and credit are only granted to business customers against adequate security. Adequate security primarily means security in different types of real estate or blocked deposits. Other security could also include mortgages on land, securities, sales/vehicle mortgages, fleet mortgages, machinery and plant, lease agreements, inventories, trade receivables or sureties. For loans and credits secured on real estate or projects under construction the main rule is a maximum loan to value ratio of 80 per cent of an appropriate valuation of the realisable value. For other types of security the loan to value ratio will vary. In any case appropriate valuations of the realisable value of the security must be undertaken.

The total exposure to the individual customer is taken into consideration when assessing the financial effect of the security pledged for the credit risk.

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

NOTE 8 – CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

Lending to and claims on credit institutions mainly consist of surplus liquidity placed in Scandinavian banks. Credit quality is assessed on the basis of 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 in the bank's internal risk classification system. Risk is classified in 5 categories from A to E, where A is the lowest risk. Risk classification of customers is an integral and mandatory element of the credit process, both in the primary and business market. Private customers are classified on the basis of servicing ability (net liquidity taking a 5 per cent point higher interest rate level into account), willingness to service the loan (documented loan servicing history), degree of indebtedness and security cover. Business customers are classified on the basis of an analysis of key ratios from companies' financial statements, servicing history, security pledged and assessment of other more specific internal and external factors related to the company. The accumulated risk classification for the customer, together with the customer's, and any related customers' total exposures (the bank's total exposure to the Group) will form the basis for the level of authorisation at which the application is considered.

For placement of funds in certificates and bonds, risk is assessed on the basis of 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. Customers allocated to the bank's department for special exposures will be risk-classified within the high-risk category.

Group as at 31.12.12

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due**	**Individually written down**	**Total**
Loans							
Loans and receivables from credit institutions	4,1	0,0	0,0	0,0	0,0	0,0	4,1
Loans and receivables with customers							
-Leasing agreements	13,4	4,1	1,0	0,0	15,0	4,2	37,7
-Cash / operations and use credits	1.523,7	179,5	39,3	12,9	141,1	19,1	1.915,6
-Building loans	135,4	46,8	0,0	0,0	30,1	0,0	212,3
-Repayment loans	14.503,9	3.585,4	1.064,4	177,8	1.032,0	178,9	20.542,4
Total loans	**16.180,5**	**3.815,8**	**1.104,7**	**190,7**	**1.218,2**	**202,2**	**22.712,1**
Financial investments							
Listed government bonds	251,3	0,0	0,0	0,0	0,0	0,0	251,3
Listed other bonds	1.613,0	276,0	0,0	0,0	0,0	0,0	1.889,0
Unlisted bonds	1.700,4	105,5	0,0	0,0	0,0	0,0	1.805,9
Total financial investments	**3.564,7**	**381,5**	**0,0**	**0,0**	**0,0**	**0,0**	**3.946,2**

Group as at 31.12.11

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due**	**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**

Parent bank as at 31.12.12

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due	Individually written down	Total
Loans							
Loans and receivables from credit institutions	2.915,2	0,0	0,0	0,0	0,0	0,0	2.915,2
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	674,5	104,3	29,5	9,5	95,9	19,1	932,8
-Building loans	135,4	46,8	0,0	0,0	30,1	0,0	212,3
-Repayment loans	8.572,6	1.923,6	738,7	81,4	581,3	99,9	11.997,5
Total loans	**12.297,7**	**2.074,7**	**768,2**	**90,9**	**707,3**	**119,0**	**16.057,8**
Financial investments							
Listed government bonds	251,3	0,0	0,0	0,0	0,0	0,0	251,3
Listed other bonds	2.594,2	276,0	0,0	0,0	0,0	0,0	2.870,2
Unlisted bonds	1.700,4	105,5	0,0	0,0	0,0	0,0	1.805,9
Total financial investments	**4.545,9**	**381,5**	**0,0**	**0,0**	**0,0**	**0,0**	**4.927,4**

Parent bank as at 31.12.11

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due	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**

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

Group as at 31.12.12

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Leasing agreements	10,8	2,2	2,0	0,0	15,0
-Cash / operations and use credits	128,4	4,1	0,7	7,9	141,1
-Building loans	20,1	0,0	0,0	10,0	30,1
-Repayment loans	658,2	147,3	55,8	170,7	1.032,0
Total	**817,5**	**153,6**	**58,5**	**188,6**	**1.218,2**

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**

Parent bank as at 31.12.12

	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	83,7	3,6	0,7	7,9	95,9
-Building loans	20,1	0,0	0,0	10,0	30,1
-Repayment loans	319,2	66,5	26,7	168,9	581,3
Total	**423,0**	**70,1**	**27,4**	**186,8**	**707,3**

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**

NOTE 10 - CREDIT RISK DISTRIBUTED BY RISK CLASS

Business customers – parent bank

Risk classification is integrated as part of the credit process for granting and following up on the bank's business customers. The risk classification is based on a weighted calculation of central key ratios from the borrowers' accounts (55 per cent), internal and external commercial conditions (organisation, competence, financial management, payment history, and different external framework conditions) (20 per cent), and the collateral cover for the exposures (25 per cent).

	2012						2011					
	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Exposure	per cent	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Exposure	per cent
Low risk	733	27	72	0	832	15	1.268	33	89	0	1.390	23
Moderate risk	2.648	79	159	0	2.886	51	2.890	114	120	0	3.124	51
Normal risk	1.069	56	47	0	1.172	21	958	178	51	0	1.187	20
Reasonably high risk	519	32	8	5	559	10	213	13	15	8	241	4
High risk	168	3	2	39	173	3	69	4	2	39	75	1
Undistributed	20	1	6	0	27	0	64	2	8	0	74	1
Total	**5.157**	**198**	**294**	**44**	**5.649**	**100**	**5.462**	**344**	**285**	**47**	**6.091**	**100**

The proportion of loans with little or moderate risk is calculated to be 66 per cent as at 31.12.12, which is a decrease from 74 per cent in 2011. During 2012 policy changes were made in relation to the bank's risk classification system so that the system, among other things, can better take account of the customers' documented payment history. In addition, a policy has been introduced for the reclassification of the exposures that are subject to observation/consideration in the bank's department for special exposures. Depending on the underlying security assessments, these exposures are classified in the categories of reasonably high or high risk. Furthermore, in connection with annual renewal, for example, during the last half-year, the bank has down-classified some large exposures due to uncertainty related to the macroeconomic conditions.

The bank performs quarterly analyses whereby the commercial portfolio, on a portfolio and individual basis, is measured against credit score and PD (Probability of Default) by Experian (credit information provider). Negative development related to the individual exposures is monitored closely and initiates close follow-up of the customer. These external 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. In 2012 there was greater focus on the ability to also be able to service the exposure within a higher interest-rate regime.

The requirements for collateral, second-line defence, for business loans will vary widely, depending on the nature of the commitment, the industry concerned, the size of the commitment and naturally the project's or commitment's assessed risk. Security is assessed in relation to the realisation principle, which means that in addition to a prudently assessed market value, the assessments also show the value at which the bank assumes it would be possible to realise the collateral values in the event of enforced realisation of the underlying assets.
The majority of the bank's business loans are secured entirely or partially by way of collateral in real estate. As a rule, for commercial properties, valuations and market values are used, as well as individual assessments to a large extent. Individual assessments will typically be factor calculations based on net rental income, location, etc. For parts of smaller exposures, in addition to any operations-dependent security, there will often be related security in real estate, private homes, 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.

Via its credit strategy the Board of Directors has determined overall limits related to the maximum exposure per customer/Group in terms of location, industry exposure, accumulated risk class, concentration risk and requirements for the acceptance of new customers. Follow-up work connected to the limits adopted by the Board of Directors takes place via quarterly risk reports.

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

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

In summer 2011 the bank established its own credit department for quality assurance of the valuations of the bank’s largest business exposures. During 2012 the manning of the department has been strengthened, and for 2013 the bank has employed additional full-time employees in order to increase staff levels. The department has no sales responsibility.

Sparebanken Øst expresses its risk tolerance by ensuring that the bank’s percentage loss on net lending over time may not exceed 0.2 per cent of the total net lending to customers. Review of the losses in the parent bank adjusted for changes in grouped write-downs shows that the average losses in the period from 2006 to 2012 were 0.1 per cent of net lending, of which lost business accounted for 0.3 per cent 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 risk classification method for private customers was adjusted in 2012 on adjustment to the Financial Supervisory Authority of Norway’s mortgage lending guidelines. The accumulated risk class is calculated on the basis of the ratio between total debt and total salary income (degree of indebtedness), the customer/household’s security (loan to credit ratio), ability to service the debt (the customer/household’s net liquidity, in consideration of a potential 5 percentage point higher interest-rate level) and willingness to service the debt (the customer’s documented payment history). The degree of indebtedness is weighted at 10 per cent, the security cover at 25 per cent, the ability to service the debt at 39 per cent, and the willingness to service the debt at 26 per cent.
The bank's organisation of the approval process within the private market is based on centralised processing units. Control measures that have been implemented show that this type of organisation has been extremely successful and has limited the operational risk related to the processing of loans to private customers. Losses corrected for changes in group write-downs for the period from 2006 to 2012 have on average been 0.01 per cent of net loans. It is expected that future losses will primarily be conditional upon how the market in general develops.

The ratio of exposures with a small and moderate risk shows 80 per cent of the portfolio, which is an increase by 74 per cent from 31.12.11.

The portfolio of private loans at year-end is NOK 8.4 billion, which is a decrease by NOK 1.1 billion from 31.12.11. The development in private loans in the parent bank must be view in conjunction with the portfolio transferred to Sparebanken Øst Boligkreditt AS.

	2012						2011					
	Gross loans	**Guaran tees**	**Overdra ft facil.**	**Individ. write-downs**	**Exposure**	**per cent**	**Gross loans**	**Guaran tees**	**Overdra ft facil.**	**Individ. write-downs**	**Exposure**	**per cent**
Low risk	4.122	9	239	0	4.370	52	3.329	15	230	0	3.574	38
Moderate risk	2.201	5	92	0	2.298	28	3.298	6	129	0	3.433	36
Normal risk	1.152	1	30	0	1.183	14	1.812	19	34	1	1.865	20
Reasonably high risk	352	0	4	0	356	4	476	1	8	2	485	5
High risk	75	0	1	6	76	1	30	0	1	4	31	0
Undistributed	84	0	19	0	103	1	114	0	17	0	131	1
Total	**7.986**	**15**	**385**	**6**	**8.386**	**100**	**9.059**	**41**	**419**	**7**	**9.519**	**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 the development in the general interest rate market, the bank's overall growth targets and the general competitive situation.

In the first half of 2012 the bank implemented the Financial Supervisory Authority of Norway's new guidelines for responsible 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's loan portfolio is primarily related to secured mortgage loans whereby the exposures 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 an estimated market value of the security object. For the majority of the approved loans, the basis for the valuation is either a property valuation, broker evaluation, or sales value. Customers requiring loans with a loan to value ratio above 85 per cent have primarily been secured by obtaining adequate supplementary security.

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

Total portfolio - parent bank

	2012						2011					
	Gross loans	**Guaran tees**	**Overdra ft facil.**	**Individ. write-downs**	**Exposure**	**per cent**	**Gross loans**	**Guaran tees**	**Overdra ft facil.**	**Individ. write-downs**	**Exposure**	**per cent**
Low risk	4.855	36	311	0	5.202	37	4.597	48	319	0	4.964	32
Moderate risk	4.849	84	251	0	5.184	37	6.188	120	249	0	6.557	41
Normal risk	2.221	57	77	0	2.355	17	2.770	197	85	1	3.052	20
Reasonably high risk	871	32	12	5	915	6	689	14	23	10	726	5
High risk	243	3	3	45	249	2	99	4	3	43	106	1
Undistributed	104	1	25	0	130	1	178	2	25	0	205	1
Total	**13.143**	**213**	**679**	**50**	**14.035**	**100**	**14.521**	**385**	**704**	**54**	**15.610**	**100**

Write-downs on groups of loans to customers in Sparebanken Øst are unchanged from 31.12.11 and amount to a total of NOK 40.1 million.

Total portfolio – Group

	2012						2011					
	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Exposure	per cent	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Exposure	per cent
Low risk	8.970	36	582	3	9.588	40	7.882	48	546	2	8.476	36
Moderate risk	7.800	84	347	3	8.231	34	8.687	119	328	3	9.134	38
Normal risk	4.171	57	103	18	4.331	18	4.353	198	107	15	4.658	20
Reasonably high risk	1.252	33	15	24	1.300	6	990	14	27	23	1.031	4
High risk	310	3	3	56	316	1	178	4	3	57	185	1
Undistributed	205	1	31	0	237	1	237	2	30	0	269	1
Total	**22.708**	**214**	**1.081**	**104**	**24.003**	**100**	**22.327**	**385**	**1.041**	**100**	**23.753**	**100**

The Group figures present a summary of the parent bank, Sparebanken Øst Boligkreditt and AS Financiering adjusted for eliminations in Sparebank Øst Eiendom AS (including subsidiary).

AS Financiering is a wholly-owned subsidiary of Sparebanken Øst, and the activities mainly comprise the financing of second-hand cars and leasing. When classifying risk in AS Financiering, credit information is obtained which is also adjusted for income, equity and any negative payment experience AS Financiering may have with the customer. Grouped write-downs of loans are not distributed into risk classes. Losses in AS Financiering for 2012 amount to a total of NOK 18.0 million compared to NOK 10.0 million in 2011. Book losses amounted to 1.13 per cent of gross lending in 2012. The corresponding figure for 2011 was 0.69 per cent.

For the parent bank, the estimated actual value of security for defaulted and loss-exposed loans not written down is NOK 263.5 million (NOK 206.3 million in 2011). The balance sheet value of defaulted and loss-exposed loans not written down is NOK 219.0 million (NOK 201.8 million in 2011). The estimated actual value of security for loans written down is NOK 84.3 million (NOK 88.1 million in 2011). The balance sheet value of loans written down is NOK 77.1 million (NOK 78.2 million in 2011). The security consists mainly of real estate, but smaller amounts may be secured against deposits, goods, claims and operating equipment.

AS Financiering has an estimated 21 per cent (37 per cent in 2011) security cover on the loans that are written down.

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

Distribution by sector and industry – Group

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2012	2011	2012	2011	2012	2011	2012	2011
Salaried employees	17.715,5	17.038,1	15,7	41,2	783,8	760,8	20,5	9,8
Agriculture, forestry, fishing	192,6	192,1	0,7	1,0	22,7	20,7	0,0	-0,1
Industry, construction, power, water supply	112,0	140,3	11,1	17,1	25,9	37,2	2,6	8,4
Buildings, facilities	629,2	618,3	65,1	76,2	58,8	55,9	0,6	0,5
Retail, hotel and catering	409,3	499,7	31,2	37,9	62,7	67,8	-0,3	2,7
Transport, communications	106,0	89,7	13,5	15,5	5,9	7,6	1,6	0,0
Financial services	238,9	277,0	25,4	116,9	21,8	22,3	-0,4	3,1
Other service industries	466,3	417,8	21,9	25,6	18,8	24,7	0,5	-0,7
Real estate turnover and operations	2.818,7	3.032,4	29,5	54,1	80,1	43,2	-1,1	-7,6
Foreign	19,5	21,7	0,0	0,0	0,7	0,5	0,0	0,3
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	1,5
Total	**22.708,0**	**22.327,1**	**214,1**	**385,5**	**1.081,2**	**1.040,7**	**23,9**	**17,9**

	Distressed accounts		Loss-exposed accounts		Individual write-downs		Write-downs on groups of loans*	
	2012	2011	2012	2011	2012	2011	2012	2011
Salaried employees	182,8	156,4	5,8	15,9	55,6	48,2	4,9	4,9
Agriculture, forestry, fishing	1,9	1,6	0,0	0,0	0,2	0,2	0,0	0,0
Industry, construction, power, water supply	0,5	0,4	27,6	28,3	12,5	12,0	0,0	0,0
Buildings, facilities	64,1	19,4	0,4	0,0	5,2	6,0	0,0	0,0
Retail, hotel and catering	27,3	15,9	0,9	10,3	12,0	14,7	0,0	0,0
Transport, communications	1,6	0,5	0,0	0,0	1,6	0,1	0,0	0,0
Financial services	4,4	0,5	0,0	0,0	0,1	0,5	0,0	0,0
Other service industries	0,9	12,4	4,4	1,8	1,6	1,4	0,0	0,0
Real estate turnover and operations	65,3	92,8	37,8	37,9	14,7	15,7	0,0	0,0
Foreign	1,0	1,9	0,0	0,0	0,8	1,4	0,0	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	38,5	38,5
Total	**349,8**	**301,8**	**76,9**	**94,2**	**104,3**	**100,2**	**43,4**	**43,4**

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

Distribution on sector and industry – parent bank

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2012	2011	2012	2011	2012	2011	2012	2011
Salaried employees	7.969,5	9.040,5	15,7	41,2	384,1	418,7	3,4	1,1
Agriculture, forestry, fishing	189,8	188,3	0,7	1,0	22,7	20,7	0,0	-0,2
Industry, construction, power, water supply	107,4	134,3	11,1	17,1	25,9	37,3	2,5	8,4
Buildings, facilities	611,0	602,5	65,1	76,2	57,6	55,0	0,5	0,3
Retail, hotel and catering	368,7	453,3	30,5	37,2	62,7	67,8	-0,6	2,3
Transport, communications	83,8	72,3	13,4	15,4	5,9	7,6	1,5	0,0
Financial services	229,5	264,7	25,4	116,9	645,3	1.513,2	-0,4	3,1
Other service industries	436,9	387,3	21,9	25,6	18,8	24,7	0,3	-0,8
Real estate turnover and operations	3.129,2	3.360,2	29,5	54,8	78,4	49,8	-1,2	-7,8
Foreign	16,8	17,5	0,0	0,0	0,7	0,5	0,0	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	1,5
Total	**13.142,6**	**14.520,9**	**213,3**	**385,4**	**1.302,1**	**2.195,3**	**5,9**	**7,9**

	Distressed Commitment		Loss-exposed accounts		Individual write-downs		Write-downs on groups of loans*	
	2012	2011	2012	2011	2012	2011	2012	2011
Salaried employees	105,6	92,1	5,2	15,9	6,8	8,1	1,6	1,6
Agriculture, forestry, fishing	1,8	1,4	0,0	0,0	0,0	0,0	0,0	0,0
Industry, construction, power, water supply	0,5	0,0	27,6	28,3	12,5	11,6	0,0	0,0
Buildings, facilities	62,7	18,4	0,0	0,0	4,1	5,3	0,0	0,0
Retail, hotel and catering	24,8	12,7	0,9	8,9	10,6	13,0	0,0	0,0
Transport, communications	1,6	0,1	0,0	0,0	1,5	0,0	0,0	0,0
Financial services	4,3	0,4	0,0	0,0	0,0	0,4	0,0	0,0
Other service industries	0,2	11,6	3,9	1,8	0,7	0,9	0,0	0,0
Real estate turnover and operations	64,4	92,0	37,7	37,9	14,1	15,0	0,0	0,0
Foreign	0,0	0,7	0,0	0,0	0,0	0,3	0,0	0,0
Group write-downs, industry	0,0	0,0	0,0	0,0	0,0	0,0	38,5	38,5
Total	**265,9**	**229,4**	**75,3**	**92,8**	**50,3**	**54,6**	**40,1**	**40,1**

* Write-downs of groups of loans are not distributed on industry.

Geographical distribution

Group Loans		Group Guarantees			Parent bank Loans		Parent bank Guarantees	
2012	2011	2012	2011		2012	2011	2012	2011
4.785,4	4.625,5	63,1	78,5	Drammen	3.241,3	3.850,5	63,1	79,2
2.000,2	2.153,4	20,2	29,4	Nedre Eiker	1.366,4	1.459,8	20,2	29,4
1.838,4	1.714,4	22,6	24,5	Øvre Eiker	1.226,1	1.281,7	22,6	24,5
1.807,6	1.640,6	36,7	138,6	Other parts of Buskerud	1.246,9	1.198,5	36,7	138,6
3.819,5	3.943,9	41,7	61,2	Oslo	2.221,1	2.546,3	40,9	60,4
3.704,1	3.725,9	18,5	16,3	Akershus	1.789,8	1.955,6	18,5	16,3
1.986,8	1.878,5	11,2	37,0	Vestfold	1.195,0	1.285,6	11,2	37,0
822,6	693,9	0,1	0,0	Østfold	268,9	245,7	0,1	0,0
1.920,6	1.929,3	0,0	0,0	Rest of country	570,3	680,5	0,0	0,0
22,8	21,7	0,0	0,0	Foreign	16,8	16,7	0,0	0,0
22.708,0	**22.327,1**	**214,1**	**385,5**	**Total**	**13.142,6**	**14.520,9**	**213,3**	**385,4**

NOTE 12 - LOANS AND RECEIVABLES WITH CUSTOMERS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
37,7	45,6	Leasing agreements	0,0	0,0
1.915,6	1.955,9	Cash / operations and use credits	932,8	1.076,2
212,3	223,8	Building loans	212,3	250,5
20.542,4	20.101,8	Repayment loans	11.997,5	13.194,2
22.708,0	**22.327,1**	**Gross loans and receivables with customers**	**13.142,6**	**14.520,9**
104,4	100,2	Individual write-downs	50,3	54,6
43,4	43,4	Write-downs on groups of loans	40,1	40,1
22.560,2	**22.183,5**	**Net loans and receivables with customers**	**13.052,2**	**14.426,2**

NOTE 13 – LOSSES ON LOANS AND GUARANTEES, CUSTOMERS

Group 2012	Group 2011			Parent bank 2012	Parent bank 2011
			Individual write-downs		
100,7	128,9		Individual write-downs as at 01.01.	55,1	83,6
8,0	27,6	-	Actual losses for the period, where there have previously been individual write-downs	4,8	25,6
11,1	4,4	+	Increases in individual write-downs for the period	7,3	0,6
21,6	17,6	+	New individual write-downs for the period	5,0	10,3
20,0	22,6	-	Chargeback of individual write-downs for the period	11,3	13,8
105,4	**100,7**	=	**Individual write-downs as at 31.12. ***	**51,3**	**55,1**
			Write-downs on groups of loans		
43,4	40,8		Group write-downs as at 01.01.	40,1	37,9
0,0	2,6	+/-	Changes in write-downs on groups of loans for the period	0,0	2,2
43,4	**43,4**	**=**	**Group write-downs as at 31.12.**	**40,1**	**40,1**
			Loss costs for the period		
4,7	-28,2		Changes to individual write-downs for the period	-3,8	-28,5
0,0	2,6	+/-	Changes in write-downs on groups of loans for the period	0,0	2,2
12,8	32,4	+	Actual losses for the period, where there have previously been individual write-downs	9,6	30,3
13,5	11,0	+	Actual losses for the period, where there have previously been individual write-downs	4,3	0,7
13,1	7,8	-	Addition of previously identified losses for the period	10,2	4,7
6,0	7,9	+/-	Amortisation costs for the period impairment	6,0	7,9
23,9	**17,9**	**=**	**Losses on loans and guarantees**	**5,9**	**7,9**
20,4	**28,4**		**Income interest on loans written down**	**12,4**	**21,4**

*Includes specified provisions for guarantee commitments of NOK 1.0 million for 2012 and NOK 0.5 million for 2011. Are entered to the balance sheet as liabilities under “Allocations for costs and commitments incurred”.

Losses on loans and guarantees distributed on classes as at 31.12.12

		PM	BM	AS Financiering	Total
	Individual write-downs				
	Individual write-downs as at 01.01.	1,0	54,1	45,6	100,7
-	Actual losses for the period, where there have previously been individual write-downs	2,0	2,8	3,2	8,0
+	Increases in individual write-downs for the period	0,0	7,3	3,8	11,1
+	New individual write-downs for the period	2,7	2,3	16,6	21,6
-	Chargeback of individual write-downs for the period	0,0	11,3	8,7	20,0
=	**Individual write-downs as at 31.12. ***	**1,7**	**49,6**	**54,1**	**105,4**
	Write-downs on groups of loans				
	Group write-downs as at 01.01.	1,6	38,5	3,3	43,4
+/-	Changes in write-downs on groups of loans for the period	0,0	0,0	0,0	0,0
=	**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	0,7	-4,5	8,5	4,7
+/-	Changes in write-downs on groups of loans for the period	0,0	0,0	0,0	0,0
+	Actual losses for the period, where there have previously been individual write-downs	0,0	9,6	3,2	12,8
+	Actual losses for the period, where there have previously been individual write-downs	0,7	3,6	9,2	13,5
-	Addition of previously identified losses for the period	0,5	9,7	2,9	13,1
+/-	Amortisation costs for the period impairment	0,1	5,9	0,0	6,0
=	**Losses on loans and guarantees**	**1,0**	**4,9**	**18,0**	**23,9**

*Specified allocations to guarantee commitments of NOK 1.0 million for 2012 are entered in the balance sheet as liabilities under “Allocations for costs and commitments incurred”.

Losses on loans and guarantees distributed on 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”.

Changes in non-performing and loss exposed accounts

Group 2012	Group 2011	Group 2010	Group 2009	Group 2008		Parent bank 2012	Parent bank 2011	Parent bank 2010	Parent bank 2009	Parent bank 2008
349,8	301,8	236,1	226,8	227,5	Total distressed accounts	265,9	229,4	162,4	155,5	164,7
82,7	78,1	102,9	90,8	55,7	- Individual write-downs	29,2	32,9	58,9	48,6	22,6
267,1	**223,7**	**133,2**	**136,0**	**171,8**	**Net distressed accounts**	**236,7**	**196,5**	**103,5**	**106,9**	**142,1**
76,9	94,2	121,6	27,4	60,3	Gross loss-exposed accounts	75,3	92,8	118,9	23,7	57,6
21,6	22,1	26,0	5,6	16,6	- Individual write-downs	21,1	21,7	24,7	4,4	16,4
55,3	**72,1**	**95,6**	**21,8**	**43,7**	**Net loss-exposed accounts**	**54,2**	**71,1**	**94,2**	**19,3**	**41,2**

Non-performing and loss-exposed accounts

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Distressed accounts over 90 days		
166,0	143,9	**Business and industry**	160,2	136,6
183,8	157,9	**Private market**	105,7	92,8
349,8	**301,8**	**Total distressed accounts**	**265,9**	**229,4**
82,7	78,1	**Individual write-downs**	29,2	32,9
267,1	**223,7**	**Net distressed accounts**	**236,7**	**196,5**
24 per cent	26 per cent	**Provisions ratio**	11 per cent	14 per cent
		Loss exposed (non-distressed) accounts		
71,1	78,3	**Business and industry**	70,1	76,9
5,8	15,9	**Private market**	5,2	15,9
76,9	**94,2**	**Gross loss-exposed accounts**	**75,3**	**92,8**
21,6	22,1	**Individual write-downs**	21,1	21,7
55,3	**72,1**	**Net loss-exposed accounts**	**54,2**	**71,1**
28 per cent	23 per cent	**Provisions ratio**	28 per cent	23 per cent
		Gross non-performing and loss exposed accounts		
237,1	222,2	**Business and industry**	230,3	213,5
189,6	173,8	**Private market**	110,9	108,7
426,7	**396,0**	**Gross non-performing and loss exposed accounts**	**341,2**	**322,2**
104,3	100,2	**Individual write-downs**	50,3	54,6
322,4	**295,8**	**Net non-performing and loss exposed accounts**	**290,9**	**267,6**
24 per cent	25 per cent	**Provisions ratio**	15 per cent	17 per cent

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. The Group has not undertake any risk related to residual values.

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
5,2	5,7	Within 1 year	0,0	0,0
31,5	36,5	Between 1 and 5 years	0,0	0,0
1,5	4,6	After 5 years	0,0	0,0
38,2	**46,8**	**Gross receivables associated with financial leasing agreements**	**0,0**	**0,0**
4,6	7,6	Non-accrued income associated with financial leasing agreements	0,0	0,0
33,6	**39,2**	**Net receivables associated with financial leasing agreements**	**0,0**	**0,0**
4,7	3,3	Within 1 year	0,0	0,0
27,6	32,1	Between 1 and 5 years	0,0	0,0
1,3	3,8	After 5 years	0,0	0,0
33,6	**39,2**	**Net investments associated with financial leasing agreements**	**0,0**	**0,0**
2,3	2,8	Accumulated loss provisions for outstanding minimum leases	0,0	0,0

NOTE 15 - LOANS AND RECEIVABLES WITH CREDIT INSTITUTIONS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
4,1	186,9	Loans and receivables with credit institutions without agreed maturities or deadline for dismissal	3,9	185,1
0,0	54,3	Loans and receivables with credit institutions with agreed maturities or deadline for termination *	2.911,3	2.137,6
4,1	**241,2**	**Loans and receivables with credit institutions**	**2.915,2**	**2.322,7**
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
4,1	**241,2**	**Net loans and receivables with credit institutions**	**2.915,2**	**2.322,7**

* As at As of 31.12.11 the balance of syndicated loans to credit institutions is NOK 54.3 million. No syndicated loans to credit institutions as of 31.12.12.

NOTE 16 – LOSSES ON LOANS AND GUARANTEES WITH CREDIT INSTITUTIONS

Group 2012	Group 2011			Parent bank 2012	Parent bank 2011
			Individual write-downs		
0,0	0,0		Individual write-downs as at 01.01.	0,0	0,0
0,0	0,0	-	Actual losses for the period, where there have previously been individual write-downs	0,0	0,0
0,0	0,0	+	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	0,0	-	Chargeback of individual write-downs for the period	0,0	0,0
0,0	**0,0**	=	**Individual write-downs as at 31.12.**	**0,0**	**0,0**
			Write-downs on groups of loans		
0,0	0,0		Group write-downs as at 01.01.	0,0	0,0
0,0	0,0	+/-	Changes in write-downs on groups of loans for the period	0,0	0,0
0,0	**0,0**	**=**	**Group write-downs as at 31.12.**	**0,0**	**0,0**
			Loss costs for the period		
0,0	0,0		Changes to individual write-downs for the period	0,0	0,0
0,0	0,0	+/-	Changes in write-downs on groups of loans for the period	0,0	0,0
0,0	0,0	+	Actual losses for the period, where there have previously been individual write-downs	0,0	0,0
1,4	0,0	+	Actual losses for the period, where there have previously been individual write-downs	1,4	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
1,4	**0,0**	**=**	**Losses on loans and guarantees**	**1,4**	**0,0**
0,0	**0,0**		**Income interest on loans written down**	**0,0**	**0,0**

Changes in non-performing and loss exposed accounts

Group 2012	Group 2011	Group 2010	Group 2009	Group 2008		Parent bank 2012	Parent bank 2011	Parent bank 2010	Parent bank 2009	Parent bank 2008
0,0	0,0	1,4	156,9	0,0	Total distressed accounts	0,0	0,0	1,4	156,9	0,0
0,0	0,0	0,0	144,9	0,0	- Individual write-downs	0,0	0,0	0,0	144,9	0,0
0,0	**0,0**	**1,4**	**12,0**	**0,0**	**Net distressed accounts**	**0,0**	**0,0**	**1,4**	**12,0**	**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	
2012	2011	2012	2011	2012	2011		2012	2011	2012	2011	2012	2011
4,1	186,9	0,0	0,0	0,0	0,0	Norway	2.915,2	2.268,4	0,0	0,0	0,0	0,0
0,0	52,2	0,0	0,0	0,0	0,0	Denmark	0,0	52,2	0,0	0,0	0,0	0,0
0,0	1,4	0,0	0,0	0,0	0,0	Iceland	0,0	1,4	0,0	0,0	0,0	0,0
0,0	0,7	0,0	0,0	0,0	0,0	Eastern Europe	0,0	0,7	0,0	0,0	0,0	0,0
4,1	**241,2**	**0,0**	**0,0**	**0,0**	**0,0**	**Total**	**2.915,2**	**2.322,7**	**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 (3) 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 (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 31.12.12. 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 of 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 2012	2011	Sensitivity on equity 2012	2011
NOK	+100	16,8	13,5	0,0	0,0
EUR	+100	-1,9	-1,7	0,0	0,0
Other	+100	-2,4	0,5	0,0	0,0
Total		**12,5**	**12,3**	**0,0**	**0,0**

Currency	Reduction in base points	Sensitivity on net interest 2012	2011	Sensitivity on equity 2012	2011
NOK	-100	-16,8	-13,5	0,0	0,0
EUR	-100	1,9	1,7	0,0	0,0
Other	-100	2,4	-0,5	0,0	0,0
Total		**-12,5**	**-12,3**	**0,0**	**0,0**

Time until expected interest rate change as at 31.12.12 - 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	NOK						702,0	702,0
	FOREIGN CURRENCY						1,3	1,3
Treasury bills	NOK		496,4					496,4
Debts to credit institutions	NOK						4,1	4,1
Net loans to customers	NOK	4.698,2	17.635,3	4,0	222,7			22.560,2
Certificates and bonds	NOK	819,0	2.621,5	145,3	264,5	54,5		3.904,8
	FOREIGN CURRENCY					41,4		41,4
Financial derivatives	NOK						231,6	231,6
	FOREIGN CURRENCY						4,3	4,3
Other asset items	NOK						981,9	981,9
Total		**5.517,2**	**20.753,2**	**149,3**	**487,2**	**95,9**	**1.925,2**	**28.928,0**
Liabilities								
Liabilities to credit institutions	NOK	156,5	110,0	300,0			21,2	587,7
	FOREIGN CURRENCY	73,4	183,4					256,8
Customer deposits	NOK	3.716,5	7.461,0	510,4				11.687,9
Debts to the government	NOK		493,5					493,5
Financial derivatives	NOK						16,6	16,6
	FOREIGN CURRENCY						35,1	35,1
Liabilities incurred when issuing securities	NOK	5.229,9	7.985,7	119,9	20,0			13.355,5
	FOREIGN CURRENCY	256,5						256,5
Subordinate loan capital	NOK		508,4					508,4
Other debt	NOK						259,8	259,8
Total		**9.432,8**	**16.742,0**	**930,3**	**20,0**	**0,0**	**332,7**	**27.457,8**
Net interest-rate exposure of the balance sheet		**-3.915,6**	**4.011,2**	**-781,0**	**467,2**	**95,9**	**1.592,5**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	200,0	264,9	-25,0	-439,9			
	VAL		38,5			-38,5		
Net exposure		**-3.715,6**	**4.314,6**	**-806,0**	**27,3**	**57,4**	**1.592,5**	

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

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	NOK						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	NOK		497,6	423,3				920,9
Debts to credit institutions	NOK	170,0					16,9	186,9
	FOREIGN CURRENCY	0,8	52,1	1,4				54,3
Net loans to customers	NOK	5.055,3	17.042,2	3,3	82,7			22.183,5
Certificates and bonds	NOK	771,4	1.803,8	207,4	150,5	253,6		3.186,7
	FOREIGN CURRENCY		2,2	42,8		39,4		84,4
Financial derivatives	NOK						108,3	108,3
Other asset items	NOK						476,9	476,9
Total		**5.997,5**	**19.397,9**	**678,2**	**233,2**	**293,0**	**1.183,0**	**27.782,8**
Liabilities								
Liabilities to credit institutions	NOK	166,6	1.160,0	300,0			20,5	1.647,1
	FOREIGN CURRENCY	77,4	193,6					271,0
Customer deposits	NOK	3.587,9	5.041,7	303,1				8.932,7
Debts to the government	NOK		493,5	421,9				915,4
Financial derivatives	NOK						28,3	28,3
	FOREIGN CURRENCY						20,7	20,7
Liabilities incurred when issuing securities	NOK	4.533,9	8.946,4	369,8	20,2			13.870,3
Subordinate loan capital	NOK		600,1					600,1
Other debt	NOK						274,3	274,3
Total		**8.365,8**	**16.435,3**	**1.394,8**	**20,2**	**0,0**	**343,8**	**26.559,9**
Net interest-rate exposure of the balance sheet		**-2.368,3**	**2.962,6**	**-716,6**	**213,0**	**293,0**	**839,2**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK		175,0		-175,0			
	FOREIGN CURRENCY	36,7	38,5	-36,7		-38,5		
Net exposure		**-2.331,6**	**3.176,1**	**-753,3**	**38,0**	**254,5**	**839,2**	

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

Interest rate sensitivity – parent bank

Currency	Increase in base points	Sensitivity to result 2012	2011	Sensitivity on equity 2012	2011
NOK	+100	12,2	13,0	0,0	0,0
EUR	+100	-1,9	-1,7	0,0	0,0
Others	+100	0,0	0,5	0,0	0,0
Total		**10,3**	**11,8**	**0,0**	**0,0**

Currency	Reduction in base points	Sensitivity to result		Sensitivity on equity	
		Sensitivity to result	Sensitivity on equity	Sensitivity to result	Sensitivity on equity
NOK	-100	-12,2	-13,0	0,0	0,0
EUR	-100	1,9	1,7	0,0	0,0
Others	-100	0,0	-0,5	0,0	0,0
Total		**-10,3**	**-11,8**	**0,0**	**0,0**

Time until expected interest rate change as at 31.12.12 - 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	NOK						702,0	702,0
	FOREIGN CURRENCY						1,3	1,3
Treasury bills	NOK		496,4					496,4
Debts to credit institutions	NOK	2.881,3	30,0				3,9	2.915,2
Net loans to customers	NOK	4.634,3	8.191,3	3,9	222,7			13.052,2
Certificates and bonds	NOK	818,9	3.602,8	145,3	264,5	54,5		4.886,0
	FOREIGN CURRENCY					41,4		41,4
Financial derivatives	NOK						184,8	184,8
Other asset items	NOK						1.598,1	1.598,1
Total		**8.334,5**	**12.320,5**	**149,2**	**487,2**	**95,9**	**2.490,1**	**23.877,4**
Liabilities								
Liabilities to credit institutions	NOK	239,4	110,7	300,0			33,8	683,9
	FOREIGN CURRENCY	73,4	183,5					256,9
Customer deposits	NOK	3.699,4	7.461,0	510,3				11.670,7
Debts to the government	NOK		493,5					493,5
Financial derivatives	NOK						16,6	16,6
	FOREIGN CURRENCY						35,1	35,1
Liabilities incurred when issuing securities	NOK	3.467,3	4.597,4	119,9	20,0			8.204,6
Subordinate loan capital	NOK		508,4					508,4
Other debt	NOK						193,3	193,3
Total		**7.479,5**	**13.354,5**	**930,2**	**20,0**	**0,0**	**278,8**	**22.063,0**
Net exposure of the balance sheet		**855,0**	**-1.034,0**	**-781,0**	**467,2**	**95,9**	**2.211,3**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	200,0	264,9	-25,0	-439,9			
	FOREIGN CURRENCY		38,5			-38,5		
Net exposure		**1.055,0**	**-730,6**	**-806,0**	**27,3**	**57,4**	**2.211,3**	

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

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	NOK						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	NOK		497,6	423,3				920,9
Debts to credit institutions	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	NOK	5.405,5	8.934,7	3,3	82,7			14.426,2
Certificates and bonds	NOK	771,4	2.840,7	207,4	150,5	253,6		4.223,6
	FOREIGN CURRENCY		2,3	42,7		39,4		84,4
Financial derivatives	NOK						90,5	90,5
Other asset items	NOK						853,1	853,1
Total		**8.361,0**	**12.397,4**	**678,1**	**233,2**	**293,0**	**1.539,6**	**23.502,3**
Liabilities								
Liabilities to credit institutions	NOK	186,7	1.160,0	300,0			27,5	1.674,2
	FOREIGN CURRENCY	77,4	193,6					271,0
Customer deposits	NOK	3.613,7	5.009,6	303,1				8.926,4
Debts to the government	NOK		493,5	421,9				915,4
Financial derivatives	NOK						27,9	27,9
	FOREIGN CURRENCY						20,7	20,7
Liabilities incurred when issuing securities	NOK	3.029,4	6.073,6	119,1	20,2			9.242,3
Subordinate loan capital	NOK		600,1					600,1
Other debt	NOK						211,5	211,5
Total		**6.907,2**	**13.530,4**	**1.144,1**	**20,2**	**0,0**	**287,6**	**21.889,5**
Net exposure of the balance sheet		**1.453,8**	**-1.133,0**	**-466,0**	**213,0**	**293,0**	**1.252,0**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK		175,0		-175,0			
	FOREIGN CURRENCY	36,7	38,5	-36,7		-38,5		
Net exposure		**1.490,5**	**-919,5**	**-502,7**	**38,0**	**254,5**	**1.252,0**	

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. In addition, Sparebanken Øst is permanently dependent on financing a gap between deposits from customers and lending to the general public. Sparebanken Øst has a conservative liquidity strategy, and the liquidity risk as of the end of 2012 is considered to be low.

The bank has deliberately sought to reduce the bank's liquidity risk by – among other things – distributing deposits over the maximum possible number of sources/instruments and/or by balancing the maturity terms for capital acquisition and capital deployment. Changes in the financial market have limited the international funding sources previously used by the bank. 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 balance between long-term and short-term deposits. The framework for short-term deposits, here defined as funding with a remaining maturity of less than 1 year, is set at 15 per cent of the parent bank's total assets. In addition, the Financial Supervisory Authority of Norway's liquidity indicator 1 must not fall below 105 per cent (financing > 1 year in per cent of illiquid assets). So far, the bank has not adopted target figures related to LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio), but has adopted that LBI (Liquidity Buffer Indicator) must be above 100. Frameworks and policies related to the liquidity area are revised and adopted on an annual basis.

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

	31.12.	Average	Maximum	Minimum
2012	115,1	111,1	116,3	106,0
2011	107,0	110,2	115,9	106,0

The Group's deposits as a percentage of net loans amounted to 51.81 per cent as at 31.12.12 compared with 40.27 per cent a year ago. The bank does not have a specific objective for the ratio between deposits and lending, but has nonetheless used 2012 to increase the deposit cover by over 10 percentage points. Other funding in the market takes place by taking up senior unsecured bonds and preferential bonds. The coming years will bring with them major demands for refinancing, and the bank wants to factor in continued uncertainty in the market and will thus seek to secure refinancing at an early stage.

As at 31.12.12 the bank would be capable of maintaining normal operations in accordance with the adopted strategy without having to add new liquidity for more than 24 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 classes. Via the Ministry of Finance's swap scheme, the bank has swapped preferential bonds for Treasury bills for a value of NOK 496.4 million.

Contractual maturity

The times 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 31.12.12 - 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	NOK						702,0	702,0
	FOREIGN CURRENCY						1,3	1,3
Treasury bills	NOK		498,0					498,0
Debts to credit institutions	NOK						4,1	4,1
Net loans to customers	NOK	66,2	40,2	623,1	3.904,9	17.931,1		22.565,5
Certificates and bonds	NOK	50,0	475,0	654,0	2.475,3	220,0		3.874,3
	FOREIGN CURRENCY					36,7		36,7
Financial derivatives	NOK			0,5	100,6	130,5		231,6
	FOREIGN CURRENCY				4,3			4,3
Other asset items	NOK			119,3	7,6		1.598,2	1.725,1
Total payments		**116,2**	**1.013,2**	**1.396,9**	**6.492,7**	**18.318,3**	**2.305,6**	**29.642,9**
Liabilities								
Liabilities to credit institutions	NOK			60,0	450,0	55,8	21,9	587,7
	FOREIGN CURRENCY				256,8			256,8
Customer deposits	NOK	475,6	262,4	811,9	22,1		10.115,9	11.687,9
Debts to the government	NOK				493,5			493,5
Financial derivatives	NOK				15,2	1,4		16,6
	FOREIGN CURRENCY				35,1			35,1
Liabilities incurred when issuing securities	NOK		565,0	1.120,0	9.150,0	2.350,0		13.185,0
	FOREIGN CURRENCY				256,5			256,5
Subordinate loan capital	NOK			200,0	300,0			500,0
Other debt	NOK			259,8				259,8
Total outgoing payments		**475,6**	**827,4**	**2.451,7**	**10.979,2**	**2.407,2**	**10.137,8**	**27.278,9**
Net exposure		**-359,4**	**185,8**	**-1.054,8**	**-4.486,5**	**15.911,1**	**-7.832,2**	
Loan pledges		63,9	129,6					193,5
Unused credit				93,9	778,5		208,8	1.081,2
Guarantees						100,0	214,1	314,1

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

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	NOK						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	NOK		499,0	426,0				925,0
Debts to credit institutions	NOK						186,9	186,9
	FOREIGN CURRENCY		52,1	2,2				54,3
Net loans to customers	NOK	31,1	50,6	645,4	3.844,6	17.622,4		22.194,1
Certificates and bonds	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	NOK		1,2	3,1	45,7	58,3		108,3
Other asset items	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	NOK		1.050,0		450,0	90,4	56,7	1.647,1
	FOREIGN CURRENCY				271,0			271,0
Customer deposits	NOK	155,9	387,5	786,7	9,2		7.593,4	8.932,7
Debts to the government	NOK				915,4			915,4
Financial derivatives	NOK		1,2		13,8	13,3		28,3
	FOREIGN CURRENCY				20,7			20,7
Liabilities incurred when issuing securities	NOK		446,0	1.323,5	9.273,5	2.727,0		13.770,0
Subordinate loan capital	NOK			100,0	500,0			600,0
Other debt	NOK			274,3				274,3
Total outgoing payments		**155,9**	**1.884,7**	**2.484,5**	**11.453,6**	**2.830,7**	**7.650,1**	**26.459,5**
Net exposure		**301,2**	**-885,3**	**-981,2**	**-6.072,1**	**15.488,5**	**-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 remaining contractual duration as at 31.12.12 - 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	NOK						702,0	702,0
	FOREIGN CURRENCY						1,3	1,3
Treasury bills	NOK		498,0					498,0
Debts to credit institutions	NOK			1.579,8			1.335,4	2.915,2
Net loans to customers	NOK	65,9	39,9	590,5	1.311,1	11.050,0		13.057,4
Certificates and bonds	NOK	50,0	475,0	654,0	3.456,5	220,0		4.855,5
	FOREIGN CURRENCY					36,7		36,7
Financial derivatives	NOK			0,5	96,7	87,6		184,8
Other asset items	NOK			92,3	7,6		1.598,2	1.698,1
Total payments		**115,9**	**1.012,9**	**2.917,1**	**4.871,9**	**11.394,3**	**3.636,9**	**23.949,0**
Liabilities								
Liabilities to credit institutions	NOK			60,0	450,0	30,0	143,9	683,9
	FOREIGN CURRENCY				256,9			256,9
Customer deposits	NOK	475,6	262,4	809,4			10.123,3	11.670,7
Debts to the government	NOK				493,5			493,5
Financial derivatives	NOK				15,2	1,4		16,6
	FOREIGN CURRENCY				35,1			35,1
Liabilities incurred when issuing securities	NOK		565,0	1.120,0	5.789,0	600,0		8.074,0
Subordinate loan capital	NOK			200,0	300,0			500,0
Other debt	NOK			193,3				193,3
Total outgoing payments		**475,6**	**827,4**	**2.382,7**	**7.339,7**	**631,4**	**10.267,2**	**21.924,0**
Net exposure		**-359,7**	**185,5**	**534,4**	**-2.467,8**	**10.762,9**	**-6.630,3**	
Loan pledges		63,9						63,9
Unused credit				544,2	375,5		382,4	1.302,1
Guarantees						100,0	213,3	313,3

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

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	NOK						580,0	580,0
	FOREIGN CURRENCY						0,9	0,9
Treasury bills	NOK		499,0	426,0				925,0
Debts to credit institutions	NOK			812,8	30,0	40,0	1.385,6	2.268,4
	FOREIGN CURRENCY		52,1	2,2				54,3
Net loans to customers	NOK	31,1	50,4	620,7	1.501,4	12.233,1		14.436,7
Certificates and bonds	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	NOK		1,2	3,1	45,7	40,5		90,5
Other asset items	NOK	1,7		78,7	7,9		853,0	941,3
Total payments		**457,1**	**999,2**	**2.274,1**	**4.106,8**	**12.952,1**	**2.819,5**	**23.608,8**
Liabilities								
Liabilities to credit institutions	NOK		1.050,0		450,0	90,0	84,2	1.674,2
	FOREIGN CURRENCY				271,0			271,0
Customer deposits	NOK	155,9	387,5	761,7	2,1		7.619,2	8.926,4
Debts to the government	NOK				915,4			915,4
Financial derivatives	NOK		1,2		13,4	13,3		27,9
	FOREIGN CURRENCY				20,7			20,7
Liabilities incurred when issuing securities	NOK		446,0	1.323,5	6.912,0	477,0		9.158,5
Subordinate loan capital	NOK			100,0	500,0			600,0
Other debt	NOK			211,5				211,5
Total outgoing payments		**155,9**	**1.884,7**	**2.396,7**	**9.084,6**	**580,3**	**7.703,4**	**21.805,6**
Net exposure		**301,2**	**-885,5**	**-122,6**	**-4.977,8**	**12.371,8**	**-4.883,9**	
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”.

Financial liabilities

The nominal value of the bank's and Group's financial liabilities is shown below. Where the contractual payment date is not provided, all liabilities are entered to the category for the first possible payment. 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 31.12.12. Liabilities associated with derivatives are shown on a separate line, and related inflows from derivatives are shown under each table

Maturity analysis for financial liabilities as at 31.12.12 - 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	0,8	1,1	73,3	475,7	30,5	21,2	602,6
Customer deposits	10.271,8	264,0	824,3				11.360,1
Debts to the government		5,2	5,0	496,1			506,3
Liabilities incurred when issuing securities	29,6	618,5	1.448,9	11.384,1	2.680,6		16.161,7
Other liabilities			236,9				236,9
Subordinate loan capital		2,9	220,4	317,4			540,7
Loan pledges	63,9	129,6					193,5
Unused credit	1.081,2						1.081,2
Guarantees					100,0	214,1	314,1
Financial liabilities excl. derivatives	**11.447,3**	**1.021,3**	**2.808,8**	**12.673,3**	**2.811,1**	**235,3**	**30.997,1**
Financial derivatives (outflows)	10,0	32,6	111,6	389,1	253,4		796,7
Financial liabilities	**11.457,3**	**1.053,9**	**2.920,4**	**13.062,4**	**3.064,5**	**235,3**	**31.793,8**
Financial derivatives (inflows)	2,6	23,8	211,6	649,3	403,7		1.291,0

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**	**2.099,4**	**2.962,5**	**12.738,1**	**3.442,1**	**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**	**2.260,7**	**3.120,7**	**13.259,6**	**3.760,7**	**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 31.12.12 - 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	0,8	1,1	73,3	475,7	30,5	144,0	725,4
Customer deposits	10.599,0	264,0	824,3				11.687,3
Debts to the government		5,1	5,0	496,1			506,2
Liabilities incurred when issuing securities	23,2	591,1	1.337,8	6.306,1	657,6		8.915,8
Other liabilities			140,4				140,4
Subordinate loan capital		2,9	220,4	317,4			540,7
Loan pledges	63,9						63,9
Unused credit	1.302,1						1.302,1
Guarantees					100,0	213,3	313,3
Financial liabilities excl. derivatives	**11.989,0**	**864,2**	**2.601,2**	**7.595,3**	**788,1**	**357,3**	**24.195,1**
Financial derivatives (outflows)	6,3	31,7	97,7	310,2	41,6		487,5
Financial liabilities	**11.995,3**	**895,9**	**2.698,9**	**7.905,5**	**829,7**	**357,3**	**24.682,6**
Financial derivatives (inflows)	1,1	18,4	173,0	483,2	62,5		738,2

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**	**1.958,3**	**2.808,3**	**9.780,0**	**673,2**	**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**	**2.118,2**	**2.940,2**	**10.165,4**	**698,3**	**469,6**	**26.577,5**
Financial derivatives (inflows)	1,1	117,8	167,1	469,2	45,8		801,0

NOTE 19 - CURRENCY RISK

Market risk linked to currency risk as at 31.12.12

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

Market risk linked to currency risk as at 31.12.11

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

The bank has a low currency exposure. As at 31.12.12 the bank's open net position was NOK 8.9 million (NOK 14.2 million as at 31.12.11). These 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 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Financial assets at fair value through profit and loss, earmarked upon initial recognition		
0,0	0,0	Treasury bills	0,0	0,0
75,8	185,4	State and government guarantees	75,8	185,4
132,5	129,5	Other public issuer	132,5	129,5
482,5	639,7	Preferential bonds	1.463,7	1.578,3
173,5	421,4	Financial companies	173,5	421,4
19,3	209,2	Non-financial companies	19,3	209,2
883,6	1.585,2	Total	1.864,8	2.523,8
		Financial assets at fair value through profit and loss, classified as held for trading		
496,4	920,9	Treasury bills	496,4	920,9
85,2	59,9	State and government guarantees	85,2	59,9
640,2	430,2	Other public issuer	640,2	430,2
1.308,1	394,6	Preferential bonds	1.308,1	492,9
603,3	398,5	Financial companies	603,3	398,5
174,5	150,1	Non-financial companies	174,5	150,1
527,3	35,3	Listed shares/equity certificates/money-market funds	527,3	35,3
3.835,0	2.389,5	Total	3.835,0	2.487,8
		Financial assets available for sale		
454,6	441,6	Unlisted shares/equity certificates	454,6	441,6
454,6	441,6	Total	454,6	441,6
5.173,2	**4.416,3**	**Total assets at fair value**	**6.154,4**	**5.453,2**
		Held-to-maturity investments		
251,3	252,6	Government bonds	251,3	252,6
251,3	252,6	Total	251,3	252,6

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 2012 and 2011. The change in value of financial derivatives used for hedge accounting was NOK 79.1 million (NOK 67.3 million in 2011) with an equivalent offsetting 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.

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

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

Group 2012 Fair value					**Parent bank 2012 Fair value**	
Assets	**Liabilities**	**Contract amounts**	**Financial derivatives at fair value through in income**	**Contract amounts**	**Assets**	**Liabilities**
			Currency instruments			
0,0	0,0	0,0	Currency periods (forwards)	0,0	0,0	0,0
0,0	3,0	38,5	Currency swap contracts (currency swaps)	38,5	0,0	3,0
0,0	**3,0**	**38,5**	**Total currency instruments**	**38,5**	**0,0**	**3,0**
			Interest rate instruments			
0,0	12,1	464,9	Interest rate swap contracts (interest rate swaps)	464,9	0,0	12,1
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	**12,1**	**464,9**	**Total interest rate instruments**	**464,9**	**0,0**	**12,1**
39,9	0,0	242,0	Guarantee to Eksportfinans ASA*	242,0	39,9	0,0
39,9	**0,0**	**242,0**	**Total other derivatives**	**242,0**	**39,9**	**0,0**

Group 2012 Fair value					**Parent bank 2012 Fair value**	
Assets	**Liabilities**	**Contract amounts**	**Financial derivatives used for hedge accounting**	**Contract amounts**	**Assets**	**Liabilities**
			Currency instruments			
0,0	0,0	0,0	Currency periods (forwards)	0,0	0,0	0,0
4,4	35,1	544,2	Currency swap contracts (currency swaps)	292,1	0,0	35,1
4,4	**35,1**	**544,2**	**Total currency instruments**	**292,1**	**0,0**	**35,1**
			Interest rate instruments			
191,6	1,5	4.565,5	Interest rate swap contracts (interest rate swaps)	3.665,5	144,9	1,5
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
191,6	**1,5**	**4.565,5**	**Total interest rate instruments**	**3.665,5**	**144,9**	**1,5**
235,9	**51,7**		**Total derivatives**		**184,8**	**51,7**

* NOK 10.7 million of the balance sheet amount is a positive share of the value development in the guaranteed portfolio, and NOK 29.2 million is an outstanding swap settlement. As a consequence of the positive value of the PHA guarantee, NOK 4.9 million has been carried to the balance sheet under other liabilities in accordance with the contra-guarantee concluded.

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 to 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					**Parent bank 2011 Fair value**	
Assets	**Liabilities**	**Contract amounts**	**Financial derivatives used for hedge accounting**	**Contract amounts**	**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**

* NOK 46.7 million of the balance sheet amount is a negative share of the value development in the guaranteed portfolio, and NOK 34.4 million is an outstanding swap settlement.

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 31.12.12 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. Reference is made 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. 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, price estimates or credit spread assessments have been used, based on other certificates and bonds with equivalent characteristics and maturities.

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

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

Fair value as at 31.12.12 - Group	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives				
Interest rate swap	0,0	191,6	0,0	191,6
Currency futures	0,0	0,0	0,0	0,0
Currency swap	0,0	4,4	0,0	4,4
Other derivatives	0,0	39,9	0,0	39,9

Financial instruments at fair value				
Treasury bills	496,4	0,0	0,0	496,4
Certificates and bonds*	0,0	3.694,9	0,0	3.694,9
Shares and equity certificates	5,1	17,4	454,6	477,1
Money-market funds	0,0	504,8	0,0	504,8
Total financial assets	**501,5**	**4.453,0**	**454,6**	**5.409,1**
Financial liabilities				
Derivatives				
Interest rate swap	0,0	13,6	0,0	13,6
Currency futures	0,0	0,0	0,0	0,0
Currency swap	0,0	38,1	0,0	38,1
Other derivatives	0,0	0,0	0,0	0,0
Total financial liabilities	**0,0**	**51,7**	**0,0**	**51,7**

* In the parent bank there are also preferential bonds amounting to NOK 981.2 million in level 2.

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 there are also preferential bonds amounting to NOK 1,037.0 million in level 2.

Movement in level 3	Balance Sheet 01.01.12	Net gains	Access/ Purchase	Disposal	Value change	Transferred from Level 1 and 2	Balance Sheet 31.12.12
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	441,6	0,0	7,7	0,0	5,3	0,0	454,6
Money-market funds	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total financial assets	**441,6**	**0,0**	**7,7**	**0,0**	**5,3**	**0,0**	**454,6**
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	**441,6**	**0,0**	**7,7**	**0,0**	**5,3**	**0,0**	**454,6**

Shares and equity certificates
Additions/purchases in level 3 of NOK 7.7 million are related to the capital increase in Frende Holding AS, which is in the available for sale category.

The value adjustment of NOK 5.3 million is in the available for sale category and is included 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 rates is subject to the influence of changes in interest rate levels and credit margins, but be re-priced with a short deadline. The Financial Contracts Act provides access to re-pricing 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 2012				**Parent bank 2012**		
Book value	**Fair value**	**Unrealised loss/gain**		**Book value**	**Fair value**	**Unrealised loss/gain**
703,3	703,3	0,0	Cash and receivables at central banks	703,3	703,3	0,0
496,4	496,4	0,0	Treasury bills	496,4	496,4	0,0
4,1	4,1	0,0	Net loans and receivables with credit institutions	2.915,2	2.915,2	0,0
22.560,2	22.569,4	9,2	Net loans and receivables with customers	13.052,3	13.061,5	9,2
3.694,9	3.694,9	0,0	Fixed income securities at fair value through profit and loss	4.676,1	4.676,1	0,0
251,3	273,8	22,5	Interest-bearing hold-to-maturity investments	251,3	273,8	22,5
527,3	527,3	0,0	Shares and units at fair value via profit and loss	527,3	527,3	0,0
454,6	454,6	0,0	Shares available for sale	454,6	454,6	0,0
235,9	235,9	0,0	Financial derivatives	184,8	184,8	0,0
28.928,0	**28.959,7**	**31,7**	**Total assets**	**23.261,3**	**23.293,0**	**31,7**
844,5	844,5	0,0	Liabilities to credit institutions	940,8	940,8	0,0
11.687,9	11.687,9	0,0	Deposits from and liabilities to customers	11.670,7	11.670,7	0,0
493,5	493,5	0,0	Liabilities to the state, exchange of OMF preferential bonds	493,5	493,5	0,0
51,7	51,7	0,0	Financial derivatives	51,7	51,7	0,0
13.612,0	13.721,8	-109,8	Liabilities incurred when issuing securities	8.204,6	8.266,6	-62,0
508,4	506,3	2,1	Subordinate loan capital	508,4	506,3	2,1
27.198,0	**27.305,7**	**-107,7**	**Total liabilities**	**21.869,7**	**21.929,6**	**-59,9**

Group 2011 Book value	Fair value	Unrealised loss/gain		Parent bank 2011 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	Fixed income 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	13.764,2	106,1	Liabilities incurred when issuing securities	9.242,3	9.187,5	54,8
600,1	597,1	3,0	Subordinate loan capital	600,1	597,1	3,0
26.285,6	**26.176,5**	**109,1**	**Total liabilities**	**21.678,0**	**21.620,2**	**57,8**

NOTE 24 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Group as at 31.12.12

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	703,3	0,0	703,3
Treasury bills	496,4	0,0	496,4
Net loans and receivables with credit institutions	4,1	0,0	4,1
Net loans and receivables with customers	726,8	21.833,4	22.560,2
Securities – held for trading	939,9	2.398,6	3.338,5
Securities – appointed at fair value through profit and loss	191,4	692,3	883,7
Financial derivatives	0,5	235,4	235,9
Securities – available for sale	0,0	454,6	454,6
Securities – held to maturity	50,8	200,5	251,3
Deferred tax assets	0,0	0,0	0,0
Property, plant and equipment	0,0	579,5	579,5
Other assets	122,8	7,6	130,4
Total assets	**3.236,0**	**26.401,9**	**29.637,9**
Liabilities			
Liabilities to credit institutions	107,7	736,8	844,5
Deposits from and liabilities to customers	11.665,8	22,1	11.687,9
Debts to the government	0,0	493,5	493,5
Financial derivatives	0,0	51,7	51,7
Liabilities incurred when issuing securities	1.711,7	11.900,3	13.612,0
Deferred tax obligation	0,0	19,9	19,9
Other liabilities	291,2	0,0	291,2
Subordinate loan capital	199,9	308,5	508,4
Total liabilities	**13.976,3**	**13.532,8**	**27.509,1**

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

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 distributed on call/put date.

Parent bank as at 31.12.12

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	703,3	0,0	703,3
Treasury bills	496,4	0,0	496,4
Net loans and receivables with credit institutions	2.915,2	0,0	2.915,2
Net loans and receivables with customers	693,6	12.358,6	13.052,2
Securities – held for trading	939,9	2.398,6	3.338,5
Securities – appointed at fair value through profit and loss	191,4	1.673,5	1.864,9
Financial derivatives	0,5	184,3	184,8
Securities – available for sale	0,0	454,6	454,6
Securities – held to maturity	50,8	200,5	25137
Investment in subsidiaries	0,0	616,2	616,2
Deferred tax assets	0,0	12,1	12,1
Property, plant and equipment	0,0	67,6	67,6
Other assets	92,2	7,6	99,8
Total assets	**6.083,3**	**17.973,6**	**24.056,9**
Liabilities			
Liabilities to credit institutions	203,9	736,9	940,8
Deposits from and liabilities to customers	11.670,7	0,0	11.670,7
Debts to the government	0,0	493,5	493,5
Financial derivatives	0,0	51,7	51,7
Liabilities incurred when issuing securities	1.711,8	6.492,8	8.204,6
Other liabilities	221,3	0,0	221,3
Subordinate loan capital	199,9	308,5	508,4
Total liabilities	**14.007,6**	**8.083,4**	**22.091,0**

Call/put loans are distributed on 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
Investment 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 distributed on call/put date.

NOTE 25 – ACCOUNTS WITH GROUP COMPANIES

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

	31.12.12	31.12.11
Result		
Interest income and similar income		
Interest income from subsidiaries	83,3	76,7
Interest certificates and preferential bonds from subsidiaries	29,4	34,4
Interest expenses and similar expenses		
Interest and commissions to subsidiaries	2,2	2,0
Dividend/Group contributions received		
Dividend/Group contribution from subsidiary.	48,0	0,0
Commission income and income from banking services		
Other income from subsidiaries	13,8	8,1
Other operating costs		
Rent to subsidiaries	7,9	8,0
Other costs to subsidiaries	0,2	0,4
Balance Sheet		
Loans and receivables from credit institutions		
Loans to subsidiaries	2.911,3	2.083,3
Loans and receivables with customers		

Loans to subsidiaries	327,0	346,8
Certificates, bonds and other interesting bearing securities		
Investments OMF in subsidiaries	978,9	1.038,6
Prepaid non-accrued costs and earned not received incomes		
Accrued interest receivable	2,8	2,3
Accrued interest income Preferential bonds (OMF)	0,9	2,0
Other receivables	3,9	0,0
Liabilities to credit institutions		
Deposits from subsidiaries	122,8	63,7
Customer deposits		
Deposits from subsidiaries	7,6	25,9
Other liabilities		
Other liabilities to subsidiaries	5,4	3,9

NOTE 26 - NET INTEREST AND CREDIT COMMISSION INCOME

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
12,1	19,2	Interest and similar income from loans and receivables with credit institutions	77,9	80,4
3,1	3,4	Interest and similar income from leasing agreements	0,0	0,0
1.103,6	989,9	Interest and similar income from loans and receivables with customers	684,8	701,9
10,5	12,1	Interests and similar income from bonds held to maturity	10,5	12,1
		Interest and similar income from financial assets that are written down		
0,0	0,0	Loans to and receivables from credit institutions	0,0	0,0
20,4	28,4	Loans to and receivables from customers	12,4	21,4
0,2	0,0	Other interest income and similar income	0,0	0,1
1.149,9	1.053,0	Total interest income and similar income for instruments at amortised cost	785,6	815,9
10,1	23,4	Interest and similar income on Treasury bills	10,1	23,4
55,1	21,5	Interest and similar income from certificates, bonds, etc. held for trading	56,7	23,9
39,5	77,1	Interest and similar income from certificates, bonds, etc. recognised at fair value	67,2	109,0
104,7	122,0	Total interest and similar income for instruments at fair value through profit and loss	134,0	156,3
1.254,6	**1.175,0**	**Interest income and similar income**	**919,6**	**972,2**
32,3	63,4	Interest and similar costs for liabilities to credit institutions	32,7	64,0
216,5	177,4	Interest and similar costs for deposits from and liabilities to customer	216,0	176,8
469,5	463,7	Interest and similar costs for liabilities for issued securities	308,8	355,7
26,8	29,5	Interest and similar costs for subordinate loan capital	26,8	29,4
0,0	0,0	Other interest expenses and similar expenses	0,0	0,0
745,1	**734,0**	**Interest expenses and similar expenses for instruments at amortised cost**	**584,3**	**625,9**
509,5	**441,0**	**Net interest and credit commission income**	**335,3**	**346,3**

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

Group 2012		Group 2011			Parent bank 2012		Parent bank 2011	
Avg. int. bearing balance	**Avg. interest rate, per cent**	**Avg. int. bearing balance**	**Avg. interest rate, per cent**		**Average interest payment balance**	**Avg. interest rate, per cent**	**vg. Int. bearing balance**	**Avg. interest rate, per cent**
				Assets				
412,0	2,22	793,1	1,95	Debts to credit institutions	2.910,3	2,57	2.383,6	3,22
22.653,3	4,97	20.801,3	4,91	Net loans to customers	14.020,7	4,96	15.091,4	4,79
4.514,3	2,76	4.689,9	3,34	Placing in securities	5.523,4	2,79	5.708,1	3,35
				Liabilities				
1.012,2	3,16	1.922,6	3,27	Deposits from credit institutions	1.073,8	3,02	1.957,0	3,24
9.666,1	1,97	8.356,1	1,80	Customer deposits	9.654,5	1,97	8.348,8	1,79
14.313,1	3,47	13.019,3	3,79	Securities deposits	9.295,4	3,61	9.982,0	3,86

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

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

Group 2012	**Group 2011**		**Parent bank 2012**	**Parent bank 2011**
5,5	1,6	Dividends from equity instruments and money-market funds valued at fair value via profit and loss	5,5	1,6
5,9	29,5	Dividends from equity instruments classified as available for sale	5,9	29,5
0,0	0,0	Income from participations in group companies	48,0	0,0
11,4	**31,1**	**Dividends and other income from securities with variable yields**	**59,4**	**31,1**

NOTE 28 - COMMISSION INCOME AND INCOME FROM BANK SERVICES

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
12,0	15,4	Charge guarantees and letters of credit	12,0	15,3
0,0	0,0	Credit disclosure fees	11,0	7,2
50,1	51,0	Charges payment transfers	50,2	51,0
1,5	3,5	Interbank charges	1,5	3,5
2,1	2,5	Securities dealing and management charges	2,1	2,5
12,6	10,7	Charges – insurance	12,6	10,7
7,8	7,9	Other charges and commissions	6,0	6,2
86,1	**91,0**	**Charges and commission income**	**95,4**	**96,4**
24,3	17,1	Agency fees	0,1	0,1
9,6	9,5	Payments and electronic services	9,1	9,1
3,0	4,6	Interbank expenses	3,0	4,6
1,4	1,4	Other commission expenses	1,4	1,4
38,3	**32,6**	**Commission expenses**	**13,6**	**15,2**
47,8	**58,4**	**Net interest and commission income**	**81,8**	**81,2**

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

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		At fair value through profit and loss		
14,8	-16,8	Net value change and gains/losses on certificates, bonds and other fixed income securities	18,8	-18,5
0,0	-11,5	Net value changes and gains/losses on shares and other securities with variable yield	0,0	-16,8
1,2	4,8	Net value changes and gains/losses on currency	1,2	4,8
46,3	-9,3	Net value changes and gains/losses on financial derivatives	46,3	-9,3
62,3	**-32,8**	**Net value change and gains/losses on financial assets to fair value**	**66,3**	**-39,8**
		At fair value with value change through profit and loss		
5,3	-0,3	Net value change through profit and loss	5,3	-0,3
67,6	**-33,1**	**Net value change and gains/losses on financial assets at fair value**	**71,6**	**-40,1**

NOTE 30 – NET VALUE CHANGE AND GAINS/LOSSES FROM FINANCIAL INVESTMENTS, DISRIBUTED ON CATEGORY

Recognised in the income statement

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Net income from financial assets to fair value		
58,7	1,0	Value change of bonds and certificates – appointed at fair value	62,7	1,0
-57,1	-12,5	Realised gains/losses on bonds and certificates – appointed at fair value	-52,3	-12,5
1,6	**-11,5**	**Total net income from financial assets appointed at fair value**	**10,4**	**-11,5**
5,5	1,6	Dividend from equity instruments and money-market funds	5,5	1,6
17,4	-12,0	Value change in equity instruments and money-market funds – held for trading	17,4	-12,0
-17,4	2,0	Realised gains/losses on equity instruments – held for trading	-17,4	2,0
10,9	-3,5	Value change of bonds and certificates – held for trading	10,9	-5,1
2,4	-1,8	Realised gains/losses on equity instruments – held for trading	-2,4	-1,8
46,1	-12,1	Value change of derivatives	46,1	-12,1
0,2	2,7	Realised gains/losses on derivatives	0,2	2,7
65,1	**-23,1**	**Net income from financial assets held for trading**	**60,3**	**-24,7**
66,7	**-34,6**	**Total net income from financial assets to fair value**	**70,7**	**-36,2**
		Net income from financial assets available for sale		
5,9	29,5	Dividends from equity instruments	5,9	29,5
0,0	-6,7	Write-downs of equity instruments - available for sale	0,0	-6,7
0,0	5,3	Realised gains/losses on equity instruments – available for sale	0,0	0,0
5,9	**28,1**	**Total net income from financial assets available for sale**	**5,9**	**22,8**
		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		
-2,4	-0,7	- Net conversion gain	-2,4	-0,7
3,5	5,5	- Net transaction gain	3,5	5,5
1,1	**4,8**	**Total net income from currency trading**	**1,1**	**4,8**
73,7	**-1,7**	**Total net income from other financial investments**	**77,7**	**-8,6**

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

Recognised in the income statement

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Net income from financial assets available for sale		
5,3	-0,3	Value change on equity instruments through overall results - available for sale*	5,3	-0,3
5,3	**-0,3**	**Total net income from financial assets available for sale**	**5,3**	**-0,3**

*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 2012	Group 2011		Parent bank 2012	Parent bank 2011
23,3	16,0	Leasing income investment properties	0,0	0,0
6,7	0,0	Operating incomes real estate	0,2	0,0
6,1	0,0	Profit on the sale of real estate	0,0	0,0
10,6	4,8	Other operating income	7,2	5,5
46,7	**20,8**	**Other operating income**	**7,4**	**5,5**

NOTE 32 – SALARIES AND OTHER REMUNERATION

Group 2012	Group 2011	Amount in NOK thousands	Parent bank 2012	Parent bank 2011
121.513	120.856	Wage	103.696	103.418
17.952	19.422	National Insurance contributions	14.977	16.511
		Pensions		
9.449	14.861	- defined-benefit	7.779	9.843
2.840	2.564	- contribution-based	2.540	2.316
9.397	9.979	Social costs	7.841	8.687
161.151	**167.682**	**Total salaries, etc.**	**136.833**	**140.775**
224	252	Number of man-year equivalents as at 31.12	195	223
237	271	Number of employees as at 31.12	205	238
234	254	Average FTEs	205	225
249	272	Average number of employees	218	240

Remuneration 2012 – parent bank

Remuneration to the CEO was NOK 2,208,925. 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. In the event of termination by the bank, the CEO is entitled to severance pay for three years as from the date of termination, where the salary basis is the annual salary as of the date of termination. In addition to this, no employees or elected officers have agreements on final remuneration, subscription rights, options or bonus agreements. No additional remuneration for special services in addition to normal functions for a manager has been paid.

NOK 4.5 million has been allocated for profit sharing to the bank's employees, and a one-off bonus to the senior management group.

Remuneration to the senior management group in 2012

Amounts in NOK thousands		Remuneration*	Salary	Pension	Payment in kind	Total	Earned, not paid one-off supplement	Loans
Pål Strand	CEO		1.911	157	140	2.209	200	1.449
Kjell Engen	Finance and internal operations manager		1.618	200	144	1.962	154	2.968
Lars-Runar Groven	Manager - Credit		922	132	141	1.195	60	2.603
Anne Siri Rhoden Jensen	HR manager	11	819	138	126	1.094	40	1.943
Per Øyvind Mørk	Manager – Marketing and communication		1.132	102	154	1.388	80	
Finn Mathisen	Manager, commercial market – up to and including 31.08.12		572	67	34	673		3.451
Halvor Kirkebøen	Manager, commercial market – as from 01.09.12		374	341	62	777	36	2.953
Jan-Roger Vrabel	Manager - Private market	5	1.007	101	152	1.265	70	3.690
Total, senior management group		**16**	**8.355**	**1.238**	**953**	**10.563**	**640**	**19.057**

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

Remuneration, Board of Directors 2012

Amounts in NOK thousands		Remuneration*	Salary	Pension	Profit share paid	Payment in kind	Total	Loans
Jorund Rønning Indrelid	Chairman of the Board of Directors	255					255	
Knut Smedsrud	Vice Chairman of the Board of Directors	150					150	
Morten André Yttreeide	Board member as from 29.03.12							
Sverre Nedberg	Board member	142					142	
Roar Norheim Larsen	Board member	100					100	
Elly Therese Thoresen	Board member as from 29.03.12	2					2	
Hanne Solem	Board member	127					127	
Leif Ove Sørby	Board member up to and including 29.03.12	100					100	1.690
Ingebjørg Mæland	Board member up to and including 29.03.12	100					100	
Ann Kristin Plomås	Employee representative	100	484	38		10	632	792
Total, Board		**1.076**	**484**	**38**		**10**	**1.608**	**2.482**

Remuneration, other elected officers 2012

Amounts in NOK 1,000		Remuneration*	Salary	Pension	Profit share paid	Payment in kind	Total	Loans
Øivind Andersson	Chairman of the Control Committee	67					67	8
Randi H. Sandli	Member of the Control Committee							
Eli Kristin Nordsiden	Member of the Control Committee	40					40	
Sjur Kortgaard	Member of the Control Committee	40					40	883
Total, Control Committee		**147**					**147**	**891**
Frank Borgen	Manager of the Board of Trustees	40					40	898
May-Britt Andersen	Member of the Board of Trustees	7					7	
Siren Coward	Employee representative	8	705	89		24	826	2.642
Dag Fjeld Edvardsen	Member of the Board of Trustees	2					2	
Sissel Album Fjeld	Employee representative	13	492	44		24	573	1.671
Inger Haug Fjerdingstad	Member of the Board of Trustees	3					3	
Øivind Granlund	Member of the Board of Trustees	3					3	
Kåre J. Grøtta	Member of the Board of Trustees	6					6	
Arne Gundersen	Member of the Board of Trustees	2					2	
Thomas F. Halvorsen	Member of the Board of Trustees	11					11	2.245
Asbjørn R. Hansen	Member of the Board of Trustees	2					2	
Øivind Haugen	Employee representative	3	431	38		25	497	1.669
Ole B. Hoen	Member of the Board of Trustees	2					2	348
Helle Elisabeth Hofgaard	Member of the Board of Trustees	3					3	4.910
Iver A. Juel	Member of the Board of Trustees	3					3	
Steinar Karlsen	Member of the Board of Trustees	2					2	
Bernt K. Krabberød	Member of the Board of Trustees	2					2	
Vegard Kvamme	Employee representative	3	678	51		24	756	1
Jørn Larsen	Member of the Board of Trustees	3					3	
Halldis Kjøs Lien	Employee representative	3	471	41		21	536	1.973
Thor-Kristian Lien	Member of the Board of Trustees	15					15	
Anne Irene Lunden	Employee representative	8	626	63		19	716	1.050
Frode Lund Nielsen	Member of the Board of Trustees	2					2	2.093
Oddmar Nilsen	Member of the Board of Trustees	3					3	922
Borghild M. Dahler Nordlid	Member of the Board of Trustees	3					3	
Geir Opdahl	Employee representative	2	453	24		20	499	3.586
Rune Paule	Employee representative	3	481	39		20	543	1.950
Ståle Pettersen	Member of the Board of Trustees	2					2	

Gunnvor Ramnefjell	Member of the Board of Trustees	2					2	
Morten Ranvik	Member of the Board of Trustees							401
Nils Johan Rønniksen	Member of the Board of Trustees	3					3	
Anne-Tonje Sanden	Member of the Board of Trustees	3					3	
Gunnar Sanden	Employee representative	3	632	58		31	724	1.989
Marianne Seip	Member of the Board of Trustees	2					2	383
Jan Christian Skau	Employee representative	11	666	93		26	796	1.794
Ole-Martin Solberg	Employee representative	3	451	23		19	496	1.701
Nils Kr. Steenberg	Member of the Board of Trustees	3					3	182
Tom R. Svendsen	Member of the Board of Trustees	3					3	
Turid Solberg Thomassen	Member of the Board of Trustees	2					2	
Øyvind Thorsby	Member of the Board of Trustees	2					2	
Petter Thoresen	Member of the Board of Trustees	2					2	
Finn Wang	Member of the Board of Trustees	7					7	
Jon Aas	Member of the Board of Trustees	3					3	3.059
Johan Aasen	Member of the Board of Trustees	16					16	
Total, Trustees		**224**	**6.086**	**563**		**253**	**7.126**	**35.467**

Remuneration to the senior management group in 2011

Amounts in NOK thousands		**Remuneration***	**Salary**	**Pension**	**Profit share paid**	**Payment in kind**	**Total**	**Loans**
Trond Tostrup	CEO – until 30.06.11		1.081	186	20	82	1.396	1.994
Pål Strand	CEO – as from 01.07.11	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, senior management group		**19**	**7.363**	**909**	**120**	**684**	**9.095**	**16.912**

* Fees paid to members of the senior management group concern board of representative posts in AS Financiering and Nomination Committee posts.

Remuneration, Board of Directors 2011

Amounts in NOK thousands		**Remuneration***	**Salary**	**Pension**	**Profit share paid**	**Payment in kind**	**Total**	**Loans**
Jorund Rønning Indrelid	Chairman of the Board of Directors	200					200	
Knut Smedsrud	Vice Chairman of the Board of Directors	150					150	
Ingebjørg Mæland	Member of the Board of Directors	100					100	10
Sverre Nedberg	Member of the Board of Directors	125					125	
Roar Norheim Larsen	Member of the Board of Directors	100					100	195
Leif Ove Sørby	Member of the Board of Directors	100					100	1.255
Hanne Solem	Member of the Board of Directors	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**

Remuneration, other elected officers 2011

Amounts in NOK thousands		**Remuneration***	**Salary**	**Pension**	**Profit share paid**	**Payment in kind**	**Total**	**Loans**
Øivind Andersson	Chairman of the Control Committee	60					60	8
Marianne Sletten	Member of the Control Committee	40					40	
Eli Kristin Nordsiden	Member of the Control Committee	40					40	
Sjur Kortgaard	Member of the Control Committee	40					40	430
Total, Control Committee		**180**					**180**	**438**
Frank Borgen	Manager of the Board of Trustees	40					40	934
Trond Bollerud	Member of the Board of Trustees	2					2	
Siren Coward	Employee representative	8	698	95	20	31	852	2.784

Inger Haug Fjerdingstad	Member of the Board of Trustees	2					2	
Kåre Fredriksen	Member of the Board of Trustees	3					3	1
Øivind Granlund	Member of the Board of Trustees	2					2	
Eva Grothe	Member of the Board of Trustees	3					3	
Kåre J. Grøtta	Member of the Board of Trustees	6					6	
Arne Gundersen	Member of the Board of Trustees	2					2	
Thomas F. Halvorsen	Member of the Board of Trustees	3					3	2.127
Øivind Haugen	Employee representative	3	396	39	20	25	483	1.668
Liv Hausmann	Member of the Board of Trustees	3					3	
Tom Hedalen	Member of the Board of Trustees	2					2	
Ole B. Hoen	Member of the Board of Trustees	3					3	794
Iver A. Juel	Member of the Board of Trustees	2					2	
Vegard Kvamme	Employee representative	3	622	48	20	33	726	1.767
Jørn Larsen	Member of the Board of Trustees	3					3	
Halldis Kjøs Lien	Employee representative	2	430	19	20	21	492	906
Thor-Kristian Lien	Member of the Board of Trustees	15					15	
Anne Irene Lunden	Employee representative	8	610	71	20	25	734	1.153
Lars Geir Mortensen	Member of the Board of Trustees	2					2	1.380
Oddmar Nilsen	Member of the Board of Trustees	3					3	979
Borghild M. Dahler Nordlid	Member of the Board of Trustees	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	Member of the Board of Trustees	3					3	
Morten Ranvik	Member of the Board of Trustees	3					3	459
Nils Johan Rønniksen	Member of the Board of Trustees	3					3	
Anne-Tonje Sanden	Member of the Board of Trustees	5					5	
Gunnar Sanden	Employee representative	3	604	62	20	25	714	2.016
Marianne Seip	Member of the Board of Trustees	6					6	577
Jan Christian Skau	Employee representative	11	672	95	20	33	831	1.826
Egil Skretting	Member of the Board of Trustees	3					3	
Ole-Martin Solberg	Employee representative		430	22	20	25	497	1.775
Berit H. Steenberg	Member of the Board of Trustees	3					3	370
Nils Kr. Steenberg	Member of the Board of Trustees	3					3	197
Tom R. Svendsen	Member of the Board of Trustees	3					3	
Thor S. Syvaldsen	Member of the Board of Trustees	15					15	1.247
Elly Th. Thoresen	Member of the Board of Trustees	3					3	
Finn Wang	Member of the Board of Trustees	2					2	
Kristian Warholm	Employee representative	3	469	25	20	28	545	2.822
Jon Aas	Member of the Board of Trustees	3					3	2.944
Johan Aasen	Member of the Board of Trustees	16					16	
Total, Trustees		**211**	**5.787**	**538**	**217**	**299**	**7.052**	**32.329**

NOTE 33 – RELATED PARTIES

Amounts in NOK thousands	Senior management group 2012	2011	The Board and Control Committee 2012	2011	Other related parties 2012	2011
Loans						
Outstanding loans as at 01.01.	14.918	6.837	2.698	3.023	32.329	27.486
Net changes in loans in the period	688	8.081	-1.015	-325	3.138	4.843
Outstanding loans as at 31.12.	**15.606**	**14.918**	**1.683**	**2.698**	**35.467**	**32.329**
Interest income	154	153	36	56	826	776
Loan losses	0	0	0	0	0	0
Deposits						
Deposits as at 01.01.	2.100	3.879	3.052	4.604	12.466	15.069
Net changes in deposits in the period	99	-1.779	2.845	-1.552	2.444	-2.603
Deposits as at 31.12.	**2.199**	**2.100**	**5.897**	**3.052**	**14.910**	**12.466**
Interest expenses	43	47	109	83	451	270
Other income	0	0	0	0	0	0
Guarantees issued	0	0	5.250	4.800	0	0

NOTE 34 – OTHER OPERATING COSTS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
2,6	1,4	Operating costs investment properties	0,0	0,0
2,8	1,9	Operating costs - real estate	1,8	1,5
45,5	44,3	Other operating costs	41,1	42,5
50,9	**47,6**	**Other operating costs**	**42,9**	**44,0**

NOTE 35 – AUDITOR'S REMUNERATION

Group 2012	Group 2011	Amount in NOK thousands	Parent bank 2012	Parent bank 2011
2.040	1.901	Audit	1.294	1.269
85	89	Other confirmation services	0	0
126	86	Taxation and excise consulting	20	7
775	487	Other services	394	292
3.026	**2.563**	**Total**	**1.708**	**1.568**

These amounts include value-added tax.

NOTE 36 – TAXES

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Tax expenses for the year in the income statement appears as follow		
77,7	53,7	Current tax on profit for the year	48,8	45,5
20,3	1,1	Deferred tax recognised in income	23,2	-0,4
0,0	0,0	Excess/deficit tax, previous year	0,0	-0,1
98,0	**54,8**	**Total tax for the year**	**72,0**	**45,0**
		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		
20,3	1,1	Recognised deferred tax in income statement	23,2	-0,4
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		
0,0	12,2	- Deferred tax for acquisitions	0,0	0,0
20,3	**13,3**	**Total changes in net deferred tax assets**	**23,2**	**-0,4**
		Reconciliation of annual tax costs		
362,1	210,5	Pre-tax profit	304,8	171,0
101,4	58,9	Tax at nominal 28 per cent rate	85,3	47,9
0,2	-4,1	Tax effect of permanent differences	-13,3	-2,8
-3,6	0,0	Excess/deficit tax, previous year	0,0	-0,1
98,0	**54,8**	**Tax costs**	**72,0**	**45,0**

		Current tax is recognised in the balance sheet as follows		
77,7	53,7	Current tax on profit for the year	48,8	45,5
3,4	3,1	Annual property tax	3,4	3,1
81,1	**56,8**	**Current tax is recognised in the balance sheet as follows:**	**52,2**	**48,7**

Group		**Group**			**Parent bank**		**Parent bank**	
		Change	**Change**				**Change**	**Change**
2012	**2011**	**2012**	**2011**	**Deferred tax obligation/deferred tax assets**	**2012**	**2011**	**2012**	**2011**
				Positive temporary differences				
126,5	136,0	9,5	-56,3	Capital equipment	0,0	0,0	0,0	0,0
0,0	0,0	0,0	0,1	Receivables	3,7	0,0	-3,7	0,0
126,5	136,0	9,5	-56,2	Total positive temporary differences	3,7	0,0	-3,7	0,0
35,4	38,1	2,7	-15,7	Deferred tax obligation	1,0	0,0	-1,0	0,0
				Negative temporary differences and loss to carry forward				
0,0	0,0	0,0	0,0	Capital equipment	0,8	1,7	0,9	-0,3
9,7	43,2	33,5	2,3	Securities	7,4	44,8	37,4	0,7
9,3	55,3	46,0	-12,1	Derivatives	9,2	55,3	46,1	-12,1
0,2	0,2	0,0	-0,2	Receivables	0,0	0,0	0,0	0,0
5,7	2,7	-3,0	0,9	Other liabilities	2,4	2,0	-0,4	1,6
30,4	30,1	-0,3	5,7	Pension commitments	27,0	22,3	-4,7	8,6
0,0	5,8	5,8	-5,3	Deficit to carry forward	0,0	0,0	0,0	0,0
55,3	137,3	82,0	-8,7	Total negative temporary differences and loss to carry forward	46,8	126,1	79,3	-1,5
15,5	38,4	23,0	-2,4	Deferred tax assets	13,1	35,3	22,2	-0,4
-19,9	**0,4**	**20,3**	**13,3**	**Net deferred tax asset (+) / net deferred tax liability (-)**	**12,1**	**35,3**	**23,2**	**-0,4**

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

NOTE 37 - TREASURY BILLS, CERTIFICATES AND BONDS

Treasury bills, certificates and bonds distributed on issuing sector and categories as at 31.12.12 - 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	498,0	496,4	0,0	0,0	0,0	0,0
Total Treasury bills	**498,0**	**496,4**	**0,0**	**0,0**	**0,0**	**0,0**
State and government guarantees	160,0	161,1	0,0	0,0	250,0	251,3
Other public issuer	765,0	772,7	0,0	0,0	0,0	0,0
Preferential bonds	1.776,7	1.790,6	0,0	0,0	0,0	0,0
Financial companies	768,0	776,7	0,0	0,0	0,0	0,0
Non-financial companies	223,0	193,8	0,0	0,0	0,0	0,0
Total certificates and bonds	**3.692,7**	**3.694,9**	**0,0**	**0,0**	**250,0**	**251,3**

Treasury bills, certificates and bonds distributed on issuing sector and category as at 31.12.12 - 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	498,0	496,4	0,0	0,0	0,0	0,0
Total Treasury bills	**498,0**	**496,4**	**0,0**	**0,0**	**0,0**	**0,0**
State and government guarantees	160,0	161,1	0,0	0,0	250,0	251,3
Other public issuer	765,0	772,7	0,0	0,0	0,0	0,0
Preferential bonds	2.755,2	2.771,7	0,0	0,0	0,0	0,0
Financial companies	768,0	776,8	0,0	0,0	0,0	0,0
Non-financial companies	223,0	193,8	0,0	0,0	0,0	0,0
Total certificates and bonds	**4.671,2**	**4.676,1**	**0,0**	**0,0**	**250,0**	**251,3**

Treasury bills, certificates and bonds distributed on 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 distributed on 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**

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 31.12.12 was NOK 506.5 million and as at 31.12.11 was NOK 938.5 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 distributed on maturity **as at 31.12.12 - Group**

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
Treasury bills	496,4	0,0	0,0	0,0	496,4
Total Treasury bills	**496,4**	**0,0**	**0,0**	**0,0**	**496,4**
State and government guarantees	75,9	0,0	311,1	25,4	412,4
Other public issuer	510,2	20,0	188,0	54,5	772,7
Preferential bonds	125,2	75,2	1.413,3	176,8	1.790,5
Financial companies	165,6	55,5	545,4	10,3	776,8
Non-financial companies	60,1	94,1	39,6	0,0	193,8
Total certificates and bonds	**937,0**	**244,8**	**2.497,4**	**267,0**	**3.946,2**

Treasury bills, certificates and bonds distributed on maturity as at 31.12.12 - Parent bank

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
Treasury bills	496,4	0,0	0,0	0,0	496,4
Total Treasury bills	**496,4**	**0,0**	**0,0**	**0,0**	**496,4**
State and government guarantees	75,9	0,0	311,1	25,4	412,4
Other public issuer	510,2	20,0	188,0	54,5	772,7
Preferential bonds	125,2	75,2	2.394,5	176,8	2.771,7
Financial companies	165,6	55,5	545,4	10,3	776,8
Non-financial companies	60,1	94,1	39,6	0,0	193,8
Total certificates and bonds	**937,0**	**244,8**	**3.478,6**	**267,0**	**4.927,4**

Modified duration

	Group	Parent bank
Treasury bills	0,22	0,22
State and government guarantees	2,09	2,09
Other public issuer	0,66	0,66
Preferential bonds	0,31	0,27
Financial companies	0,13	0,13
Non-financial companies	0,19	0,19
Total duration	0,49	0,44

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

Treasury bills, certificates and bonds distributed on 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 distributed on 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**

NOTE 38 – SHARES, EQUITY CERTIFICATES AND MONEY-MARKET-FUNDS

Shares, equity certificates and money-market funds by category as at 31.12.12

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
22,6	0,0	0,0	Listed	22,6	0,0	0,0
0,0	454,2	0,4	Unlisted	0,0	454,2	0,4
504,7	0,0	0,0	Shares in money-market funds	504,7	0,0	0,0
527,3	**454,2**	**0,4**	**Total shares, equity certificates and money-market funds**	**527,3**	**454,2**	**0,4**

The annual value change on shares and equity certificates classified as available for sale amounts to NOK 5.3 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. Reference is made to Note 22. The year’s value change in shares and equity certificates classified as available for sale totals NOK 5.3 million and the value change is recognised 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 remained unchanged throughout 2012. The valuation of shares in Eksportfinans ASA is based on the bank's share of book equity in Eksportfinans ASA adjusted for the effect of unrealised gains on the company’s long-term deposits. An overall assessment indicates that there is no basis for re-assessment of the shareholding in 2012. Bank shares are generally priced below book value. Uncertainty concerning lawsuits related to the company’s bonds in Japan indicate that a write-up of the shares is not currently relevant.

Shares and equity certificates distributed on 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 equity 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. Reference is made 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, while 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 remained unchanged throughout 2011. The valuation of shares in Eksportfinans ASA is based on the bank's share of book equity in Eksportfinans ASA adjusted for the effect of unrealised 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 shareholding in 2011.

Specification of shares, equity certificates and money-market funds as at 31.12.12

N	Number of shares	Ownership in per cent	Book cost	Fair value
Fair value through profit and loss				
Eltek ASA	59.512	0,02	0,7	0,2
Oceanteam ASA	150.000	0,99	3,0	0,6
Reservoir Exploration Technology ASA	814.467	0,92	8,1	0,4
Visa Inc.	4.739	0,00	2,0	3,9
Voss Veksel- og Landmandsbank ASA	7.751	8,16	18,2	15,1
Ringerike Sparebank	6.650	0,05	0,9	0,7
Klepp Sparebank	13.900	1,29	1,7	0,8
Nes Prestgjelds Sparebank	17.000	1,13	2,0	0,9
Total fair value through profit and loss			**36,6**	**22,6**
Available for sale				
NorgesInvestor Opportunities AS A-aksjer	1.600	2,90	0,2	0,2
NorgesInvestor Opportunities AS B-aksjer	38.400	3,22	3,8	3,7
Nets Holding AS	2.223.883	1,21	96,4	96,4
Sparebankmateriell AS	302	0,96	0,0	0,0
Eiendomskreditt AS	126.594	4,65	13,2	13,2
Eksportfinans ASA	12.787	4,84	139,4	208,3
Kredittforeningen for Sparebanker	2.760	5,52	2,8	2,8
Nordito Property AS	269.244	2,65	7,5	7,5
Frende Holding AS	1.003.248	14,84	120,8	120,8
Norne Eierselskap	4.553.571	2,55	1,3	1,3
Bankenes ID-tjeneste AS	6.700	6,70	0,0	0,0
Total available for sale			**385,4**	**454,2**
Cost				
Dialog Eiendomsmegling Eiker Drammen AS	340	34,00	0,4	0,4
Øvrige aksjer			0,0	0,0
Total cost			**0,4**	**0,4**
Total shares and equity certificates			**422,4**	**477,2**

	Number of units	Book cost	Fair value
Money-market funds			
Holberg Likviditet 20	976.310	100,6	100,5
Nordea Likviditet Pluss	99.226	100,7	103,1
Pluss Likviditet II	97.178	102,7	100,7
Verdipapirfondet DNB Likviditet 20	19.267	200,4	200,4
Total units in money-market funds		**504,4**	**504,7**

Specification of shares and equity certificates as at 31.12.11

	Number of shares	Ownership in per cent	Book cost	Fair value
Fair value through profit and loss				
Eltek ASA	59.512	0,02	0,7	0,2
Oceanteam ASA	3.502.102	2,32	7,0	1,5
Reservoir Exploration Technology ASA	814.467	0,92	8,1	0,8
Visa Inc.	4.739	0,00	2,0	2,9
Voss Veksel- og Landmandsbank ASA	7.751	8,16	18,2	15,6
Ringerike Sparebank	6.650	0,05	0,9	0,8
Helgeland Sparebank	386.994	2,07	25,6	11,8
Klepp Sparebank	13.900	1,29	1,7	0,7
Nes Prestgjelds Sparebank	17.000	1,13	2,0	1,0
Total fair value through profit and loss			**66,2**	**35,3**
Available for sale				
NorgesInvestor Opportunities AS A-aksjer	1.600	2,90	0,2	0,2
NorgesInvestor Opportunities AS B-aksjer	38.400	3,22	3,8	3,5
Nets Holding AS	2.223.883	1,21	96,4	96,4
Sparebankmateriell AS	302	0,96	0,0	0,0
Eiendomskreditt AS	126.594	5,26	13,2	13,2
Eksportfinans ASA	12.787	4,84	139,4	208,3
Kredittforeningen for Sparebanker	2.760	5,52	2,8	2,8
Nordito Property AS	269.244	2,65	2,4	2,4
Frende Holding AS	964.662	14,84	113,1	113,1
Norne Eierselskap	4.553.571	10,12	1,3	1,3
Bankenes ID-tjeneste AS	6.700	6,70	0,0	0,0
Total available for sale			**372,6**	**441,2**
Cost				
Dialog Eiendomsmegling Eiker Drammen AS	340	34,00	0,4	0,4
Øvrige aksjer			0,0	0,0
Total cost			**0,4**	**0,4**
Total shares and equity certificates			**439,2**	**476,9**

NOTE 39 – OWNERSHIP INTERESTS IN GROUP COMPANIES

Subsidiary company	Acquisition date	Business office	Holding	Number of votes
Sparebanken Øst Eiendom AS	29.12.88	Drammen	100 per cent	100 per cent
AS Financiering	01.10.91	Oslo	100 per cent	100 per cent
Øst Prosjekt AS	22.12.97	Drammen	100 per cent	100 per cent
Grev Wedels Have AS *	01.07.08	Drammen	100 per cent	100 per cent
Sparebanken Øst Boligkreditt AS	14.04.09	Drammen	100 per cent	100 per cent
Hawø Eiendom AS *	01.07.11	Drammen	100 per cent	100 per cent
EngeneKvartalet AS*	26.06.12	Drammen	100 per cent	100 per cent
Arbeidergaten 28 AS*	29.08.12	Drammen	100 per cent	100 per cent
Krokstad Terrasse AS*	29.08.12	Drammen	100 per cent	100 per cent
Stasjonsgaten 14 AS*	29.08.12	Drammen	100 per cent	100 per cent
Tollbugt 49-51 AS*	29.08.12	Drammen	100 per cent	100 per cent

* 100 per cent owned subsidiary of Sparebanken Øst Eiendom AS.

None of the subsidiaries are listed on the stock exchange.

With accounting effect from 01.01.12 a Group demerger took place in Sparebanken Øst Eiendom AS whereby six properties were divested into the companies Arbeidergaten 28 AS, EngeneKvartalet AS, Krokstad Terrasse AS, Stasjonsgaten 14 AS and Tollbugt 49-51 AS.

NOTE 40 – FIXED ASSETS AND INVESTMENT PROPERTIES

Capital equipment as at 31.12.12

Group Machinery/ inventor/ vehicles etc.	Group Property	Group Investment property		Parent bank Machinery/ inventor/ vehicles etc.	Parent bank Property	Parent bank Investment property
107,3	108,1	490,4	Purchase price as at 01.01.	86,8	52,9	0,0
13,2	0,9	56,3	Additions	10,0	0,4	0,0
6,9	0,1	67,1	Disposals	6,2	0,0	0,0
113,6	**108,9**	**479,6**	**Purchase price as at 31.12.**	**90,6**	**53,3**	**0,0**
85,4	14,7	22,5	Total ordinary depreciation and write-downs	68,3	8,0	0,0
28,2	**94,2**	**457,1**	**Book value as at 31.12.**	**22,3**	**45,3**	**0,0**
6,9	1,5	8,3	Ordinary depreciation for the year	4,9	0,5	
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	
		517,7	**Fair value in investment property**			
0,1	**13,1**		**Annual hire of assets not entered in the balance sheet**	**0,1**	**18,4**	

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

For leasing income and operating costs on investment properties reference is made to note 31 Other operating income and note 34 Other operating costs.

Real estate for own activities

Group Book value 2012*	Group Area - m2 Own use	Leasing	Commercial building	Parent bank Area - m^2 Own - Utilisation	Leasing	Parent bank Book value 2012*
391,3	3.619	22.133	Drammen	2.087	0	29,9
67,3	4.622	2.560	Øvre Eiker	0	0	0,0
40,9	1.255	1.958	Nedre Eiker	0	0	0,0
17,0	180	555	Asker	0	0	0,0
516,5	**9.676**	**27.206**	**Total commercial buildings**	**2.087**	**0**	**29,9**

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

Liabilities
In 2012, a new framework agreement was concluded relating to the upgrading of the banking system. The framework agreement enters into force in mid-2013. For business reasons the acquisition amount is not stated. As at 31.12.12 the Group has no ongoing property projects or other obligations concerning purchases related to operating equipment.

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, together with market information.

For leasing income and operating costs on investment properties reference is made 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.

NOTE 41 - OPERATIONAL LEASING AGREEMENTS

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

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
13,2	13,4	Annual rental costs	18,5	18,7
		Annual rental costs correspond to minimum rent payments		
		Minimum future rental payments		
10,8	10,7	Within 1 year	14,4	14,9
22,6	29,7	Between 1 and 5 years	42,2	49,2
0,1	1,8	After 5 years	0,1	7,7
33,5	**42,2**	**Total**	**56,7**	**71,8**

NOTE 42 - OTHER ASSETS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
8,7	9,6	Membership contribution for Kredittforeningen for Sparebanker (Savings Bank Credit Association)	8,7	9,6
33,0	24,3	Other receivables	16,5	3,8
41,7	**33,9**	**Other assets**	**25,2**	**13,4**

NOTE 43 – PREPAID NON-ACCRUED COSTS AND EARNED NOT RECEIVED INCOME

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
83,2	84,3	Accrued income not received	69,3	70,1
5,5	4,9	Other prepaid non-accrued costs	5,3	4,9
88,7	**89,2**	**Prepaid non-accrued costs and earned not received income**	**74,6**	**75,0**

NOTE 44 – DEBT TO CREDIT INSTITUTIONS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
21,2	20,5	Loans and receivables with credit institutions without agreed maturities or termination deadlines	33,8	27,5
823,3	1.897,6	Loans and receivables with credit institutions with agreed maturities or termination deadlines	907,0	1.917,7
844,5	**1.918,1**	**Debt to credit institutions**	**940,8**	**1.945,2**

NOTE 45 - DEPOSITS FROM AND DEBT TO CUSTOMERS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
9.498,8	6.708,9	Deposits from and debt to customers without agreed maturity date	9.481,4	6.702,4
2.189,1	2.223,8	Deposits from and debt to customers with agreed maturity date	2.189,3	2.224,0
11.687,9	**8.932,7**	**Deposits from and debt to customers**	**11.670,7**	**8.926,4**

Geographical distribution of deposits

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
2.535,7	2.289,2	Drammen	2.542,7	2.313,8
1.619,0	1.516,5	Nedre Eiker	1.617,1	1.514,4
1.609,6	1.448,2	Øvre Eiker	1.609,0	1.447,3
733,6	600,1	Other parts of Buskerud	725,0	588,4
2.148,4	1.118,3	Oslo	2.143,0	1.112,7
946,4	859,5	Akershus	941,8	851,8
424,5	385,3	Vestfold	423,1	383,8
141,9	64,1	Østfold	140,9	63,4
1.458,3	600,7	Rest of country	1.457,6	600,0
70,5	50,8	Foreign	70,5	50,8
11.687,9	**8.932,7**	**Total**	**11.670,7**	**8.926,4**

Distribution of deposits by sector and industry

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
7.059,6	4.700,5	Salaried employees	7.050,1	4.689,0
137,1	132,8	Public administration	137,1	132,8
124,8	118,5	Agriculture, forestry and fishing	124,8	118,5
370,8	249,3	Industry and mining, power and water supplies	370,8	249,3
433,4	428,3	Construction and civil engineering	432,5	427,4
463,9	453,6	Retail, hotel and catering	461,7	450,9
143,5	131,6	Transport and communications	143,2	131,2
1.438,9	1.384,7	Financial services	1.429,8	1.373,8
603,2	539,0	Other service industries	601,8	537,6
842,2	743,4	Real estate turnover and operations	848,4	764,9
70,5	51,0	Foreign	70,5	51,0
11.687,9	**8.932,7**	**Total**	**11.670,7**	**8.926,4**

NOTE 46 - DEBT CONTRACTED THROUGH THE ISSUING OF SECURITIES

Group	Outstanding volume 2012*	Average balance 2012	Weighted interest rate 2012	Outstanding volume 2011*	Average balance 2011	Weighted interest rate 2011
Certificates	0,0	0,0	0,00 per cent	0,0	0,0	0,00 per cent
Bond loan	13.762,0	14.061,7	3,39 per cent	14.093,3	12.656,2	3,72 per cent
Own holdings – bond loans	-150,0	-127,2	4,34 per cent	-223,0	-199,6	3,42 per cent
Liabilities incurred when issuing securities	**13.612,0**	**13.934,5**	**3,38 per cent**	**13.870,3**	**12.456,6**	**3,73 per cent**

* Measured at amortised cost on balance sheet date.

Parent bank	Outstanding volume 2012*	Average balance 2012	Weighted interest rate 2012	Outstanding volume 2011*	Average balance 2011	Weighted interest rate 2011
Certificates	0,0	0,0	0,00 per cent	0,0	0,0	0,00 per cent
Bond loan	8.354,6	8.828,4	3,58 per cent	9.465,3	9.582,9	3,78 per cent
Own holdings – bond loans	-150,0	-127,2	4,34 per cent	-223,0	-199,6	3,42 per cent
Liabilities incurred when issuing securities	**8.204,6**	**8.701,2**	**3,57 per cent**	**9.242,3**	**9.383,3**	**3,79 per cent**

* Measured at amortised cost on balance sheet date.

NOTE 47 – SUBORDINATE LOAN CAPITAL

	Outstanding volume 2012*	Average balance 2012	Weighted interest rate 2012	Outstanding volume 2011*	Average balance 2011	Weighted interest rate 2011
Eternal subordinate loan capital	308,5	299,1	5,08 per cent	300,4	298,7	5,56 per cent
Subordinate bond loans	199,9	295,1	3,86 per cent	299,7	300,0	4,21 per cent
Subordinate loan capital	**508,4**	**594,2**	**4,47 per cent**	**600,1**	**598,7**	**4,88 per cent**

* Measured at amortised cost on balance sheet date.

NOTE 48 – LONG-TERM DEPOSITS DISTRIBUTED ON MATURITY

Long-term deposits as at 31.12.12 - Group

	Loans from credit institutions	Bond loan	OMF (Preferential bonds)	Subordinate loans	Debts to the government	Total
2013	82,9	1.685,0	0,0	200,0	0,0	1.967,9
2014	428,8	1.339,0	211,5	300,0	493,5	2.772,8
2015	161,7	2.835,0	1.000,0	0,0	0,0	3.996,7
2016	61,7	1.150,0	1.406,5	0,0	0,0	2.618,2
2017	61,7	465,0	1.000,0	0,0	0,0	1.526,7
2018	31,7	300,0	1.000,0	0,0	0,0	1.331,7
2019	1,7	0,0	0,0	0,0	0,0	1,7
2020	1,7	300,0	0,0	0,0	0,0	301,7
2021 and later	12,7	0,0	750,0	0,0	0,0	762,7
Gross deposits	844,6	8.074,0	5.368,0	500,0	493,5	15.280,1
Direct costs and premium/discount	-0,1	130,6	39,4	8,4	0,0	178,3
Net deposits	**844,5**	**8.204,6**	**5.407,4**	**508,4**	**493,5**	**15.458,4**

Call/put loans distributed on call/put date.

Long-term deposits as at 31.12.11 - Group

	Loans from credit institutions	Bond loan	OMF (Preferential bonds)	Subordinate loans	Debt 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 premium/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 distributed on call/put date.

Long-term deposits as at 31.12.12 - Parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Debt to the government	Total
2013	204,0	1.685,0	200,0	0,0	2.089,0
2014	426,9	1.339,0	300,0	493,5	2.559,4
2015	160,0	2.835,0	0,0	0,0	2.995,0
2016	60,0	1.150,0	0,0	0,0	1.210,0
2017	60,0	465,0	0,0	0,0	525,0
2018	30,0	300,0	0,0	0,0	330,0
2019	0,0	0,0	0,0	0,0	0,0
2020	0,0	300,0	0,0	0,0	300,0
2021 and later	0,0	0,0	0,0	0,0	0,0
Gross deposits	940,9	8.074,0	500,0	493,5	10.008,4
Direct costs and discount/premium	-0,1	130,6	8,4	0,0	138,9
Net deposits	**940,8**	**8.204,6**	**508,4**	**493,5**	**10.147,3**

Call/put loans distributed on call/put date.

Long-term deposits as at 31.12.11 - Parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Debt 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 discount/premium	-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 distributed on call/put date.

NOTE 49 – OTHER LIABILITIES

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
3,2	5,0	Liabilities associated with payment transfers	3,2	5,0
9,7	14,4	Accounts payable	3,9	3,3
58,0	57,3	Other liabilities	52,7	47,9
70,9	**76,7**	**Other liabilities**	**59,8**	**56,2**

NOTE 50 – ACCRUED COSTS AND RECEIVED, UNEARNED INCOME

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
71,8	105,3	Accrued interest	52,9	82,2
35,6	32,9	Other accrued expenses	28,1	23,5
0,4	1,1	Received not earned income	0,3	0,9
107,8	**139,3**	**Accruals and deferred income**	**81,3**	**106,6**

NOTE 51 – ALLOCATIONS FOR COSTS AND COMMITMENTS INCURRED

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
30,4	30,1	Pension obligations (see note 52)	27,0	22,3
1,0	0,5	Specified allocations to guarantee commitments	1,0	0,5
31,4	**30,6**	**Provisions for accrued costs and liabilities**	**28,0**	**22,8**

NOTE 52 – PENSION OBLIGATIONS

Mandatory Occupational Pensions (OTP) are compulsory, and the Group has schemes that satisfy these requirements. Pension obligations are recognised 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

Defined-benefit

Sparebanken Øst has a collective pension scheme in Storebrand Livsforsikring AS. This scheme is a defined-benefit scheme and covers old age and disability pensions to scheme members, and spouse and child pensions to members' surviving families. The defined-benefit scheme currently covers 243 persons, 154 active and 89 retired, of whom 19 are completely or partly disabled. The scheme has been closed.

Contribution-based

As from 1 January 2007, Sparebanken Øst introduced a contribution-based scheme for all new employees in the bank.

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 65 employees, of which none are on disability. The premiums for these are paid and expensed on an ongoing basis.

Subsidiary companies

AS Financiering has a collective pension scheme which comprises 21 persons, 13 active and 7 disabled/retired. The scheme has been closed. Employees with a commencement date after 01.01.08 receive an offer of a contribution-based scheme. As of 31.12.12, 13 people have contribution-based schemes.

Sparebanken Øst Eiendom AS has a defined-benefit scheme for 7 persons, all of whom are active.

Agreement-based early retirement pension (AFP)

The bank and financial sector's old scheme for an early retirement pension (AFP) has been partly set off on the basis of the closure and settlement of the scheme. A remaining allocation applies to the company's own portion for persons who have taken early retirement under the old scheme. At the end of 2012, there were 13 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 a lifelong supplement to 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 an ongoing 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 5 persons on salaries above 12G, of which 3 persons are no longer employed by the bank. Sparebanken Øst Eiendom AS has a pension scheme for salaries over 12 G that is covered via operations.

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 12 years, respectively. The average remaining qualification period for operational pensions lies in intervals of 1-5 years.

Actuarial assumptions

Calculations are based on death table K2005 and disability tariff KU. The calculations are based on standardised assumptions concerning death and disability trends drawn up by Finance Norway. A retirement rate is expected that slowly decreases from 8 per cent for the age group 20-24 years, and down to 0 per cent for 51-year-olds and older.

Qualification

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

Economic criteria	**2012**	**2011**
Expected return on pension funds	4,00 per cent	4,80 per cent
Discount rate	3,80 per cent	3,30 per cent
Annual salary growth	3,20 per cent	3,50 per cent
Annual G adjustment	3,25 per cent	3,75 per cent
Annual pension adjustment	0,20 per cent	0,70 per cent
Employers' contribution	14,10 per cent	14,10 per cent

According to IAS 19, the discount interest rate on each balance sheet date must be determined with reference to the interest rate for corporate bonds of high quality or to government bonds in the absence of a deep market for corporate bonds of high quality, in accordance with the standard's description. The Norwegian market for preferential bonds is assessed to have the characteristics that make them suitable to be the basis for the calculation of the discount interest rate.

As at 31.12.12, Sparebanken Øst has determined the discount rate on the basis of preferential bonds, compared to the previous government bond interest rate.

Pension costs

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Net pension costs, defined-benefit scheme		
10,1	11,4	Present value of annual pension savings	8,3	9,5
8,9	8,2	Interest expenses for pension obligations	8,0	7,4
-9,2	-8,2	Expected return on pension funds	-8,5	-7,5
0,0	0,0	Phasing out/settlement of AFP obligation	0,0	0,0
-0,3	3,5	Estimate differences recognised in the period	0,0	0,5
9,5	**14,9**	**Net pension costs including employer's contribution**	**7,8**	**9,9**
1,7	1,5	Premium paid, contribution-based scheme	1,4	1,3
1,1	1,0	Premium paid, AFP scheme	1,1	1,0
12,3	**17,4**	**Total pension costs**	**10,3**	**12,2**

Specification of pension obligations and pension funds - Group

2012 Funded	2012 Unfunded	2012 Total		2011 Funded	2011 Unfunded	2011 Total
			Changes to gross pension obligations			
249,3	29,9	279,2	Pension obligations as at 01.01.	235,1	27,9	263,0
0,0	0,0	0,0	Access and retirement	0,0	0,0	0,0
9,8	0,3	10,1	Costs of current period's pension earnings	10,4	0,9	11,3
7,9	0,9	8,8	Interest costs	7,2	0,9	8,1
-42,7	1,4	-41,3	Actuarial gains and losses	3,1	4,1	7,2
-6,2	-3,8	-10,0	Payment pension/paid-up policies	-6,5	-3,9	-10,4
218,1	**28,7**	**246,8**	**Gross pension obligations as at 31.12.**	**249,3**	**29,9**	**279,2**
			Changes to gross pension funds			
227,4	0,0	227,4	Fair value of pension funds as at 01.01.	210,6	0,0	210,6
9,2	0,0	9,2	Yield on pension funds	8,1	0,0	8,1
-13,9	0,0	-13,9	Actuarial gains and losses	-1,4	0,0	-1,4
4,7	0,0	4,7	Premium payments	14,5	0,0	14,5
-5,6	0,0	-5,6	Payment of pension/paid-up policies	-4,4	0,0	-4,4
221,8	**0,0**	**221,8**	**Fair value of pension funds as at 31.12.**	**227,4**	**0,0**	**227,4**
-3,7	**28,7**	**25,0**	**Net pension obligation (+)/- pension funds (-)**	**21,9**	**29,9**	**51,8**
7,3	-1,9	5,4	Unrecognised actuarial gains	-21,4	-0,3	-21,7
0,0	0,0	0,0	Unrecognised plan changes	0,0	0,0	0,0
3,6	**26,8**	**30,4**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**0,5**	**29,6**	**30,1**

2012		2011
30,1	**Net pension obligations as at 01.01.**	**35,8**
9,5	Recognised pension cost	14,9
-5,4	Paid-in pension premiums	-16,6
-3,8	Pension payments	-4,0
30,4	**Net balance sheet pension obligations as at 31.12.**	**30,1**
2,8	Expected premium payment next year, defined-benefit scheme	12,7
1,7	Expected premium payment next year, contribution-based scheme	1,8
1,2	Expected premium payment next year, new AFP scheme	1,2

	Placement of pension funds, percentage:	2011
35 per cent	Money market/bonds	25 per cent
35 per cent	Construction bonds	38 per cent
11 per cent	Shares	17 per cent
15 per cent	Property	17 per cent
4 per cent	Other	3 per cent
5,8 per cent	Booked returns totalled	4,5 per cent

Specification of pension obligations and pension funds - Parent bank

Funded	2012 Unfunded	Total		Funded	2011 Unfunded	Total
			Changes to gross pension obligations			
225,8	25,6	251,4	Pension obligations as at 01.01.	212,8	26,9	239,7
0,0	0,0	0,0	Access and retirement	0,0	0,0	0,0
8,2	0,1	8,3	Costs of current period's pension earnings	8,8	0,7	9,5
7,1	0,8	7,9	Interest costs	6,6	0,8	7,4
-38,1	1,6	-36,5	Actuarial gains and losses	3,4	1,1	4,5
0,0	3,7	3,7	Transfer of employee from subsidiary	0,0	0,0	0,0
-5,5	-3,8	-9,3	Payment pension/paid-up policies	-5,8	-3,9	-9,7
197,5	**28,0**	**225,5**	**Gross pension obligations as at 31.12.**	**225,8**	**25,6**	**251,4**
			Changes to gross pension funds			
209,9	0,0	209,9	Fair value of pension funds as at 01.01.	194,2	0,0	194,2
8,5	0,0	8,5	Yield on pension funds	7,5	0,0	7,5
-12,0	0,0	-12,0	Actuarial gains and losses	-0,6	0,0	-0,6
2,6	0,0	2,6	Premium payments	12,8	0,0	12,8
-5,1	0,0	-5,1	Payment of pension/paid-up policies	-4,0	0,0	-4,0
203,9	**0,0**	**203,9**	**Fair value of pension funds as at 31.12.**	**209,9**	**0,0**	**209,9**
-6,4	**28,0**	**21,6**	**Net pension obligation (+)/- pension funds (-)**	**15,9**	**25,6**	**41,5**
7,6	-2,2	5,4	Unrecognised actuarial gains	-18,6	-0,6	-19,2
0,0	0,0	0,0	Unrecognised plan changes	0,0	0,0	0,0
1,2	**25,8**	**27,0**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**-2,7**	**25,0**	**22,3**

2012		2011
22,3	**Net pension obligations as at 01.01.**	**30,9**
3,7	Transfer of employee from subsidiary	0,0
7,8	Recognised pension cost	9,9
-3,0	Paid-in pension premiums	-14,6
-3,8	Pension payments	-3,9
27,0	**Net balance sheet pension obligations as at 31.12.**	**22,3**

0,6	Expected premium payment next year, defined-benefit scheme	10,8
1,4	Expected premium payment next year, contribution-based scheme	1,5
1,2	Expected premium payment next year, new AFP scheme	1,2

	Placement of pension funds, percentage:	2011
35 per cent	Money market/bonds	25 per cent
35 per cent	Construction bonds	38 per cent
11 per cent	Shares	17 per cent
15 per cent	Property	17 per cent
4 per cent	Other	3 per cent
5,8 per cent	Booked returns totalled	4,5 per cent

Development in pensions - Group

	2012	2011	2010	2009	2008
Gross pension obligations (hedged and non-hedged schemes)	246,8	279,2	263,1	275,7	304,0
Gross fair value of pension funds	221,8	227,4	210,6	193,1	176,1
Net pension obligations	**25,0**	**51,8**	**52,5**	**82,6**	**127,9**

Development in pensions - Parent bank

	2012	2011	2010	2009	2008
Gross pension obligation (hedged and non-hedged schemes)	225,5	251,4	239,7	254,7	281,6
Gross fair value of pension funds	203,9	209,9	194,2	178,4	163,5
Net pension obligations	**21,6**	**41,5**	**45,5**	**76,3**	**118,1**

NOTE 53 - GUARANTEE LIABILITIES

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
71,5	121,0	Payment guarantees	70,7	120,3
69,6	149,7	Contract guarantees	69,6	150,4
46,5	85,1	Loan guarantees	46,5	85,0
26,5	29,7	Other guarantee liabilities	26,5	29,7
214,1	**385,5**	**Total guarantee liabilities to customers**	**213,3**	**385,4**
100,0	53,3	Guarantee to Eksportfinans ASA*	100,0	53,3
0,0	0,0	Guarantees to the Norwegian Banks' Guarantee Fund	0,0	0,0
314,1	**438,8**	**Total guarantee liabilities**	**313,3**	**438,7**

* The net guarantee obligation is NOK 100 million. The guarantee is a derivative. The value of the derivative excluding the swap settlement was positive at NOK 10.7 million as at 31.12.12 and negative at NOK 46.7 million as at 31.12.11. Reference is made to note 21 Financial derivatives.

For the rating process in Sparebanken Øst Boligkreditt AS, the parent bank has issued a guarantee for all preferential bond (OMF) commitments in the housing credit company. Preferential bond commitments amount to nominal NOK 5,368.0 million as at 31.12.12 and nominal NOK 4,611.5 million as at 31.12.11. In the amounts, the parent bank's holdings of OMF of nominal NOK 978.5 million as of 31.12.12 and NOK 1,038.5 million as at 31.12.11 have been drawn.

NOTE 54 - PLEDGES AND PREFERENTIAL RIGHTS

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
2.020,0	3.066,9	Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	2.020,0	3.066,9
2.020,0	**3.066,9**	**Pledges ***	**2.020,0**	**3.066,9**
539,5	**938,5**	**Preferential exchange scheme**	**539,5**	**938,5**
5.802,6	**4.711,5**	**Preferential 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. The F loan was redeemed in Q1 2012.
** Including holding owned by the parent bank at a nominal value of NOK 439 million as at 31.12.12 and NOK 100 million as at 31.12.11.

Group 2012	Group 2011	Security in real estate	Parent bank 2012	Parent bank 2011
26,5	36,7	Liabilities with security in real estate	0,0	0,0
61,6	76,2	Book value of pledged properties	0,0	0,0

NOTE 55 - COSTS RELATED TO THE BANKS' COMPENSATION SCHEME

The act related to compensation schemes for banks and public administration, etc. of financial institutions obliges 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 held by name, as well as liabilities according to deposit certificates for a named person, with the exception of deposits from other financial institutions.

Parent bank

	2012	2011
Charges in NOK thousands	0	0

NOTE 56 - ADDITIONAL INFORMATION CASH FLOW STATEMENT

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
		Cash and cash equivalents		
703,3	580,9	Cash and receivables at central banks	703,3	580,9
496,4	920,9	Treasury bills	496,4	920,9
4,1	186,9	Loans to and receivables on credit institutions that are solely placements	3,9	185,1
1.203,8	**1.688,7**	**Total**	**1.203,6**	**1.686,9**
		Changes in assets in connection with operations		
-492,0	26,3	Net change in financial assets held for the purpose of trade	-492,0	26,3
-45,7	-22,4	Net change in financial derivatives (net assets and liabilities)	-45,7	-22,4
-676,4	-846,5	Net change in financial assets at fair value as determined by the result.	-620,7	-883,9
54,3	23,6	Change in gross loans to credit institutions	-773,7	-960,1
-380,9	-2.682,1	Change in gross loans to credit institutions	1.378,3	1.413,4
-7,2	-6,8	Net change in other assets	-11,4	-2,6
-1.547,9	**-3.507,9**	**Total**	**-565,2**	**-429,3**
		Changes in assets in connection with operations		
2.755,2	1.302,5	Changes in customer deposits	2.744,3	1.304,5
-9,5	27,1	Change in debt to credit institutions	59,7	12,4
-40,2	-0,4	Change in other liabilities	-20,2	-9,9
2.705,5	**1.329,2**	**Total**	**2.783,8**	**1.307,0**
		Non-cash items included in profit before tax		
16,7	12,0	Write-downs on fixed assets	5,4	6,2
1,3	1,9	Amortisation of financial investments held to maturity	1,3	1,9
4,2	-26,1	Write-down of financial assets	-4,3	-26,8
5,6	6,0	Amortisation of financing activities measured at amortised cost	4,1	5,6
27,8	**-6,2**	**Total**	**6,5**	**-13,1**

NOTE 57 - EQUITY CERTIFICATES

Profit per equity certificate

Profit per equity certificate is calculated by dividing the portion of profit after tax that falls to equity capital holders by the weighted average number of outstanding equity certificates during the year. If the annual report shows a loss, this is covered by pro rata transfer from the primary capital fund, donation fund and equalisation fund. The profit per equity certificate in this case is calculated based on the proportion of the loss that is charged to the equalisation fund.

Sparebanken Øst has not issued options or other instruments that can lead to a dilution of the profit per equity certificate. The diluted profit per equity certificate is therefore equivalent to the profit per equity certificate.

Group 2012	Group 2011		Parent bank 2012	Parent bank 2011
264,1	155,7	After-tax profit	232,8	126,0
118,8	71,7	Profit after tax allocated to equity certificate holders	104,7	58,0
20,7	20,7	Weighted average of number of outstanding equity certificates	20,7	20,7
5,73	3,46	Profit per equity certificate	5,05	2,80

Weighed number of equity certificates

2012	
Number of equity certificates in 2012	20.731.183
Total number of equity certificates in 2012	20.731.183
2011	
Number of equity certificates in 2011	20.731.183
Total number of equity certificates in 2011	20.731.183

Fractional ownership parent bank

	01.01.13	01.01.12
Equity instruments	207,3	207,3
Premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	196,8	154,3
Available for sale reserve	32,0	30,9
Total numerator (A)	823,9	780,3
Total equity (year's allocation for dividends excluded)	1.903,7	1.734,8
Total denominator(B)	1.903,7	1.734,8
Fractional ownership(A/B) in per cent	**43,28**	**44,98**

Dividend

The Board of Directors' proposal for the allocation of dividend is NOK 62,193,549, which amounts to NOK 3 per equity certificate

2012	In NOK	2011
62.193.549	Total dividend paid out	41.462.366
3	Paid out per equity certificate	2

The largest equity certificate holders as at 31.12.12

	Name	Quantity	Per cent		Name	Quantity	Per cent
1	MP Pensjon	2.049.218	9,88 per cent	11	Jag Holding AS	232.762	1,12 per cent
2	Skagen Vekst VPF	1.413.500	6,82 per cent	12	Profond AS	220.000	1,06 per cent
3	Directmarketing Invest AS	999.500	4,82 per cent	13	Hustadlitt AS	200.000	0,96 per cent
4	Storetind AS	550.000	2,65 per cent	14	Høibraaten, Claus Jørgen	200.000	0,96 per cent
5	Hansen, Asbjørn Rudolf	466.443	2,25 per cent	15	Julius Johannessen & Sønner AS	175.200	0,85 per cent
6	AS Andersen Eiendomsselskap	354.500	1,71 per cent	16	Citybank NA New York	174.155	0,84 per cent
7	Sparebankstiftelsen DnB NOR	308.320	1,49 per cent	17	Anna AS	162.280	0,78 per cent
8	Terra utbytte VPF	254.001	1,23 per cent	18	Grete Evensen Øvrum AS	150.000	0,72 per cent
9	Foretakskonsulenter AS	243.600	1,18 per cent	19	Rondane Holding AS	150.000	0,72 per cent
10	Teleplan Holding AS	239.665	1,16 per cent	20	Løkke, Helge Arnfinn	148.433	0,72 per cent

Development in the equity certificate capital

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

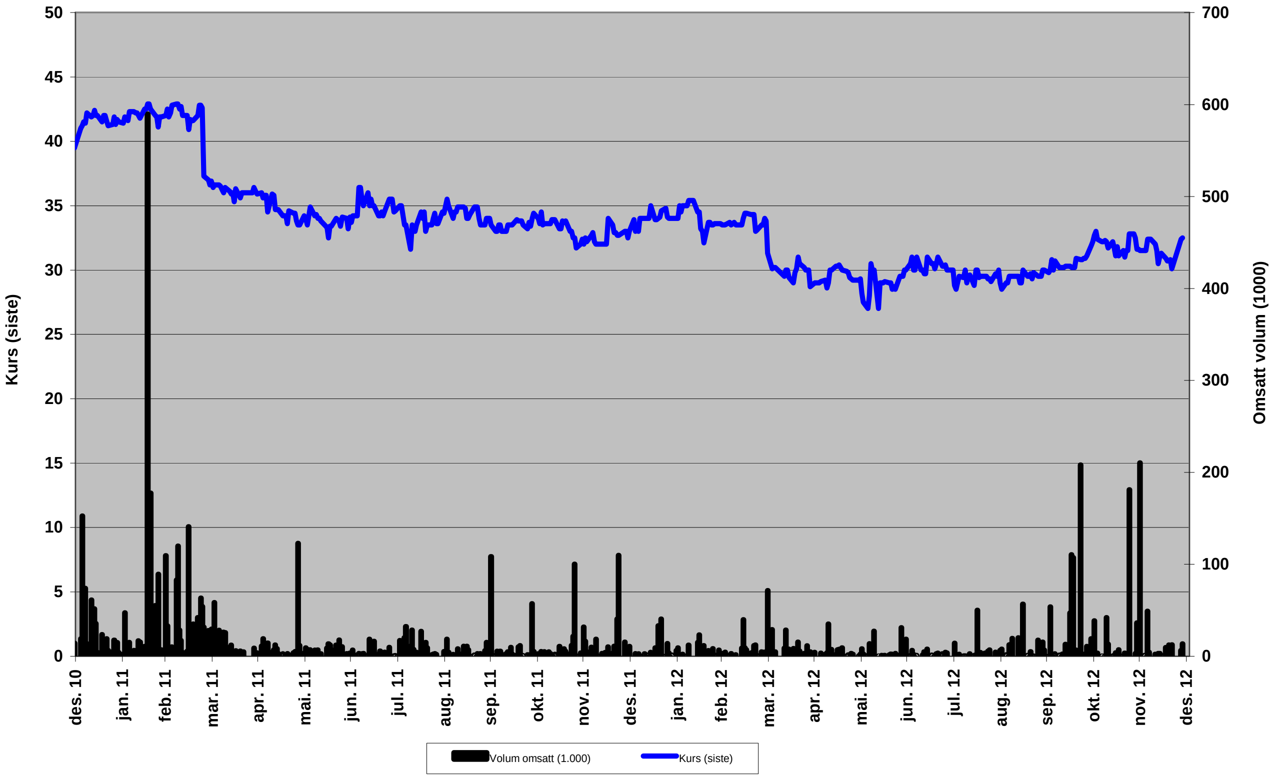
Owner statistics – geographical distribution

	Number of owners	Per cent	Number of equity certificates	Per cent
Foreign	65	2,0 per cent	975.313	4,7 per cent
Øvre Eiker	299	9,0 per cent	700.207	3,4 per cent
Nedre Eiker	170	5,1 per cent	548.362	2,6 per cent
Drammen	231	6,9 per cent	2.963.370	14,3 per cent
Other parts of Buskerud	275	8,3 per cent	644.222	3,1 per cent
Asker/Bærum	140	4,2 per cent	978.676	4,7 per cent
Oslo	408	12,3 per cent	7.751.948	37,4 per cent
Trondheim	787	23,7 per cent	373.451	1,8 per cent
Bergen	94	2,8 per cent	723.319	3,5 per cent
Rest of the country	855	25,7 per cent	5.072.315	24,5 per cent
Total	**3.324**	**100,0 per cent**	**20.731.183**	**100,0 per cent**

Distribution of equity certificates

Number of equity certificates per owner	Number of owners	Per cent	Number equity certificates	Per cent
1-100	467	14,0 per cent	23.838	0,1 per cent
101-1.000	1.685	50,7 per cent	642.487	3,1 per cent
1.001-10.000	907	27,3 per cent	3.151.226	15,2 per cent
10.001- 100.000	233	7,0 per cent	6.820.258	32,9 per cent
100.001-	32	1,0 per cent	10.093.374	48,7 per cent
Total	**3.324**	**100,0 per cent**	**20.731.183**	**100,0 per cent**

Revenue and exchange rate developments over the last two years



NOTE 58 - ELECTED REPRESENTATIVES

Board of Trustees	Number of 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
Stian Pettersen	0
Øyvind Thorsby	0
Øivind Granlund	0
Arne Gundersen	0
Steinar Karlsen	333
Bent Inge Bye	0
Turid Solberg Thomassen	10.714
Jack A. Humlebekk	0
Dag Fjeld Edvardsen	0
Nils Johan Rønniksen	0
Frode Lund Nielsen	0
Geir Opdahl	0
Jan Christian Skau	0
Anne Irene Lunden	1.000
Øivind Haugen	285
Vegard Kvamme	3.000
Halldis Kjøs Lien	200
Siren Coward	117
Ole-Martin Solberg	0
Anne Siri Rhoden Jensen	416
Rune Paule	300
Gunnar Sanden	428
Sissel Album Fjeld	175
Gunnvor Ramnefjell	34.187
Inger Haug Fjerdingstad	3.215
Ole B. Hoen (representing Hoen Invest AS)	2.372
Tom R. Svendsen	3.003
Frank Borgen	33.123
Helle Elisabeth Hofgaard	7.000
Iver A. Juel	120.938
Asbjørn R. Hansen	466.443
Svein L. Syversen	15.000
Petter Thoresen (representative of Sparebankstiftelsen DnB NOR)	308.320
Borghild M. Dahler Nordlid	6.000
Marianne Seip	3.000
Bernt K. Krabberød	5.900
Johan Aasen (representative of Skagenfondene)	1.489.800
Kåre J. Grøtta (representative of Storetind AS)	550.000
Jørn Larsen (representative of Bondeungdomslaget i Drammen)	17.500
Finn Wang	1.050
Anne-Tonje Sanden	7.625

Board of Directors with personal close relationships	Number of equity certificates
Jorund Rønning Indrelid	34.485
Roar Norheim Larsen	0
Elly Therese Thoresen	18
Morten André Yttreeide	15.000
Sverre Nedberg	166.375
Hanne Solem	0
Knut Smedsrud	0
Ann Kristin Plomås	0

Senior employees with personal close relationships	Number of equity certificates
Pål Strand	11.000
Kjell Engen	0
Per Øyvind Mørk	10.000
Halvor Kirkebøen	2.591
Jan-Roger Vrabel	0
Anne Siri Rhoden Jensen	416
Lars-Runar Groven	0

Control Committee	Number of equity certificates
Randi H. Sandli	0
Sjur Kortgaard	0
Eli Kristin Nordsiden	897
Øivind Andersson	4.125

DONATION ALLOCATION FOR 2011 PAID IN 2012

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

Drammen Strong	NOK	750,000
Eiker Trial- og motorklubb	NOK	500,000
Mjøndalen Idrettsforening Skigruppa	NOK	500,000
Eiker Ski	NOK	300,000
Drammen CK	NOK	300,000
Drammen Roklubb	NOK	250,000
Eiker Ride- og Kjøreklubb	NOK	200,000
Pinsemenigheten Filadelfia	NOK	160,000
Hokksund Fotballklubb	NOK	150,000
Konnerud speidergruppe	NOK	110,000
Stiftelsen Guts	NOK	90,000
Konnerud og Skoger TenSing	NOK	85,000
Østsiden Velforening	NOK	80,000
Varlo Grendehus	NOK	80,000
Fiskum Grendeutvalg	NOK	80,000
Bollerud Grendehus	NOK	80,000
Skotselv skolekorps	NOK	80,000
Stømsgodset Musikkorps	NOK	80,000
Fiskum Skole og ungdomskorps	NOK	80,000
Horne Vel	NOK	80,000
Steinberg Idrettsforening	NOK	80,000
Mjøndalen og Steinberg skolekorps	NOK	80,000
Vestre Skoger Velforening	NOK	80,000
Øren skolekorps	NOK	80,000
Konnerud Skolekorps	NOK	80,000
Hokksund Mannskor	NOK	75,000
Drammen Skøiteklub	NOK	70,000
Skogvang Ungdomslokale	NOK	70,000
Knudsensmia, Mjøndalen	NOK	65,000
Filadelfia Hornorkester	NOK	60,000
Vestsiden Jeger og Fisker Forening	NOK	50,000
Krokstadelva Jeger & Fiskerforening	NOK	50,000
Frelsesarmeen Drammen	NOK	50,000
Den Islamske Stiftelse i Norge	NOK	50,000
Buskerud Jæger og Fiskerforening	NOK	50,000
Danvik Skolekorps	NOK	50,000
Austad Gårds Venner	NOK	35,000
Foreningen for funksjonshemmede i Nedre Eiker	NOK	30,000
Lassebakken grendehus	NOK	30,000
Megabandet - Drammen Dissimilisgrupper	NOK	30,000
Drammen Glassverk Musikkorps	NOK	30,000
Anatolia Forening i Nedre Eiker	NOK	25,000
Credo, DFEF Salem	NOK	20,000
Kulturelt Kvinneforening	NOK	15,000
Vestfossen Blanda Kor	NOK	10,000
Hjemmets Hygge	NOK	10,000
”Vedgjengen”	NOK	10,000
Danvik Fjell Frivilligsentral	NOK	5,000
	NOK	
Total	**NOK**	**5,325,000**

The Board of Directors has also allocated donations throughout 2012, of which the most significant are:

Nettbrett til Øren skole, Steinberg skole and Hokksund barneskole	NOK	267,000
Buskerud Idrettskrets	NOK	250,000
Portåsen	NOK	250,000
Idretts- og kulturstipend	NOK	130,000
Buskerud Fotballkrets	NOK	75,000

State Authorised Public Accountants
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Member of the Norwegian Institute of Public Accountants

To the Board of Trustees at
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 2012, 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 at 31 December 2012 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 ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Drammen, 14 March 2013
ERNST & YOUNG AS

Atle Terum

Atle Terum
State Authorised Public Accountant (Norway)

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

ANNUAL REPORT FROM THE CONTROL COMMITTEE FOR 2012

The Control Committee at Sparebanken Øst has performed control and inspection of the bank's activities, and ensured that the activities are operated in accordance with the provisions of the Norwegian Financial Institutions Act, the Norwegian Savings Banks Act, the bank's own Articles of Association, the articles of the Board of Trustees, and other provisions that the bank is obliged to follow.

The Control Committee has reviewed the Board's protocols and undertaken the examinations required by law and the Committee's own directives. The Control Committee has reviewed the Board's annual report, statement of income, and balance sheet without this giving rise to any remarks, and has thus found the Board's assessment of the company's financial position to be accurate.

All documents and information that the Control Committee found necessary in order to undertake this work were submitted to the Control Committee.

The cooperation between the bank's Board of Directors, administration and auditors has been exemplary.

The Control Committee refers to the auditor's report, and recommends that the statement of income and balance sheet, as well as the consolidated accounts, be adopted as the financial statements for the bank and the Group for the year 2012.

Drammen, 14 March 2013

Øivind Andersson

Randi H. Sandli

Eli Kristin Nordsiden

Sjur Kortgaard