171st. year

ANNUAL REPORT 2013

Sparebanken Øst

CONTENTS

Financial highlights - group

		2013	2012	2011	2010	2009
	Average total outstanding equity capital certificates	20.731.183	20.731.183	20.731.183	20.731.183	15.606.370
	Average equities (NOK millions)	2.268,1	1.960,6	1.814,5	1.632,2	1.343,4
	Average total manageable assets (NOK millions)	30.178,7	28.698,8	26.502,2	23.515,3	23.556,2
1.	Return on equity(%)	12,46	13,38	8,58	18,70	21,91
2.	Results level I (%)	0,94	0,91	0,59	1,30	1,25
3.	Results level II (%)	1,34	1,34	0,86	1,66	1,81
4.	Net interest (%)	1,87	1,78	1,66	1,78	2,05
5.	Costs / income (before loss) (%)	42,04	43,20	55,95	41,82	42,04
	Costs / income excluding returns on financial investments (%)	44,55	48,48	55,77	56,77	55,43
6.	Cost-effectiveness, personnel expenses (%)	0,54	0,57	0,63	0,60	0,75
7.	Cost-effectiveness, additional costs (%)	0,37	0,39	0,42	0,54	0,51
8.	Cost-effectiveness, total operating expenses (%)	0,97	1,02	1,09	1,19	1,31
9.	Equity ratio (%)	7,93	6,99	6,55	7,12	6,84
	Growth in total assets – last 12 months (%)	4,86	4,00	15,16	12,65	-12,76
	Growth in gross loans to customers – last 12 months (%)	13,83	1,71	13,65	17,12	-4,91
10.	Loss in relation to net loans (%)	0,07	0,11	0,09	0,06	0,17
11.	Share of loss provisions in relation to gross loans (%)	0,54	0,65	0,64	0,86	0,92
12.	Deposit-to-loan ratio (%)	48,78	51,81	40,27	39,18	43,91
	Capital adequacy (%)	18,41	15,68	15,77	17,16	17,11
	Tier 1 ratio (%)	15,75	14,85	14,23	15,39	14,15
13.	Core tier 1 ratio (%)	13,23	12,76	12,07	12,93	11,96
	Full time equivalent positions	233	224	252	261	267
	Dividend (NOK)	3,00	3,00	2,00	5,00	4,00
14.	Earnings per certificate after tax (NOK)	5,90	5,69	3,46	7,22	7,05
15.	Fractional ownership (%)	43,28	44,98	46,04	49,05	49,63
16.	Book equity per certificate (NOK)	49,29	43,22	40,49	39,14	35,56
	Turnover rate (realised/issued)	21,81	11,69	21,61	45,09	103,10

The key figures for 2012 have been adjusted as a consequence of the implementation of revised IAS 19. The capital adequacy figures have not b

Definitions

1. Results after tax in % of average equity
2. Results after tax in % of average total assets
3. Results before loss in % of average total assets
4. Net interest and credit commission income in % of average assets total assets
5. Total operating expenses in % of net interest and credit commission income and total other operating income
6. Personnel expenses in % of average total assets
7. Other operating expenses in % of average total assets
8. Total operating expenses in % of average total assets
9. Equity in % of bank total assets
10. Loss in % of net loans at beginning of the period
11. Loss provisions loans in % of gross loans to customers
12. Deposits from customers in % of net loans to customers
13. Net core capital minus tier 1 bonds in the core capital in % of calculation base (risk-weighted balance)
14. Equity share capital of the bank's profit after tax per outstanding equity capital certificates as at 31.12.
15. Capital certificate owners' share of total equity (excl. allocation for year's dividend) in percent. (**Base as at. 01.01, time-weighted by share issue).**
16. Equity share capital divided by number equity (capital) certificates This year's allocation for dividends held apart from calculation.

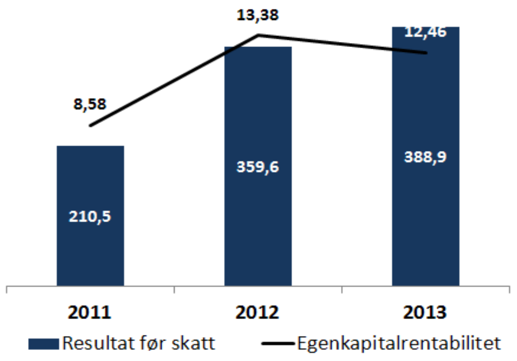
BOARD OF DIRECTORS' REPORT 2013

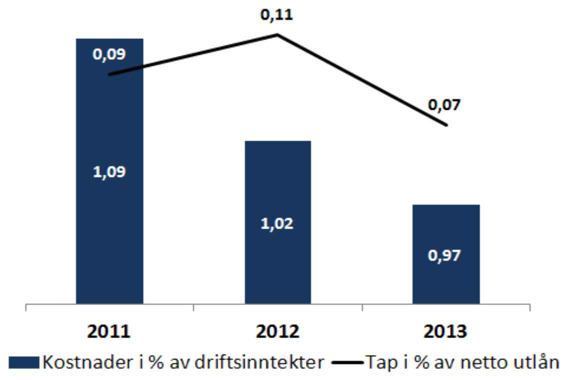
The bank's 171st year of operation shows a profit before tax for the group of NOK 388.9 million, an increase of NOK 29.3 million from 2012. In addition to Sparebanken Øst, the Sparebanken Øst group consists of Sparebanken Øst Boligkreditt AS, Sparebanken Øst Eiendom AS, Øst Prosjekt AS and AS Financiering. The group also includes the concepts DinBANK.no, Topprente.no and Boligkreditt.no. Sparebanken Øst serves its customers through a traditional but effective branch network in the central Eastern Norway area. The rest of the country is served through innovative online concepts.

BUSINESS IN 2013

The group reported a profit before tax of NOK 388.9 million for 2013, compared with NOK 359.6 million for 2012. The improvement is mainly due to increased net interest and credit commission income through growth in lending to customers, profits upon the sale of real estate and reduced losses on loans. The bank's shares in Frende Holding AS and Nets Holding AS at the end of 2013 are valued at NOK 226.0 million and NOK 174.9 million respectively. The changes in value are entered in profit and loss at a total of NOK 183.7 million. The overall profit for the group was NOK 454.4 million, compared with NOK 289.1 million in 2012.

The Sparebanken Øst group consists of the parent bank and four wholly-owned subsidiaries. AS Financiering is a central market participant within used car financing. Sparebanken Øst Eiendom AS with subsidiaries owns and manages the bank's own properties, in addition to operating commercial properties. Sparebanken Øst Boligkreditt AS securitises mortgages for the bank and achieves lower funding costs for the group. Øst Prosjekt AS' main objective is to take over projects to hedge and realise exposed positions in the parent bank. In 2013, the bank's subsidiaries have been important contributors to the group's overall earnings.



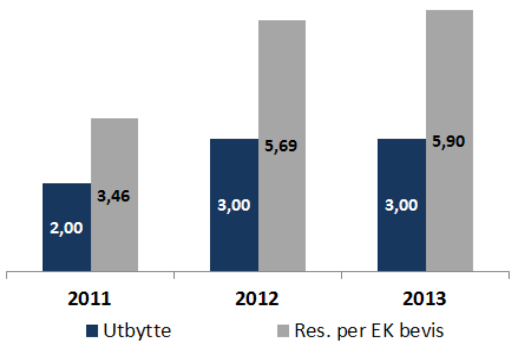


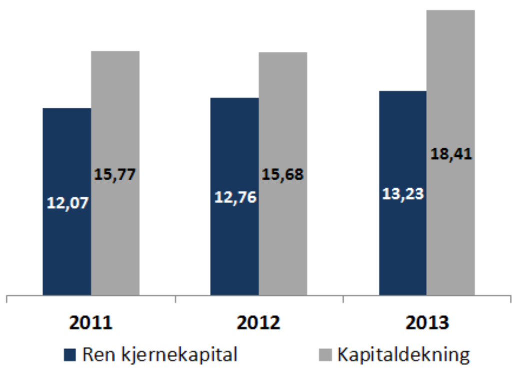
Total assets increased by NOK 1,439.4 million since the beginning of the year, and amounted to NOK 31,077.3 million at the end of 2013. Net lending to private customers increased by 21.2 per cent, while net lending to business customers declined by 12.3 per cent. The bank's online concepts contribute to growth within all the bank's markets. In 2013 a branch was established in Hønefoss. No research or development activities have been carried out in the Sparebanken Øst group in 2013.

The risk picture has developed positively in 2013. The credit risk expressed through our risk classification shows a lower proportion of commitments with high risk. An increasing share of private customer commitments contributes to further reduced concentration risk. For all other risks, the figures are within the risk frameworks set by the Board. Compliance controls carried out by the internal auditor and compliance controller show a consistently satisfactory process for the assessment of risks, satisfactory formulation of processes and routines, and that compliance with processes and routines is good. No incidents resulting in a risk of significant losses have been registered in 2013.

The group is well-capitalised with a core capital which comprised 13.23 per cent at the end of 2013 based on standard method in the Basel II regulations. The equivalent for 2012 was 12.76 per cent. Equity showed a solid return in 2013 with a return on equity of 12.46 per cent for 2013, compared with 13.38 per cent in 2012. Significant income in connection with Eksportfinans ASA affected profitability in 2012.

The Board suggests a dividend of NOK 3.00 per equity certificate. Earnings per equity certificate after tax for the group are NOK 5.90. Book equity per certificate as at 31.12.13 is NOK 49.29, excluding the suggested dividend. The suggested dividend is within the adopted and communicated dividend policy and comprises 50.8 per cent of the equity certificate owners' share of the annual profit. The allocation of NOK 5.0 million is suggested for donations to good public causes. The donations are awarded upon application to the Board of Trustees' donation committee. The Board believes that the Board's position on dividends and donations provides a good balance between the bank's various interest groups.





The Board and administration wishes to praise its employees for great efforts made in 2013. Programmes for employee development and the development of managers have been carried out. Internal training within the bank facilitates the necessary competence development in line with the development in our framework conditions and surroundings in general.

The Board of Directors and administration would also like to thank the bank's customers, business connections and employee representatives for their support and collaboration throughout 2013.

STRATEGY AND GOALS

The bank's vision has remained unchanged for many years and expresses the goal to be a leading savings bank in Eastern Norway. The bank has a total effective customer spread of almost 2 million people within an hour's drive from the bank's head office in Drammen, which represents almost 40 per cent of Norway's population. In this area, the bank works in a targeted manner with clear strategies within distribution, brand building and market models. Sparebanken Øst is a small participant in a large market. The bank wishes to cover customers' requirements for standard financial services products. Our main products are savings, loans and guarantees, payment services and insurance.

With its location, the bank has a good basis for growth and regards growth as important to ensure that the bank can achieve its goals and maintain its independence. In our local market, we are working in a targeted manner to increase our already high market shares. Our office channel, with a high service level, our concepts and our self-service channels are used in the work with this market. In our regional market we wish to be a challenger who takes market shares without compromising on our risk tolerance. 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 central financial objectives.

The bank's mission is to 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 manner. The Board understands that the bank's strategic degree of freedom is dependent on its financial and competence developments. The bank wishes to safeguard the interests of our customers, employees, investors and society in the best possible way over time. The bank bases its activities upon the core values predictable, homespun and forward-leaning. The values reflect how we wish to be regarded by our interest groups. Sparebanken Øst shall further build its business upon the savings bank identity through being society-oriented and having high ethical standards, being a contributor to value creation – not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen, being development oriented while remaining rooted in the local environment and having a perspective which is solid, long-term and reliable. The bank's head office is in Drammen, with its business address in Hokksund in Øvre Eiker municipality.

Sparebanken Øst defines its main market as the central part of Eastern Norway. This refers to 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 approx. 1 hour's drive of Drammen. We view the municipalities of Drammen, Nedre Eiker and Øvre Eiker 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. 165,000 people live within our local market. 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 local market is available to us.

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

As a consequence of the model, Sparebanken Øst has chosen to establish several niche concepts during the past seven years. DinBANK.no is Sparebanken Øst's online service, which was launched in September 2006. DinBANK.no is now established as a very simple, efficient and reasonable banking alternative for self-service customers. Din BANK.no has mainly provided loans for customers with security in property up to a level of 70 per cent of value. Its customer base is across Norway, with the majority of customers in the counties of Oslo, Akershus and Buskerud. YoungBank.no is designed to offer young people a technical and communication-based banking platform that is matched to this customer group. Topprente.no was established in March 2011. Topprente.no offers highly competitive interest rates on savings and has been established as an effective self-service concept. At the end of the year Topprente.no had 8,200 customers from all over the country, predominantly in the counties of Oslo, Akershus and Buskerud. 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 over NOK 2 million up to 70 per cent of the property's market value.

Sparebanken Øst wishes to 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 competence 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 authorised financial advisors.

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.

Sparebanken Øst is to be a profitable bank, run according to correct business principles. The Board of Directors has set three overall financial goals for the organisation: The bank's aim regarding capital adequacy is to at all times maintain capital that is equal to the largest of the authorities' requirements and the bank's own capital adequacy assessment (ICAAP). The bank's aim regarding liquidity is for non-liquid assets to be financed by long-term debt of between 103 per cent and 107 per cent with the goal of having 105 per cent long-term financing over time. The bank's aim regarding returns on equity is changed in line with these conditions and shall be 10 per cent over time going forward.

MACROECONOMIC DEVELOPMENT IN 2013

The growth in the global economy was also weaker than estimated in 2013. The outlook for the industrialised countries looks to be improving somewhat, particularly in Great Britain, Germany and the USA. Even though the Eurozone as a whole is no longer in a recession, there is great variation in the growth picture. Italy and France are struggling, and there is also weak growth in Denmark and Sweden. China and the other growth economies are noticing that Western countries have had low growth over time, even though the rate of investment continues to be high. After several years with massive economic stimulus packages and monetary supplies from the world's central banks, the credit spreads in the financial markets are lower, which combined with key interest rates in developed countries being down towards zero, has given record low interest rates. In the light of the low growth, the prospects of rising interest rates have been pushed ahead.

BNP growth in Norway has been moderate in 2013. After several years with strong growth driven by high investments in the petroleum sector, clear signals of weaker growth in the Norwegian economy have been seen throughout 2013. High saving and low growth in household consumption has negatively impacted the growth and been noticeable for the retail trade. Households' disposable income continued to increase in 2013, but somewhat less than previously. Property prices fell throughout the second half of 2013, and have probably been a factor in the households' more pessimistic attitude towards the Norwegian economy. Prices fell by 0.6 per cent from December 2012 to December 2013, and negatively impacted property construction. This may have consequences for the building and construction industry, which has had strong growth and constitutes a large proportion of employment and BNP. Unemployment is increasing weakly, and this is expected to continue in the light of weaker growth.

Throughout 2013 the oil price has remained high and stable, and the level of investment has also been high. Traditional export is characterised by lower demand from the trading partners, but may be due to a weaker Norwegian krone and new growth in Europe increasing somewhat. The Norwegian krone was significantly weakened following the monetary policy meeting in June, at which the projected path of interest rates was lowered. This also contributes to higher inflation through more expensive import prices. The KPI measurements have been volatile throughout the year, but the core inflation rate (KPI-JAE) at the end of the year was at a higher level than in recent years (2.0 per cent). Throughout 2013 lending to private households rose by 7.0 per cent while credit growth to businesses comprised 3.7 per cent.

COMMENTS ON THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The annual financial statements have been prepared in accordance with IFRS, International Financial Reporting Standards, approved by the EU. From 1 January 2013, adjustments have been made to the recognition of pensions, after the introduction of revised IAS 19. Historical figures for 2012 have been adjusted on the basis of revised IAS 19 for the Statement of Income, overall result, Balance Sheet, changes in equity, Cash Flow Statement, Notes and key ratios. Comparative figures for 2012 have been adjusted. Reference is made to the notes concerning the accounting policies for the implementation consequences of the introduction of revised IAS 19.

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

PROFIT

The group reported a profit before tax of NOK 388.9 million for 2013, compared with NOK 359.6 million for 2012. The improvement is primarily due to increased net interest and credit commission income, growth in other operating income and reduced loan losses. At the same time, income recognition from net value changes and gains/losses on financial investments was substantially reduced as the income recognition for Eksportfinans ASA decreased by NOK 46.2 million compared with 2012.

In per centage of average total assets, profit before tax amounts to 1.29 per cent as compared to 1.25 per cent in 2012. Profit after tax amounted to a surplus of NOK 282.7 million, compared with NOK 262.3 million in 2012. Return on equity for 2013 was 12.46 per cent compared with 13.38 per cent in 2012. Value adjustments on shares classified as available for sale applied to the overall result, reduced return on equity. Return on equity without value adjustments on shares classified as available for sale applied to the overall result is estimated at 12.98 per cent.

Profit after tax for the parent bank shows a surplus of NOK 223.5 million in 2013, compared to NOK 231.3 million for 2012. Group contributions from subsidiaries of NOK 71.0 million after tax were recognised in Q1 2013. The parent bank has granted an equivalent amount as group contributions to subsidiaries.

Net interest income

Net interest income and credit commission amounted to NOK 564.5 million, showing a reduction of NOK 55.0 million compared with 2012. Growth in net interest income and credit commission in 2013 primarily came from an increase in lending, lower funding costs and a reduction in holdings of interest-bearing securities in the liquidity portfolio.

Net interest income and credit commission corresponds to 1.87 per cent of the average total assets for 2013. For comparison, the net interest and credit commission income was 1.78 per cent for the year 2012. A total of NOK 9.9 million in hedge fund fees were charged in 2013. No hedge fund fees were charged in 2012.

Operating revenues
Dividends received from equity instruments amounted to NOK 13.0 million for 2013 compared with NOK 11.4 million in 2012. In the parent bank, NOK 98.7 million before tax has been recognised as group contributions received from subsidiaries in Q1 2013. Eliminations have been made for this amount at group level.

Commission income and income from banking services amounted to NOK 80.4 million, which is a decline of NOK 5.7 million compared with last year. The reduction is related to individual commercial customers. Commission income is derived from traditional banking services. Commission costs and costs of banking services amounted to NOK 40.6 million, which shows an increase of NOK 2.3 million compared with 2012. This increase is due to agency fees.

Net value changes and gains/losses on financial assets provided an income of NOK 26.4 million in 2013. Of this, NOK 6.3 million is attributable to the Eksportfinans ASA guarantee. By way of comparison, net value changes and gains/losses on financial assets provided an income of NOK 62.3 million in 2012. Of this, NOK 52.5 million is attributable to the Eksportfinans ASA guarantee. Other operating income makes up NOK 55.2 million and shows an increase of NOK 8.5 million compared with 2012. This increase relates to leasing income and capital gains on the sale of real estate in Sparebanken Øst Eiendom AS.

Operating costs
Total operating expenses amounted to NOK 293.8 million, which corresponds to 0.97 per cent of average total assets. In comparison total operating costs for the group amounted to NOK 292.8 million in 2012, equivalent to 1.02 per cent of average total assets.

Payroll and general administrative costs amounted to NOK 220.9 million in 2013 compared with NOK 225.2 million in 2012. The number of FTEs in the group at the end of 2013 was 233, compared with 224 at the end of 2012. The number of FTEs in the parent bank at the end of 2013 was 202, compared with 195 at the end of 2012.

Depreciation and amortisation amounted to NOK 17.9 million in 2013, which was an increase of NOK 1.2 million compared with 2012. Other operating costs amounted to NOK 55.0 million in 2013 compared with NOK 50.9 million in 2012. Investments were made in own buildings in 2013 which will result in reduced leasing expenses in the future.

Losses on loans and guarantees
The group's recorded losses on loans and guarantees amounted to NOK 16.2 million in 2013, compared with NOK 25.3 million in 2012. The loss for the parent bank is extremely limited and amounted to NOK 1.8 million in 2013 compared with NOK 7.3 million in 2012. Individual impairments on loans and guarantees to customers amounted to NOK 98.0 million at the end of 2013, compared to NOK 105.4 million at the end of 2012. Write-downs on groups of loans to customers amounted to NOK 43.4 million at the end of

2013, and were unchanged from the beginning of the year

Gross defaults and non-performing loans amount to NOK 487.3 million at the end of 2013, as opposed to NOK 426.7 million at the end of 2012. Net defaults and non-performing loans in per cent of gross loans constituted 1.89 per cent at the end of 2013, compared with 1.88 per cent at the end of 2012. Net defaults and non-performing loans amount to NOK 389.3 million, an increase of NOK 68.0 million compared with the end of 2012.

Allocation of the annual profit

The Board proposes that the annual profit of the parent bank is allocated as shown below: A dividend of NOK 3.00 per equity certificate is proposed.

(Figures in NOK mill.)	***2013***
Equity certificate dividend	62.2
Transferred to equalisation fund	34.5
Transferred to primary capital	121.7
Endowments	5.0
Profit for the year	**223.5**

The Cohesion Fund (exclusive dividends) presently amounts to NOK 229.5 million which is equivalent to NOK 11.07 per equity certificate.

BALANCE SHEET

Total assets increased by NOK 1,439.4 million since the beginning of the year, and amounted to NOK 31,077.3 million at the end of 2013. Cash and receivables at central banks declined by NOK 345.8 million since the beginning of the year and amount to NOK 357.5 million as at 31.12.13. Net loans to credit institutions have increased by 4.5 million since 31.12.12 and amounted to NOK 8.6 million as at 31.12.13.

Net loans to customers amounted to NOK 25,707.9 million, which represents an increase of NOK 3,147.7 million during the last 12 months, equivalent to 14.0 per cent. Net lending to private customers increased by 21.2 per cent, while net lending to business customers declined by 12.3 per cent. Gross loans to private customers made up 83.1 per cent of total loans to customers.

Holdings of certificates and bonds (including Treasury bills) have declined by NOK 940.0 million since the end of 2012 and amount to NOK 3,502.6 million at the end of 2013. These holdings consist exclusively of the liquidity portfolio and amount to a nominal NOK 3,474.9 million. The weighted average maturity until the agreed due date is estimated at 2.55 years.

As at 31.12.13 the bank's shares in Frende Holding AS were valued at NOK 226.0 million which resulted in a positive value adjustment of NOK 105.2 million in 2013. This value adjustment has been applied to the overall result. As at 31.12.13 an agreement had been entered into for the sale of 11.1 per cent of the shares with settlement to follow approval by the Financial Supervisory Authority of Norway. Settlement was made on 23 January 2014. The realised gains from the sale was recognised in Q1 2014 in the ordinary profit and amounted to NOK 11.7 million. As at 31.12.13 the bank's shares in Nets Holding AS were valued at NOK 174.9 million which resulted in a positive value adjustment of NOK 78.5 million in 2013. This value adjustment has been applied to the overall result.

Deposits from customers amounted to NOK 12,539.2 as at 31.12.13 and over the last 12 months increased by NOK 851.3 million, equivalent to 7.3 per cent. Deposit cover at the end of 2013 amounted to 48.8 per cent, compared with 51.8 per cent as at 31.12.12. Liabilities arising from the issuance of securities amounted to NOK 14,037.0 million, an increase of NOK 425.0 million since the end of the previous year. Other long-term loan agreements amounted to NOK 773.5 million at the end of 2013, thus showing a reduction of NOK 71.0 million since the beginning of the year. Short-term funding (defined as funding with a remaining maturity of less than one year) is NOK 1,695.1 million.

SUBSIDIARIES

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst. The company was established on 14 April 2004 with the object of granting or acquiring home mortgage loans, property mortgage loans, loans secured by liens on other registered assets or public loans, and to finance lending business mainly through the issuing of ǑƵØŜ𝕎ŜŘ bonds. The loan to-value ratio (LTV) at the end of 2013 was 47.0 per cent compared with 45.3 per cent at the end of 2012.

At the end of 2013 the company's total assets amounted to NOK 7,715.3 million and mainly consisted of first priority mortgages in homes, which are financed through ǑƵǾŜ𝕎ŜŘ bonds and drawing rights on the parent company. The company's paid-up equity 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. Profit after tax for the parent bank amounted to a surplus of NOK 81.7 million in 2013, compared with NOK 46.4 million for 2012. The company has no employees, but procures services from Sparebanken Øst. /ƵǾŜ𝕎ŜŘ bondsissued bySparebanken Øst Boligkreditt AS has been rated AAA by Moody's Investors Services since Q1 2011.

AS Financiering is a wholly owned financing subsidiary of Sparebanken Øst. Its main product is car financing, with the main emphasis on used cars. The company achieved profit after tax of NOK 32.7 million compared with NOK 26.6 million in 2012. Total assets amounted to NOK 1,659.1 million. Growth in net loans to customers amounted to 6.2 per cent in 2013 compared with 10.6 per cent in 2012. At the end of 2013 the company had 25 employees, corresponding to 24 FTEs.

Sparebanken Øst Eiendom AS' main object is standard property operations, including purchases, sales, rental and development of real estate, as well of purchases and sales of fixtures and fittings within various business areas. Operating income amounted to NOK 58.1 million in 2013 compared with NOK 49.9 million in 2012. This increase was primarily due to the sale of real estate. Profit after tax amounted to a surplus of NOK 15.5 million in 2013, compared with NOK 9.2 million in 2012. The company has 7 employees. Share capital is NOK 35.1 million

Øst Prosjekt AS' main object is taking over projects and undertaking industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees and the share capital amounts to NOK 12.0 million. The result after tax was a loss of NOK 0.1 million in 2013, compared with no profits in 2012.

RATING

On 05.03.14, Moody's downgraded Sparebanken Øst's long-term deposit rating from A3 to Baa1. Sparebanken Øst's bank financial strength rating (BFSR), and the bank's "short-term deposit rating" are unchanged at C- and Prime-2 respectively, which reflects that the bank in isolation is assessed as unchanged.

The basis for the downgrade is that Moody's has changed its assessment of authority support to Sparebanken Øst from high to moderate.

RISK AND CAPITAL

Credit risk

Credit growth has fallen throughout 2013. Increased requirements for capital in the banks, a high rate of saving among the population and the media focus on developments in property prices have had a significant effect on the credit growth. The development in credit risk is monitored on an ongoing basis via quarterly reports to the management board and board of directors. The risk on lending to customers is measured by classifying the risk that each customer represents as an integrated part of the credit process. Both within the private customer and commercial markets, the ability to service the debt, willingness to service the debt and security form the basis for the risk classification. Within the commercial market, other commercial conditions are also weighted as supplementary elements. The risk development for the parent bank has been positive, with an increase in the ratio of lending with low risk.

The ordinary lending business in the group is divided by sector as at 31.12.13 with around 83 per cent of gross loans to private customers and around 17 per cent to business customers. A small portion of loans to companies contributes to a low concentration risk for the bank.

The bank's loan portfolio to private customers and companies is divided geographically in the central south-eastern area. The local market defined as the municipalities of Øvre Eiker, Nedre Eiker and Drammen comprises around 34 per cent of the loan portfolio, while the portfolio for the areas close to where the bank has offices comprises around 48 per cent. The portfolio otherwise has a broad spread, and relates to the bank's internet concepts. The lending activities within the business market are not deemed to be particularly directed towards individual companies (cornerstone industries) or unilateral economic development in the region. The bank's geographical range gives both private customers and companies a large market area with flexibility with regard to customers and markets.

The lending portfolio to business customers is divided into different businesses. Exposure to property and property development makes up a relatively large portion. Turnover and operations in fixed property amount to approximately 58 per cent of the business portfolio. Measured as a portion of the total lending portfolio in the group, exposure to turnover and operations in fixed property is still not more than around 10 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 also with additional collateral.

Losses on loans and guarantees were also low in 2013. More than half of the losses were due to losses in subsidiary AS Financiering. Net defaults and non-performing loans were stable in 2013. The quality of the portfolio remains stable and individual write-downs and write-downs on groups of loans are regarded as adequate. An ordinary review has been performed on defaults and non-performing loans.

Placement in interest-bearing securities for liquidity purposes is linked to the strategy for liquidity management adopted by the Board of Directors. The adopted strategy and the investment policy specify risk tolerance, allocation of asset classes, frameworks and mandates. In addition, a significant element of the portfolio must be suitable for use as collateral for a borrowing facility at Norges Bank. When placing funds in certificates and bonds risk is assessed based on liquidity of the security, issuer’s rating and other counterparty-specific factors. Interest-bearing securities are mainly booked at market value so that changes in risk are continuously reflected in the accounts. Disregarding unrealised value increases, there have been no losses on the securities portfolio in 2013.

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

Liquidity risk
The bank maintains a conservative attitude towards liquidity risk in which a long-term, proactive view in relation to future maturity is a basic 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 that the bank shall at all times have sufficient liquidity to manage 12 month’s normal operations without the injection of new funds. The liquidity prognosis for the bank shows adequate liquidity as at the end of 2013, which is in line with the target for 12-month operations. Deposits are a key source of financing for the banks. After the financial crisis, the competition for deposits has intensified. Adjustments to the range of products available to our customers have led to an increased in 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 options for issuing bonds with preferential rights (OMF). This further strengthens the group’s funding situation.

The Norwegian bonds market is the most important funding source for the group. The market for bonds with preferential rights has become a central part of the Norwegian securities market. Bonds with preferential rights provide security to investors in the form of preferential rights to low-risk home loans. The market is attractive for Norwegian institutional investors because the supply of Norwegian government debt is low, but foreign players also invest in such bonds. Through the issuance of bonds with preferential rights, the group secures access to external capital, often with a somewhat longer maturity than senior unsecured bonds. Emphasis is therefore on a strategy to issue ǑƵǾŜŊŜŘ bonds. Today, SparebankeƳ 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 Board. The group has not registered significant losses due to the failure of internal processes, systems, human error or unforeseen events in 2013.

CAPITAL ADEQUACY

Using ICAAP, the bank's management continuously assesses the need for equity. The assessments take place at group level, with assessment of the ongoing development. Growth and planned growth in loans and other assets will therefore always take account of the need for buffer capital. Otherwise significant emphasis is placed on our maintaining appropriate management of commercial operations so that the group can achieve good results and 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 experiences good access to subordinate loans and bonds. The bank does not currently have any plans for new equity issues.

Net subordinate capital amounted to NOK 2,851.6 million at the end of 2013, of which the group's net tier 1 capital amounted to NOK 2,440.0 million. With a calculation basis of NOK 15,488.8 million, this represents a capital adequacy of 18.41 per cent, of which 15.75 per cent is tier 1 capital adequacy. Pure core capital cover amounts to 13.23 per cent. The bank applies the standard method in the Basel II rules when calculating the minimum requirement for subordinate capital for credit risk. The calculation related to operational risk is calculated using the basis method.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

Human rights

Basic human rights form the basis for and are regulated through Norwegian legislation. The bank has not implemented any special measures in this area beyond the general control of compliance with legislation and rules.

Employee rights and social conditions

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

Our purchasing routines state that the bank, through its influence as a customer, shall influence our suppliers to provide us with ethically responsible products and services. On-going controls of the salaries and working conditions at our sub-suppliers are followed up.

The bank is considering introducing a self-certification form for all suppliers of products and services to the bank, through which the supplier provides confirmation that they do not contribute to breach of human and employee rights, environmental destruction or corruption.

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

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

On the basis of the fact that the bank only operates nationally and with customers who generally only do the same, these are regarded as satisfactory measures with regard to the follow-up of human rights, employee rights and social conditions, and the combating of corruption.

EMPLOYEES, MANAGERS AND THE BOARD OF DIRECTORS

At the end of 2013 the group had 242 employees, equal to 233 FTEs. The number of FTEs in the parent bank was 202 as at 31.12.13. The average age of employees in the parent bank is 48 years. The per centage of female employees is 64.5 per cent. The per centage of women represented in management positions has increased somewhat in 2013 compared to 2012 and amounts to 30 per cent at the beginning of the year. The average age of employees in management positions is 45.5 years. When advertising management positions focus is placed on recruiting internally. All employees in the bank are offered the same opportunities in terms of advancement and personal and professional development. Central and local agreements with the employee organisations, as well as other legislation and rules, ensure equality. A dedicated equal opportunities contact function has been appointed within the bank under the auspices of the employees' organisation.

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

Pål Strand, born 1965
CEO
Bank employee since 1984

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

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

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

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

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

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

Of the bank's eight Board members, four are women. The Chairman is a woman. In 2013 the Board of Directors consisted of: Jorund Rønning Indrelid (Chairman), Knut Smedsrud (Vice Chairman), Morten A. Yttreeide, Elly Therese Thoresen, Sverre Nedberg, Hanne Solem, Roar Norheim Larsen, Ann Kristin Plomås (employee, left the Board on 21.03.13), Inger Helen Pettersen (employee, from 21.03.13), Sissel Album Fjeld (attending deputy for the employees).

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

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

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

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

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

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

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

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

Board members' participation at board meetings in 2013:

Jorund Rønning Indrelid	12 of 14 meetings	
Knut Smedsrud	11	“

Sverre Nedberg	13	“
Elly Therese Thoresen	13	“
Hanne Solem	13	“
Morten André Yttreeide	13	“
Roar Norheim Larsen	13	“
Employee representatives		
Ann Kristin Plomås	2 of 4 meetings	
Inger Helen Pettersen	10 of 10 meetings	
Deputy employee representatives		
Inger Helen Pettersen	4 of 4 meetings	
Sissel Album Fjeld	9 of 10 meetings	

HEALTH, SAFETY AND ENVIRONMENT

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

Follow-up in connection with robberies is included in the bank’s total HSE work, and is ensured through a special follow-up team consisting of a personnel consultant, a chief of security, a main safety representative, a regional safety representative, and representatives from the company’s health service. The bank was not a victim of robbery in 2013. No personal injury was registered, nor any accidents of any kind among the employees.

Total sickness absences in 2013 constituted 5.32 per cent of the total working hours, compared with 6.41 per cent in 2012. Sickness absences in 2013 were distributed with 2.1 per cent for men and 7.3 per cent for women.

MEASURES AGAINST MONEY LAUNDERING AND FINANCING OF TERRORISM

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

In 2013 we reported 48 new customers/incidents of suspicion of money laundering to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). This is an increase compared with 2012, when 34 cases were reported. The reason for the increase is mainly due to changed internal routines for reporting, in that the "threshold" for what shall be reported has been lowered.

Electronic signing and identification is used to an increasing extent in the establishment of customer relationships/when entering into agreements. In addition, we will take ID scanners into use in all our branches early in 2014. These check the authenticity of most types of identification documents, and are connected to a central register. A thorough and comprehensive training programme and ongoing care throughout the organisation coupled with good systems and procedures are prerequisites for achieving good quality in this work.

DIVIDEND AND GIFTS POLICY

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

The profit for the year will be divided between equity certificate holders and primary capital in accordance with their 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 dividends. In a normal year around 10 per cent will be allocated for donation purposes. When determining the dividend and donations, allowance will be made for the bank's profit evolution, market situation, dividend stability and tier 1 capital requirements.

FUTURE PROSPECTS

Several market players have signalised an increased willingness to grow with regard to loans for housing purposes in 2014. Net interest income and credit commission are influenced by competition in the banking market. Increased competition will reduce margins on the bank's loan products and earnings will be weaker in comparison with 2013 levels. Developments in future house prices are now more uncertain than for some time. A fall in prices cannot be ruled out in 2014. A fall in house prices may affect banks' willingness to grow and thus the competitive situation in the market for home loans.

The bank assumes a moderate to low demand for loans to companies. During recent years the bank has chosen to exercise caution with regard to the corporate market. It is expected that the bank will stabilise its loan volume to business customers in the future. Pressure on margins in the market for loans to small and medium-sized companies cannot be ruled out during 2014, even without any significant growth in demand.

Fluctuations in market value on the guarantee to Eksportfinans ASA and securities in general may occur. Eksportfinans ASA is being sued by investors in Japanese Samurai bonds. As of today, it is not possible to predict the outcome of this action. The market value of interest-bearing securities is affected in general by the development in margins for individual securities as well as the general liquidity situation in the market.

The bank assumes an unchanged cost consumption in 2014 compared with 2013. Losses on loans to customers cannot be ruled out. A fall in house prices and weaker growth in the Norwegian economy can result in increased losses in the banking sector in the future.

The bank closely follows developments in capital adequacy rules and calculations show that the bank will meet expected capital requirements until the end of 2016. There are uncertainties regarding the total level of capital banks will be required to hold until 2016 and beyond. This applies in particular to the market's expectations for capital levels in addition to regulatory requirements. The Board sees a long-term and robust liquidity situation that provides security for operations in the long term as extremely important. The bank's aim regarding liquidity is for non-liquid assets to be financed by long term debt of between 103 per cent and 107 per cent with the goal of having 105 per cent long-term financing over time. The bank assumes that access to liquidity will be satisfactory in 2014. Reduced risk and an increased proportion of equity will affect the rate of return over time. The bank's goal for return on equity has been set at 10 per cent over time. In recent years earnings in the banking sector have been affected by the need to build up equity once more. Clarification of the banks' capital situations may result in an increased willingness to grow with pressure on margins and lower rates of return in the future.

Hokksund, 31 December 2013
Drammen, 13 March 2014

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

Corporate Governance

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

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

Report on corporate governance

The following description explains 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 follows

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

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

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

5. Provisions in the Articles of Association that fully or partly extend or waive provisions in Part 5 of the 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 applicable instructions and guidelines for the work of the bodies and any committees

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

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

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

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

Corporate governance

Report on corporate governance

The corporate governance of Sparebanken Øst contributes to safeguarding the interests of employees, depositors, equity certificate owners and other external parties in Sparebanken Øst. Corporate governance is the overall responsibility of the Board of Directors and must ensure that bodies and functions work optimally, and that the business activities are managed in an effective and purposeful manner over time. Management principles at Sparebanken Øst are founded on a declared vision, company mission, the company’s objectives, strategies, and value choices, see section entitled “Strategy and objectives” in the Directors’ report for 2013, including the bank’s ethical rules determined by the Board of Directors. The introduction to the rules is as follows:

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

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

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

Sparebanken Øst must be development-oriented, with a local anchoring, and sound, far-sighted and credible. Sparebanken Øst’s corporate social responsibility is anchored in statutes and guidelines. In the bank’s overall strategy it is clearly stated that Sparebanken Øst is to be community oriented and have high ethical standards. The bank shall be a contributor to wealth creation – not least in the municipalities of Øvre Eiker, Nedre Eiker and Drammen. Corporate social responsibility also applies to financing the development of the local business community, the development of the local community via local development and donations to culture, sport and other social activities in the local community. The Board of Trustees is the bank’s highest body. The composition of the Board of Trustees is stated in the Articles of Association and exhibits clear corporate social responsibility to the local community through its very composition, which gives equal representation to customers (elected by investors), the local community (elected by the local municipality) and the employees, in addition to the bank’s equity capital owners. In 2013 the bank donated gifts worth NOK 6.3 million. These donations were made to associations and clubs in sport, culture and social involvement. For a complete overview see the summary after the notes to the financial statements.

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

THE COMPANY

Sparebanken Øst's overall activities are presented in the Articles of Association. The object of Sparebanken Øst is to promote saving 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 given time. The bank may also operate financing activities and in this way offer, manage and provide guarantees for credit and in other ways contribute to the financing of other parties' activities, in accordance with the Financial Activities Act and other provisions applying to financial enterprises at any given time. Furthermore the bank can carry out all normal bank operations and banking services in accordance with the Savings Banks Act or stipulations pursuant to this Act.

The bank can own stakes in other financial institutions as well as in companies that run activities with a natural connection to bank and financing enterprises in accordance with the stipulations in the Financial Institutions Act and other laws in effect at any given time. The bank can also own shares in other companies, but may not operate or participate actively as a responsible party in companies that operate activities other than those stated in this section, unless this is temporary and is necessary to secure the bank's claims. The bank's activities are executed within the framework specified in the concession for running a savings bank, and according to the provisions of the Savings Banks Act, the Financial Enterprises Act, and other rules and regulations applicable to savings banks. For a further description of the company's activities, refer to the Directors' report for 2013 in this report.

Company capital and dividends

<u>Company capital</u>

The Board of Directors undertakes an ongoing assessment of the capital situation in the light of the company's mission, strategy and required risk profile. Minimum requirements in terms of equity for savings banks are provided by Section 2-9a of the Financial Institutions Act. In its strategy, the bank has stipulated that the capital adequacy for the group shall be greater than the highest of the Act's minimum requirements and the bank's own assessment. For further details of the rules regarding capital adequacy, which principles are used as the basis for the assessment of capital requirements, and a further specification of the elements in the bank's capital adequacy, refer to the bank's Pillar 3 reporting on risk management, risk exposure and solidity conditions, which is published on the bank's website. The Financial Supervisory Authority of Norway conducts inspections to ensure that the bank is run with secure financial strength in relation to actual risk levels. The dividend policy is summarised in the Directors' report. The Board of Trustees has granted the Board of Directors authorisation to acquire and/or pledge security in own equity capital certificates. The authorisation is valid for 18 months from 21.03.13 and is subject to annual review. The Norwegian Financial Authority has approved the authorisation. In this regard, for practical reasons the bank deviates from the NUES recommendation that such authorisations apply for one year.

Capital augmentation

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

Equal treatment and transactions with related parties

Equal treatment

Sparebanken Øst has an equity certificate class. The bank's equity capital is listed on the Oslo Stock Exchange in line with rules associated with financial legislation. All equity capital owners have the same rights. In 2013 no transactions took place between the bank and the equity capital owners and their related parties other than loans, deposits and payment settlement, as well as salaries/fees for employees and staff representatives that are equity capital owners.

Preferential rights

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

Transactions with related parties

The bank's ethical rules stipulate that Board members and employees have a duty to state if they directly or indirectly hold significant interests in agreements entered into by the bank (the group). No such notifications were received in 2013.

Free marketability

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

Board of Trustees

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

<u>Object</u>
The Board of Trustees is to make decisions in all cases submitted by the Board of Directors for the Board of Trustees to reach a decision. The Board of Trustees shall:
- elect the Board 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 employee representatives
- make decisions in all cases related to changes to the bank's business, acquisitions of other companies, or other cases which are of special importance to the bank. However, this does not apply to the acquisition of smaller companies within the bank's current area of business, or if for other specific reasons the case ought to be decided by the Board of Directors and only then submitted to the Board of Trustees.

<u>Composition</u>
The composition of the Board of Trustees is stated in the Articles of Association. Local corporate social responsibility is exercised via the composition of the Board of Trustees, in which customers (elected by depositors), the local community (municipal representatives), equity certificate owners and the employees are represented. The Board of Trustees consists of a total of 48 members with 36 deputy Board members. 18 members, respectively nine elected investors, and nine municipal representatives, are elected on a proportional basis from the municipalities of Øvre Eiker, Nedre Eiker and Drammen. Twelve members are elected by the employees, and 18 members are elected by the equity certificate owners. The members of the Board of Trustees are elected for 4 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' recommendation on the use of proxies at general meetings thus does not apply to equity capital owners in Sparebanken Øst. In 2013, the Chairman of the Board of Trustees has been Frank Borgen and the Deputy Chairman has been May-Britt Andersen until 21.03.2013, and Steinar Karlsen from 21.03.2013.

<u>Meetings</u>
The Board of Trustees have two fixed meetings each year; an accounts meeting and a nomination meeting. In addition, meetings of the Board of Trustees are convened as necessary by the Chairman of the Board of Trustees. The Board of Trustees held only the two aforementioned meetings in 2013. Eight days' notice is required to convene a meeting of the Board of Trustees, in accordance with Section 11 (3) of the Savings Bank Act. Sparebanken Øst hereby deviates from the NUES recommendation of 21 days' notice. The bank's auditor, Board of Directors and any members of the control committee who are not trustees are all invited to the meetings of the Board of Trustees. The Board of Trustees' meetings are chaired by the Chairman of the Board of Trustees, cf. the Articles of Association and the Savings Bank Act, and thus comply with the recommendation for the independent chairing of meetings. The bank adheres to NUES in all aspects relating to case documents, reminders, elections and the publication of protocols of the minutes of the meetings of the Board of Trustees.

Control committee
This item is not subject to the recommendation. The control committee is to lead inspections of the bank's activities in accordance with the Savings Banks Act section 13, and the guidelines stated by the Board of Trustees. The control committee reviews the Board's minutes, numbered letters, cf. the

Auditors Act section 5-4, and the auditor's report, testing security for some selected loans, as well as ensuring that the management of the savings bank's funds is executed responsibly. The Board and the internal auditor are obligated to give the control committee all the information the committee believes necessary for executing its tasks. The control committee makes reports to the Board of Trustees concerning the annual accounts and the annual report, and whether the annual finished version of the annual accounts should be accepted. If the control committee obtains knowledge of significant omissions, failures, mistakes, or defaults of greater significance or breadth, or if it believes the bank has suffered major losses, the committee undertakes to take the case immediately to the Financial Supervisory Authority of Norway. The control committee is elected by and from among the members of the Board of Trustees. In 2013 the control committee consisted of the following persons:

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

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

Nomination committees

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

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

The employees' representatives on the Board of 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 the bank. The various nomination committees must also ensure that access to the required competence is available with regard to the tasks facing the nomination committee.

The nomination committee for the Board of Trustees and the Board of Directors is elected by and from among the members of the Board of Trustees. The composition of the nomination committee is detailed in the bank's Articles of Association. NUES' recommendations in this respect are followed for as long as they are sanctioned by the Articles of Association. The recommendations of the nomination committee with regard to the Board of Trustees are described in accordance with NUES. The nomination committee has drawn up separate guidelines which have been approved by the Board of Trustees. In 2013 the nomination committee for the Board of Trustees and Board of Directors consisted of the following persons:

Johan Aasen, Chairman, from 21.03.13 Kåre Grøtta
Thomas F. Halvorsen

Thor-Kristian Lien
Bent Inge Bye
Anne Siri Rhoden Jensen (employee)

The bank fulfils the requirement that a majority of the members of the nomination committee are independent of the Board of Directors and other managerial employees. The bank's Articles of Association require that all members of the nomination committee are members of the Board of Trustees. NUES' recommendation that at least one member should not be a member of the corporate assembly, Board of Representatives (Board of Trustees) or the Board of Directors, is therefore not relevant. NUES recommends that managerial employees should not be members of the nomination committee. The Savings Bank Act and the bank's Articles of Association do not set any requirement of impartiality. NUES' recommendation is therefore not relevant in this respect in terms of employee representatives on the nomination committee. In 2013 the nomination committee has had separate meetings with both the Chairman of the Board and the bank's CEO.

Corporate assembly and Board of Directors, composition and independence

Sparebanken Øst does not have a corporate assembly.

Composition of the Board of Directors

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

The composition of the Board of Directors and Board members' backgrounds and participation in board meetings in 2013 are described in the presentation of the Board of Directors in the Directors' report for 2013. Detailed information concerning each Board member can also be found on our website at www.oest.no/kontakt oss/styret og ledelse. The employees' deputy representative also attends board meetings. The CEO and Deputy CEO have attended all board meetings.

Election of the Board of Directors

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

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

Independence

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

Board members' holdings of own equity certificates
The Board members holding equity certificates in Sparebanken Øst as of 31.12.2013 are stated in Note 57.

The Board of Directors' assignments

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

The Board also has responsibility for ensuring that the bank has, at any given time, the equity sufficient for the risks and scope of activities undertaken at the bank. The Board has delegated parts of the management responsibility to the administration through various delegation resolutions. These resolutions are given for different lengths of time. The Board also has established procedures and rules for the internal auditor, who is to undertake operational revisions in line with current standards for such revisions. The bank's internal auditor is KPMG.

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

Instructions for the Board of Directors
The Board of Directors' responsibilities and tasks are laid down by in the Savings Banks Act, Financial Institutions Act and the articles of association. The Board of Directors has drawn up its own separate set of instructions, which are subject to annual review. The instructions were last revised on 07.05.2013. These rules describe which responsibilities the Board has, which cases the Board will discuss, and which rules are applicable for handling cases. The Board determines the procedures for the CEO, who is responsible for all daily operations and management of the bank. The instructions for the Board of Directors and instructions for the Managing Director stipulate the division of responsibilities and tasks between the Board and the Managing Director.

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 completes a self-evaluation process each year. This evaluation includes the competence of the Board members,

the composition of the Board and the way in which the Board functions both as a group and individually. This self-evaluation is made available to the nomination committee of the Board of Trustees.

Committees of the Board of Directors

Remuneration committee

In accordance with Sections 2-18 of the Financial Institutions Act and regulation F01.12.2010 no. 1507 a remuneration committee has been established for the bank. The purpose of the remuneration committee is to prepare guidelines for the Board for the remuneration of managerial employees. They must also ensure that the company at all times has and practices guidelines and a framework for the remuneration scheme that are in accordance with the rules for the remuneration schemes of financial institutions, securities companies and securities funds' management companies.
The committee executes its duties according to the guidelines determined by the Board. The committee nominates its Chairman. Its members are nominated by the Board. In 2013 the remuneration committee consisted of the following persons in 2012:

Hanne Solem, Chairman
Sverre Nedberg
Knut Smedsrud
Inger Helen Pettersen, employee representative on the Board

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 and serve for one year at a time. The Chairman of the committee is appointed by the Board. The main tasks of the audit committee are to prepare the Board's follow-up work on accounts and reporting and monitor systems for risk management and internal control, as well as internal audit work. Assess and monitor the auditor's independence. The committee executes its duties according to the instructions determined by the Board. The audit committee holds to six to seven meetings per year. In 2013 the audit committee consisted of the following persons:

Sverre Nedberg, Chairman
Knut Smedsrud
Hanne Solem

Risk committee

In accordance with Section 2-9c of the Financial Institutions Act the bank has established a risk committee as described by the Act. The members of the committee are elected by the Board and serve for one year at a time. The Chairman of the committee is appointed by the Board. The risk committee's main task is to prepare for and advise the Board in accordance with the bank's existing and future risk appetite and risk strategy, as well as to follow-up and implement this strategy. The committee is also tasked with monitoring the extent to which the bank's pricing of products towards customers fully reflects the risk borne by the bank. The committee executes its duties according to the instructions determined by the Board. The risk committee has six to seven meetings per year in connection with the meetings of the audit committee. In 2013 the risk committee consisted of the following persons:

Sverre Nedberg, Chairman
Knut Smedsrud
Hanne Solem
Joint minutes are written for the meetings of the audit committee and risk committee. The minutes are presented by the Chairman of the committee to the full Board of Directors at the next meeting of the Board of Directors.

Risk management and internal control

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

- Internal environment
  The company culture is the foundation of integrated risk management and internal control, and consists of the management philosophy, management style, people within the organisation and their attitudes, values, ethical guidelines, control and management structure and organisation.
- Establishment of objectives
  Objectives must be established before risks can be identified and assessed with regard to the achievement of objects and necessary measures can be implemented in order to manage the risks. The objectives must support and be in accordance with the bank's aims and reflect the bank's risk appetite.
- Identification of incidents
  Incidents that may influence the implementation of the strategy or achievement of objectives must be identified. This must be done on an on-going basis and in the event of significant changes in the bank's activities.
- Risk assessment
  Identified risks are analysed in order to decide how they shall be managed. The assessment shall cover all significant risks, including commercial and operational risks. All significant risks shall be quantified to the greatest extent possible.
- Risk management
  Various alternatives for managing risks are evaluated; avoid, accept, reduce through various measures or share the risk with others.
- Control activities
  Guidelines and routines are established and implemented in order to ensure that the form of risk management is selected in an effective manner.
- Information and communication

Processes that ensure that relevant information is identified and communicated in the correct form at the correct time.

- Follow-up
  Shall provide the Board and management with a reasonable level of assurance that the activities are being carried out as planned and that all significant risks are identified, managed and controlled in an effective manner.

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

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

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

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

Internal audit is responsible for independently monitoring that the risk systems are effective and functioning as expected. Internal audit reports to the Board of Directors, is entitled to attend board meetings, and reports on risk management and internal control a minimum of once per year. Internal audit also provides advice to the Board and management regarding the bank's risk management and the development of and compliance with controls, as well as compliance with established routines, procedures and guidelines. The bank's internal auditor in 2013 was KPMG. The bank finds that KPMG holds the required expertise in the central specialist and risk areas which affect the bank's operations. The bank's two subsidiaries, AS Financiering and Sparebanken Øst Boligkreditt AS, are also subject to statutory internal audits.

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

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

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 prevailing framework and mandates of the corporate department.

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

The accounting department is responsible for financial reporting, internal financial management, taxes/duties and the internal control of financial reporting.

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

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

Remuneration of the Board of Directors and employee representatives

Remuneration to the Board of Directors, Board of Trustees, control committee and nomination committee is determined by the Board of Trustees. Attempts are made to adapt remuneration to the work loads and responsibilities that rest on each elected representative, and details are found in the notes to the annual accounts. Remuneration is not dependent on the bank's results and consists of a specified amount. There are no result-based or variable remuneration schemes for the bank's employee representatives. The remuneration of the Board is listed in Note 31 to the annual accounts. None of the Board members have carried out other tasks for the bank than their duties as Board members in 2013.

Remuneration to employees in senior positions

In accordance with applicable law, Sections 2-18 to 2-22 of the Financial Activities Act, the Board determines the required guidelines for the remuneration of managerial employees. The guidelines are presented to the Board of Trustees for advisory vote and/or approval. The remuneration of employees in senior positions is listed in Note 31 to the annual accounts. Sparebanken Øst has a main principle of fixed remuneration. The Board of Directors determines the remuneration of the CEO. The CEO determines the remuneration of the executive management. There is no agreement concerning variable remuneration, or option 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.

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 provided to the Oslo Stock Exchange and in presentations to investors and other stakeholders. The bank arranges open investor presentations in conjunction with the presentation of annual and quarterly results. The presentations concerning the annual and quarterly results are made available on the bank's website together with the presentation. The rules for information and communication, rules for good stock market ethics, in addition to a general requirement for equal treatment do not restrict the bank's opportunity to provide information, including to analysts.

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

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

Take-over

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

Auditor

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

2014 Financial calendar

Publication of quarterly results

- Preliminary accounts 2013 (4th quarter 2013) published 12.02.2014
- The Annual Financial Statements for 2013 were considered at the meeting of the Board of Trustees on 27.03.2014
- Ex. dividend date – 28.03.2014 (dividend will be paid on 09.04.2014.)
- 1st quarter of 2014 – 07.05.2014
- 2nd quarter of 2014 – 16.07.2014
- 3rd quarter of 2014 – 29.10.2014

Investor contacts

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

We hereby confirm that the annual accounts for the period from 1 January to 31 December 2013 to the best of our knowledge have been prepared in accordance with applicable accounting standards and that the information gives a true and fair view of the group and company's assets, liabilities, financial position and profit or loss as a whole and that the information in the Directors' report gives a true and fair view of the development, profit or loss and financial position of the group and company, together with a description of the principal risks and uncertainties faced by the group.

Hokksund, 31 December 2013
Drammen, 13 March 2014

THE BOARD OF DIRECTORS OF SPAREBANKEN ØST

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

INCOME STATEMENT

Group 2013	Group 2012	Amount in NOK millions	Notes	Parent bank 2013	Parent bank 2012
1.273,4	1.254,6	Interest income and similar income	25,26	899,8	919,6
708,9	745,1	Interest expenses and similar expenses	25,26	570,2	584,3
564,5	**509,5**	**NET INTEREST AND CREDIT COMMISSION INCOME**		**329,6**	**335,3**
13,0	11,4	Dividends and other income from securities with variable yields	27	111,6	59,4
80,4	86,1	Commission income and income from banking services	28	90,3	95,4
40,6	38,3	Commission costs and costs of banking services	28	14,6	13,6
26,4	62,3	Net value changes and gains/losses on financial derivatives	29	26,7	66,3
55,2	46,7	Other operating income	30	6,4	7,4
164,2	163,6	Payroll, etc.	31,51	137,4	138,9
56,7	61,6	Administration costs		49,7	53,0
17,9	16,7	Depreciation/write-downs and value changes to non-financial assets	39	6,7	5,4
55,0	50,9	Other operating expenses	33,34,40	46,5	42,9
405,1	**384,9**	**PROFIT BEFORE LOSSES**		**309,7**	**310,0**
16,2	25,3	Losses on loans and guarantees	11,13,16	1,8	7,3
388,9	**359,6**	**PRE-TAX PROFIT**		**307,9**	**302,7**
106,2	97,3	Income taxes	35	84,4	71,4
282,7	**262,3**	**ANNUAL RESULTS**		**223,5**	**231,3**
5,90	5,69	Profit per equity certificate	56	4,67	5,02
5,90	5,69	Diluted profit per equity certificate	56	4,67	5,02

TOTAL PROFIT/LOSS

Group 2013	Group 2012	Amount in NOK millions	Notes	Parent bank 2013	Parent bank 2012
282,7	**262,3**	**ANNUAL RESULTS**		**223,5**	**231,3**
		Items that will not be reclassified to the Statement of Income			
-9,8	29,9	Actuarial gains and losses on performance plans	51	-11,1	26,7
2,7	-8,4	Tax effect of actuarial gains and losses on performance plans	51	3,1	-7,5
		Items that may later be reclassified to the Statement of Income			
178,8	5,3	Changes in fair value of investments held for sale	29	178,8	5,3
454,4	**289,1**	**TOTAL PROFIT/LOSS**		**394,3**	**255,8**

*) Figures for 2012 are adjusted as a result of the implementation of revised IAS 19 Employee benefits, see Note 2 Change in accounting principles for more informatior

BALANCE SHEET

Group 31.12.13	Group 31.12.12	Amount in NOK millions	Notes	Parent bank 31.12.13	Parent bank 31.12.12
		ASSETS			
357,5	703,3	Cash and receivables at central banks		357,5	703,3
8,6	4,1	Loans to and deposits with credit institutions	15,16,20	2.101,7	2.915,2
25.707,9	22.560,2	Loans and receivables with customers	10,11,12,13,14,20	16.952,6	13.052,2
3.301,9	4.191,3	Certificates, bonds, etc. at fair value	20,23,36	3.543,6	5.172,5
650,9	981,9	Shares and units	20,23,37	650,9	981,9
192,8	235,9	Financial derivatives	20,21,22,23	132,6	184,8
200,7	251,3	Certificates and bonds, held to maturity	20,23,36	200,7	251,3
0,0	0,0	Ownership interests in group companies	38	687,2	616,2
0,0	0,0	Deferred tax assets	35	4,0	10,6
403,5	457,1	Investment properties	39	0,0	0,0
126,4	122,4	Fixed assets	39	72,8	67,6
40,0	41,7	Other assets	41	13,4	25,2
87,1	88,7	Prepayments non-accrued expenses and earned income not re	42	67,9	74,6
31.077,3	**29.637,9**	**TOTAL ASSETS**		**24.784,9**	**24.055,4**
		LIABILITIES AND EQUITY			
773,5	844,5	Liabilities to credit institutions	20,43,47	989,0	940,8
12.539,2	11.687,9	Deposits from and liabilities to customers	20,44	12.552,1	11.670,7
0,0	493,5	Liabilities to the state, exchange of OMF covered bonds	20,47	0,0	493,5
24,0	51,7	Financial derivatives	20,21,22,23	24,0	51,7
14.037,0	13.612,0	Liabilities incurred when issuing securities	20,45,47	7.861,6	8.204,6
100,0	81,1	Tax payable	35	52,2	52,2
59,2	70,9	Other liabilities	48	39,1	59,8
97,1	107,8	Accruals and deferred income	49	73,9	81,3
38,6	26,0	Provisions for accrued costs and liabilities	50,51	36,9	22,6
29,5	21,4	Deferred tax obligation	35	0,0	0,0
851,3	508,4	Subordinate loan capital	20,46,47	851,3	508,4
28.549,4	**27.505,2**	**TOTAL LIABILITIES**		**22.480,1**	**22.085,6**
595,1	595,1	Paid-up equity	56	595,1	595,1
1.932,8	1.537,6	Retained earnings		1.709,7	1.374,7
2.527,9	**2.132,7**	**TOTAL EQUITY**	6	**2.304,8**	**1.969,8**
31.077,3	**29.637,9**	**TOTAL LIABILITIES AND EQUITY**		**24.784,9**	**24.055,4**

*) Figures for 2012 are adjusted as a result of the implementation of revised IAS 19 Employee benefits, see Note 2 Change in accounting principles for more information

Hokksund, 31 December 2013
Drammen, 13 March 2014

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

CHANGES TO EQUITY GROUP

Amount in NOK millions

2013	Total equity	Paid-up equity: Equity share certificate	Premium reserve	Retained earnings: Equalisation fund	Primary capital	Gift account	Available for sale reserve	Other equity
Equity as at 31.12.2012, adjusted	2.132,7	207,3	387,8	260,7	1.012,7	27,4	73,9	162,9
Profit for the period	282,7	0,0	0,0	96,7	121,7	5,0	0,0	59,3
Changes in fair value for investments TFS	178,8	0,0	0,0	0,0	0,0	0,0	178,8	0,0
Actuarial gains and losses on performance plans	-7,1	0,0	0,0	-3,5	-4,5	0,0	0,0	0,9
Total profit/loss	454,4	0,0	0,0	93,2	117,2	5,0	178,8	60,2
2012 dividend finally adopted	-62,2	0,0	0,0	-62,2	0,0	0,0	0,0	0,0
Changes in the endowment fund	3,0	0,0	0,0	0,0	0,0	3,0	0,0	0,0
Equity as at 31.12.13	**2.527,9**	**207,3**	**387,8**	**291,7**	**1.129,9**	**35,4**	**252,7**	**223,1**

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

Refer otherwise to note 56 concerning equity certificates.

2012	Total equity	Paid-up equity: Equity share certificate	Premium reserve	Retained earnings: Equalisation fund	Primary capital	Gift account	Available for sale reserve	Other equity
Reported equity as at 31.12.11	1.907,9	207,3	387,8	195,8	887,4	29,4	68,6	131,6
Adjustment as at 31.12.2011 on the introduction of	-15,8	0,0	0,0	-6,0	-7,8	0,0	0,0	-2,0
Adjusted equity 01.01.2012 in accordance with IAS	1.892,1	207,3	387,8	189,8	879,6	29,4	68,6	129,6
Profit for 2012 adjusted in accordance with IAS 19R	262,3	0,0	0,0	104,1	122,2	5,0	0,0	31,0
Changes in fair value for investments TFS	5,3	0,0	0,0	0,0	0,0	0,0	5,3	0,0
Actuarial gains and losses on performance plans	21,5	0,0	0,0	8,3	10,9	0,0	0,0	2,3
Overall profit for 2012 adjusted in accordance with I	289,1	0,0	0,0	112,4	133,1	5,0	5,3	33,3
2011 dividend 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 31.12.2012, adjusted	**2.132,7**	**207,3**	**387,8**	**260,7**	**1.012,7**	**27,4**	**73,9**	**162,9**

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

CHANGES IN EQUITY - PARENT BANK

2013	Total equity	Paid-up equity: Equity share certificate	Premium reserve	Retained earnings: Equalisation fund	Primary capital	Gift account	Available for sale reserve
Equity as at 31.12.2012, adjusted	1.969,8	207,3	387,8	260,7	1.012,7	27,4	73,9
Profit for the period	223,5	0,0	0,0	96,7	121,7	5,0	0,0
Changes in fair value for investments TFS	178,8	0,0	0,0	0,0	0,0	0,0	178,8
Actuarial gains and losses on performance plans	-8,0	0,0	0,0	-3,5	-4,5	0,0	0,0
Total profit/loss	394,3	0,0	0,0	93,2	117,2	5,0	178,8
2012 dividend finally adopted	-62,2	0,0	0,0	-62,2	0,0	0,0	0,0
Dividend from the endowment fund	3,0	0,0	0,0	0,0	0,0	3,0	0,0
Equity as at 31.12.13	**2.304,8**	**207,3**	**387,8**	**291,7**	**1.129,9**	**35,4**	**252,7**

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

Refer otherwise to note 56 concerning equity certificates.

2012	Total equity	Paid-up equity: Equity share certificate	Premium reserve	Retained earnings: Equalisation fund	Primary capital	Gift account	Available for sale reserve
Reported equity as at 31.12.11	1.776,3	207,3	387,8	195,8	887,4	29,4	68,6
Adjustment as at 31.12.2011 on the introduction of	-13,8	0,0	0,0	-6,0	-7,8	0,0	0,0
Adjusted equity 01.01.2012 in accordance with IAS	1.762,5	207,3	387,8	189,8	879,6	29,4	68,6
Profit for 2012 adjusted in accordance with IAS 19R	231,3	0,0	0,0	104,1	122,2	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
Actuarial gains and losses on performance plans	19,2	0,0	0,0	8,3	10,9	0,0	0,0
Overall profit for 2012 adjusted in accordance with I	255,8	0,0	0,0	112,4	133,1	5,0	5,3
2011 dividend 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 31.12.2012, adjusted	**1.969,8**	**207,3**	**387,8**	**260,7**	**1.012,7**	**27,4**	**73,9**

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

CASH FLOW STATEMENT

Group 2013	Group 2012	Amount in NOK millions	Note	Parent bank 2013	Parent bank 2012
		Operating activities			
388,9	359,6	Profit before tax		307,9	302,7
		Adjusted for:			
0,0	54,3	Changes in gross loans to credit institutions		818,2	-773,7
-3.140,3	-380,9	Changes in gross loans to customers		-3.888,4	1.378,3
393,0	-676,4	Changes in certificates and bonds at fair value		1.132,5	-620,7
538,5	-544,9	Changes in other assets in connection with operations	55	553,7	-549,1
-21,9	-9,5	Changes in deposits from credit institutions		71,8	59,7
851,3	2.755,2	Changes in customer deposits		881,4	2.744,3
-12,2	-37,7	Changes in other liabilities in connection with operations		-45,0	-18,1
23,6	27,8	Non-cash items included in profit before tax	55	4,1	6,5
-13,0	-7,8	Net gains from investment activities		-0,1	-0,2
-80,9	-56,7	Taxes paid for the period		-51,7	-48,6
-1.073,0	1.483,0	**Net cash flow from operating activities**	**A**	-215,6	2.481,1
		Investing activities			
-17,2	-70,4	Purchase of fixed assets		-12,3	-10,4
61,9	72,6	Proceeds from sale of fixed assets		0,5	0,2
54,0	-7,7	Net proceeds/expenses from sale/purchase of financial investments		-17,0	-247,7
98,7	-5,5	**Net cash flow from investing activities**	**B**	-28,8	-257,9
		Financing activities			
-579,1	-1.471,9	Net incoming/outgoing for loans to/from credit institutions and debt to the central governmer		-553,5	-1.471,9
-3.125,1	-2.532,7	Payments for repayment on securities		-2.881,8	-2.431,8
3.903,0	2.083,7	Proceeds from securities issued		2.904,4	1.238,7
-62,2	-41,5	Payment of dividends		-62,2	-41,5
136,6	-1.962,4	**Net cash flow from financing activities**	**C**	-593,1	-2.706,5
-837,7	-484,9	Net change in cash and cash equivalents	**A+B+C**	-837,5	-483,3
1.203,8	1.688,7	Cash and cash equivalents as at 01.01.		1.203,6	1.686,9
366,1	**1.203,8**	**Reserves of cash and cash equivalents as at 31.12.**	55	**366,1**	**1.203,6**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Sparebanken Øst is an equity capital bank listed on the Oslo Stock Exchange. The bank's head office is in Drammen, with a visitor address of Bragernes Torg 2. The bank's business address is Stasjonsgt. 14, 3300 Hokksund. Sparebanken Øst is non-aligned and has undertaken savings bank activities since 1843.

The bank also has branches in the municipal districts of Øvre Eiker, Nedre Eiker, Lier, Asker, Bærum, Oslo, Fredrikstad, Ullensaker, Horten, Tønsberg, Skedsmo Kongsberg and Hønefoss. 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, Stasjonsgata 14 AS and Tollbugt. 49-51 AS.

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

The financial statements for 2013 were reviewed and approved by the Board of Directors of Sparebanken Øst on 13 March 2014.

NOTE 2 – ACCOUNTING PRINCIPLES

1. GENERAL

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

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

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

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

2. CHANGES TO ACCOUNTING PRINCIPLES

The applied accounting principles and calculation methods are generally unchanged from the 2012 financial statements, with the exception of the changes described here. New or amended accounting standards or interpretations that come into force in 2013, and which have a significant effect for the group, are discussed below.

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. 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 and recognised financial instruments for which there is a master netting arrangement. Reference is made to Note 22.

IFRS 13 Fair value measurement
The group has implemented IFRS 13 concerning fair value measurement for assets and liabilities for which other standards require or permit fair value measurement. The standard does not change when it is required or permitted to use fair value measurement. IFRS 13 applies both upon initial recognition and for subsequent measurements. The new rules do not affect the group's statement of income or balance sheet to any significant extent, but require more detailed note information.

Classification of Treasury bills
In the financial statements for 2013, treasury bills are classified in the accounts as "Certificates, bonds, etc. at fair value" in the balance sheet. Comparative figures are adjusted equivalently. As before, returns on Treasury bills are included in interest income in the Statement of Income.

Presentation of financial statements
In 2013, items in the statement of comprehensive income in other comprehensive income are grouped into two categories; items that may be reclassified to profit or loss on a future date, and items that will not be reclassified. Comparative figures are adjusted. The change is due to the change in IAS 1.

Revised IAS 19 Payments to employees
As from 1 January 2013, the group has applied the revised IAS 19. According to the revised IAS 19, the corridor method is no longer permitted. The lapse of the corridor method entails that actuarial gains and losses must be recognised in other

income and costs in the total result in the period in which they arise. Changes in IAS 19 will also affect net pension costs in the ordinary result 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 that the opening balance sheet and comparative figures for 2012 have been adjusted (retrospective application). The effects of the implementation and conversion of comparative figures for 2012 are presented in the table below.

As at 01.01.12 non-mortised estimated deviations for the group amounted to NOK 22.0 million, and the pension obligation as at 01.01.12 increases by this amount in the adjusted figures. Equity is reduced equivalently by NOK 15.8 million and the deferred tax asset is increased by NOK 6.2 million. As at 31.12.12 non-amortised estimated deviations amounted to NOK -5.4 million, and the originally reported pension obligation as at 31.12.12 is reduced by this amount in the adjusted figures. Equity is increased equivalently by NOK 3.9 million, and the deferred tax obligation is increased by NOK 1.5 million.

As at 01.01.12 non-mortised estimated deviations for the parent bank amounted to NOK 19.2 million, and the pension obligation as at 01.01.12 increases by this amount in the adjusted figures. Equity is reduced equivalently by NOK 13.8 million and the deferred tax asset is increased by NOK 5.4 million. As at 31.12.12 non-amortised estimated deviations amounted to NOK -5.4 million, and the originally reported pension obligation as at 31.12.12 is reduced by this amount in the adjusted figures. Equity is increased equivalently by NOK 3.9 million and the deferred tax asset is reduced by NOK 1.5 million.

Result

	Group				**Parent bank**	
Reported 2012	**Change**	**Adjusted 2012**	(Figures in NOK mill.)	**Reported 2012**	**Change**	**Adjusted 2012**
509.5		**509.5**	**Net interest and credit commission income**	**335.3**		**335.3**
161.1	2.5	163.6	Payroll, etc.	136.8	2.1	138.9
387.4	**-2.5**	**384.9**	**PROFIT BEFORE LOSSES**	**312.1**	**-2.1**	**310.0**
25.3		25.3	Losses on loans and guarantees	7.3		7.3
362.1	**-2.5**	**359.6**	**PRE-TAX PROFIT**	**304.8**	**-2.1**	**302.7**
98.0	-0.7	97.3	Tax costs	72.0	-0.6	71.4
264.1	**-1.8**	**262.3**	**PROFIT AFTER TAX**	**232.8**	**-1.5**	**231.3**
5.73		5.69	Profit per equity certificate	5.05		5.02
Total profit/loss						
264.1		**262.3**	**PROFIT AFTER TAX**	**232.8**		**231.3**
0.0	29.9	29.9	Actuarial gains and losses on performance plans	0.0	26.7	26.7
0.0	-8.4	-8.4	Tax effect of actuarial gains and losses on performance plans	0.0	-7.5	-7.5
5.3		5.3	Changes in fair value of investments held for sale	5.3		5.3
269.4	**21.5**	**289.1**	**TOTAL PROFIT/LOSS**	**238.1**	**19.2**	**255.8**

Balance sheet

	Group				**Parent bank**	
Reported 2012	**Change**	**Adjusted 2012**	(Figures in NOK mill.)	**Reported 2012**	**Change**	**Adjusted 2012**
0.0		0.0	Deferred tax assets	12.1	-1.5	10.6
29,637.9	**0.0**	**29,637.9**	**TOTAL ASSETS**	**24,056.9**	**-1.5**	**24,055.4**
31.4	-5.4	26.0	Provisions for accrued costs and liabilities	28.0	-5.4	22.6
19.9	1.5	21.4	Deferred tax obligation	0.0		0.0
27,509.1	**-3.9**	**27,505.2**	**Total liabilities**	**22,091.0**	**-5.4**	**22,085.6**
1,533.7	3.9	1,537.6	Accrued equity	1,370.8	3.9	1,374.7
2,128.8	**3.9**	**2,132.7**	**Total equity**	**1,965.9**	**3.9**	**1,969.8**
29,637.9	**0.0**	**29,637.9**	**TOTAL LIABILITIES AND EQUITY**	**24,056.9**	**-1.5**	**24,055.4**

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 for accounting of acquisitions of subsidiaries. For takeover of control in a company, all identifiable assets and commitments are stated at fair value. Goodwill is recognised as a positive difference between the acquisition price and the balance sheet value of the acquired company after excess/deficit value has been assigned to identifiable assets at the time of acquisition. Where the difference is negative, this is charged to income upon acquisition. Goodwill is tested each year for impairment and is recognised in the balance sheet at cost price minus accumulated depreciation.

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

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

3.1 Ownership interest in subsidiaries and associated companies

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

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

4. CURRENCY

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

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

5. INCOME

5.1 Interest income and costs

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

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

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

5.2 Commission income and expenses

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

5.3 Other income

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

5.4 Dividends received

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

6. FINANCIAL INSTRUMENTS

6.1 Recognition and deduction

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

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

6.2 Classification

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

Financial assets:

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

Financial liabilities:

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

6.3 Measurement

6.3.1 Initial recognition of financial instruments

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

6.3.2 Subsequent measurement

Measurement at fair value

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

Measurement 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/credit losses. If there is objective evidence of impairment the financial asset is written down and write-downs are recognised in the accounts according to where they belong based on their nature. Write-downs are discussed in more detail under point 6.4.

6.3.3 Takeover of assets

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

6.3.4 Hedge accounting

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

6.4 More on financial instruments

6.4.1 Loans

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

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

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

Estimating any credit loss is based on the size of expected future cash flows from sales of collateral etc., when the cash flows are expected to be paid and the discount rate. 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.

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

Statement of loss
Losses are not ascertained until composition or bankruptcy has been declared by the debtor, when execution has not been successful, there is a legal judgment or in cases where the bank has cancelled the loan or parts of it, or in other cases where it is most likely that the losses are final. Declared losses that are covered by previous write-downs are posted to allocations. Declared losses which can’t be recovered from loss provisions, and any surplus or deficit in relation to previous write-downs are recognised in the profit/loss statement.

6.4.2 Certificates and bonds

The group has classified certificates (including treasury bills) and bonds in the following categories:

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

Fair value through profit and loss

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

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

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

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

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

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

6.4.3 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. The value adjustment and realised profit and losses are posted to “Net value adjustments and profit/loss on financial instruments”. The group’s listed shares and capital certificates fall into this category.

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

Available for sale
The group’s holdings of equity instruments that are not classified as held for trading are classified as available for sale, and are valued at fair value with value changes presented as income and costs in the total 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 long-term impairment of the fair value or the fair value is significantly lower than the book value. The bank deems it significant when the impairment is more than 20%, and the impairment is deemed long-term when it 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”.

6.4.4 Financial derivatives

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

Sparebanken Øst participates in a guarantee consortium in Eksportfinans ASA which supports Eksportfinans ASA’s liquidity portfolio for 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 paragraph.

6.4.5 Hedge accounting

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

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

The value adjustment on hedged instruments and items are posted to “Net value adjustments and profit/loss on financial instruments.”

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

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

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 direct includable costs at the procurement of assets, with the addition of cost price for later improvements. All other repair and maintenance costs are recognised in the period to which they are incurred. When determining depreciation plan allowance is made for the fixed asset's estimated residual value. The group buildings have been broken down into four components: building structure, technical installations, facades, and fixed inventory. Depreciation is calculated for each component based on the expected useful life and estimated residual value.

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

Depreciation is calculated linearly over the following service lives:

Buildings	10-50 years
Machines/fixtures and fittings/means of transport	2-8 years

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

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

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

Assessments are performed of depreciations when there are indications of impairment of value. If the balance sheet value of an operating asset is higher than the recovery amount, 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 properties. If this is not possible, the recoverable amount is determined together with the unit the asset falls under.

8. LEASE AGREEMENTS

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

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

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

9. UNCERTAIN COMMITMENTS

The group issues financial guarantees as part of its ordinary business. Reference is made to Note 52. Assessment of loss provisions on guarantees issued by the bank together with assessment of losses on lending. Reference is made to Note 13. The same principles are used to assess whether there has been a reduction in value.
Provisions are made for other uncertain commitments if there in all likelihood the commitment will materialise and the financial consequences can be reliably estimated.

10. CONDITIONAL EVENTS

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

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

11. PENSIONS

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

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

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

Pension obligations are estimated annually by an independent actuary 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.

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 and periodised employer's payroll tax. The net pension costs for the period are posted to "salaries, etc." in the income statement.

The actuarial calculations are based on several actuarial assumptions, see Note 51. When the liabilities' present value and fair value of the pension funds are calculated on the balance sheet date, actuarial gains and losses may occur as a result of changes in actuarial assumptions and actual effects. Actuarial gains and losses are included in profit and loss.

An assessment of pension obligations is described in more detail in Note 3 "Management's assessments and use of estimates".

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

12. INCOME TAX

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

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

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

Deferred tax on transactions recognised in the total accounts or equity, is recognised with the underlying transaction, either in the overall result or in equity. In the overall result this is shown as the tax effect.
Current tax and is entered directly in the balance sheet to the extent tax items relate to equity transactions.

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

13. SEGMENTS

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

14. CASH FLOW STATEMENT

Cash flow statements show the cash flow grouped according to the type and employment area. Cash and cash equivalents include cash, deposits with central banks, treasury bills and loans to and deposits with financial institutions relating to clean locations.

15. EQUITY

15.1 Profit per equity certificate

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

15.2 Dividends

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

16. EVENTS POST BALANCE SHEET DATE

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

17. FUTURE CHANGES TO ACCOUNTING PRINCIPLES

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

IFRS 9 Financial instruments
IFRS 9 currently comprises the first and second phases of the IASB's work to replace the current IAS 39. The first phase deals with the classification and measurement of financial assets and liabilities, while the second phase deals with hedge accounting. The final phases of this project relate to measurement at amortised cost and the write-down of financial assets. For the time being, IASB has decided that IFRS 9 shall apply for fiscal years starting on 01 January 2018 or later. The group will evaluate the potential effects of IFRS 9 in accordance with the other phases as soon as the final standard including all phases is 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 establishes a single control model that applies to all entities including special purpose entities (SPE). The introduced amendments to IFRS 10 require management to exercise a significant degree of discretion in determining which entities are controlled by the parent company, where all entities that are controlled shall be consolidated. Whether control exists is a deciding factor in whether entities shall be consolidated in accordance with IFRS 10. Control over another entity exists when the investor is exposed or has rights to variable returns from involvement in the entity, and the ability to use power over the investee to control the activities of the entity that significantly affect the returns. The changes are not expected to affect the group's financial position, result and/or data. Within the EU/EEA, IFRS 10 applies for fiscal years starting on 01 January 2014 or later.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies for companies that have interests in subsidiaries, joint ventures, associated companies, or non-consolidated 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 are not expected to have a significant impact on the group's financial position, result and/or data. Within the EU/EEA, IFRS 12 applies for fiscal years starting on 01 January 2014 or 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 clarify the application of IAS 32's counter-claim criteria for settlement systems such as for example clearing house systems which apply mechanisms for gross settlement which do not occur simultaneously. The changes are not expected to affect the group's financial position, result and/or data. The changes apply for fiscal years starting on 01 January 2014 or later.

IAS 36 Impairment of Assets
The change entails that information must be given about the recoverable amount of assets that have been written down, if this has been determined at fair value reduced for sales costs. The change must be seen in the context of IFRS 13 Fair Value Measurement. The changes are not expected to affect the group's financial position, result and/or data. The changes apply for fiscal years starting on 01 January 2014 or later.

IAS 39 Financial instruments – recognition and management
IASB has adopted changes to the hedge accounting rules under IFRS. The changes mean that one will have to discontinue hedge accounting in the cases where derivatives designated as hedging instruments must be transferred in order to complete clearing by a CCP (central counter party – CCP) as a result of legislation or other regulation, provided that specific criteria are met. The changes are not expected to affect the group's financial position, result and/or data. The changes apply for fiscal years starting on 01 January 2014 or later.

17.1 Annual improvement project 2010-2012

IFRS 8 Operating segments
Operating segments may be aggregated if aggregation is consistent with the core principles of the standard, if the segments have similar economic characteristics, and if they are similar in other qualitative aspects. If operating segments are aggregated, the entity must disclose the economic characteristics (such as sales and gross margins) used in the assessment of whether the segments are similar. The changes are not expected to affect the group's financial position, result and/or data.

IFRS 8 Operating segments
The amendment clarifies that the reconciliation of segment assets against total assets is required only if the reconciliation is reported to the chief operating decision maker, as for segment liabilities. The change is not expected to affect the group's financial position, result and/or data.

IFRS 13 Fair value measurement
The IASB clarifies that non-interest bearing short-term receivables and payables may be measured at the invoice amount when the effect of discounting is insignificant. The change is not expected to affect the group's financial position, result and/or data.

NOTE 3 - EMPLOYMENT AND USE OF ESTIMATES

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

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

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

3.1 Losses on loans and guarantees

Loans are written down for credit losses on a case to case (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. Refer 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. Refer to Note 13.

3.2 Fair value of financial instruments

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

In cases where equity instruments cannot reliably be established, equity instruments are valued at cost price. Unlisted shares of insignificant value are also valued at cost.

Refer to Note 23 for valuation of financial assets and liabilities at fair value.

3.3. Net pension obligation

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

The discount interest rate is based on the rate of interest on bonds with preferential rights (OMF) in the Norwegian market, since the OMF market in Norway is considered to satisfy the requirements of corporate bonds of high quality, with a deep market. The discount rate is adjusted by a premium to give an interest rate that reflects the estimate time of payment. The expected return on the pension funds is set as the discount rate in accordance with IAS 19. Pension funds are mostly invested in liquid assets valued at fair value on the balance sheet date. The other economic assumptions are based on 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 51 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 private and the business markets. In addition there are the other subsidiaries, and a non-reportable segment with items not divided as in other segments. Almost all the group's income comes from Norway. For the geographical distribution of loans to customers, see Note 11.

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

Interest rates are reported as net since the majority of segment revenues are derived from interest income on loans. Management is based primarily on net interest income and not gross interest income and expenses. Transactions between operational segments are based on arm-length pricing equivalent to transactions with third parties. No single customer accounts for more than 10% of the bank's total income in 2013 and 2012.

Income statement

2013	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistrib uted	Elimination	Group
Net interest and commission income external	587.1	280.7	86.0	155.4	0.0	-544.7	0.0	564.5
Net interest and commission income internal	-307.3	-67.1	-131.9	-35.5	-14.5	555.5	0.8	0.0
Net interest and commission income	**279.8**	**213.6**	**-45.9**	**119.9**	**-14.5**	**10.8**	**0.8**	**564.5**
Total net other income external	54.1	16.9	0.1	-24.5	50.4	37.4	0.0	134.4
Total net other income internal	0	0.0	0.0	0.0	7.7	0.3	-8.0	0.0
Total income	**333.9**	**230.5**	**-45.8**	**95.4**	**43.6**	**48.5**	**-7.2**	**698.9**
Payroll and general administration costs	66.4	24.2	0.0	26.7	6.8	96.8	0.0	220.9
Depreciations	0.0	0.0	0.0	2.2	9.0	6.7	0.0	17.9
Other operating costs external	1.1	0.7	0.0	5.5	7.9	39.8	0.0	55.0
Other operating costs internal	0.0	0.0	0.0	0.6	0.3	7.0	-7.9	0.0
Total operating expenses	**67.5**	**24.9**	**0.0**	**35.0**	**24.0**	**150.3**	**-7.9**	**293.8**
Profit before losses	**266.4**	**205.6**	**-45.8**	**60.4**	**19.6**	**-101.8**	**0.7**	**405.1**
Losses on loans, guarantees, etc.	1.0	0.8	0.0	14.4	0.0	0.0	0.0	16.2
Profit before tax	**265.4**	**204.8**	**-45.8**	**46.0**	**19.6**	**-101.8**	**0.7**	**388.9**
Tax costs	0.0	0.0	0.0	13.3	4.1	88.6	0.2	106.2
After-tax profit	**265.4**	**204.8**	**-45.8**	**32.7**	**15.5**	**-190.4**	**0.5**	**282.7**

Income statement

2012	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistrib uted	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	5.0	-13.2	0.0
Total income	**277.1**	**240.4**	**-27.8**	**90.5**	**32.0**	**78.7**	**-13.2**	**677.7**
Payroll and general administration costs	65.3	22.9	0.0	27.5	5.5	104.0	0.0	225.2
Depreciations	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	8.0	-9.3	0.0
Total operating expenses	**66.3**	**23.0**	**-0.2**	**35.7**	**24.3**	**153.0**	**-9.3**	**292.8**
Profit before losses	**210.8**	**217.4**	**-27.6**	**54.8**	**7.7**	**-74.3**	**-3.9**	**384.9**
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**	**36.8**	**7.7**	**-74.3**	**-3.9**	**359.6**
Tax costs	0.0	0.0	0.0	10.6	-1.5	89.4	-1.2	97.3
After-tax profit	**209.8**	**212.5**	**-29.0**	**26.2**	**9.2**	**-163.7**	**-2.7**	**262.3**

Balance sheet

2013	PM	BM	Finance	AS Financiering	Spb Øst Eiendom	Undistribu ted	Elimination	Group
Net loans and receivables with customers	18,399.9	5,229.9	0.0	1,631.5	0.0	754.7	-308.1	25,707.9
Other assets	41.5	27.9	4,125.5	27.6	491.5	2,586.0	-1,930.6	5,369.4
Total assets	**18,441.4**	**5,257.8**	**4,125.5**	**1,659.1**	**491.5**	**3,340.7**	**2,238.7**	**31,077.3**
Deposits from and liabilities to customers	7,744.8	3,472.0	1,221.1	17.0	0.0	111.5	-27.2	12,539.2
Other liabilities	276.3	207.4	-16.5	1,456.3	363.0	15,708.9	-1,985.2	16,010.2
Inter-company accounts	10,420.3	1,578.4	2,920.9	0.0	0.0	-14,919.6	0.0	0.0
Total liabilities per segment	18,441.4	5,257.8	4,125.5	1,473.3	363.0	900.8	-2,012.4	28,549.4
Total equity	0.0	0.0	0.0	185.8	128.5	2,439.9	-226.3	2,527.9
Total liabilities and equity	**18,441.4**	**5,257.8**	**4,125.5**	**1,659.1**	**491.5**	**3,340.7**	**-2,238.7**	**31,077.3**
Investment during the year	**0.0**	**0.0**	**0.0**	**1.4**	**3.1**	**12.3**	**0.0**	**16.8**

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	34.6	477.8	2,349.5	-2,517.5	7,077.7
Total assets	**14,811.0**	**5,868.2**	**6,660.8**	**1,570.6**	**477.8**	**3,094.0**	**-2,844.5**	**29,637.9**
Deposits from and liabilities to customers	6,909.3	3,479.2	1,179.3	24.6	0.0	99.2	-3.7	11,687.9
Other liabilities	719.0	243.6	15.6	1,392.7	366.0	15,765.4	-2,685.0	15,817.3
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	1,417.3	366.0	1,070.6	-2,688.7	27,505.2
Total equity	0.0	0.0	0.0	153.3	111.8	2,023.4	-155.8	2,132.7
Total liabilities and equity	**14,811.0**	**5,868.2**	**6,660.8**	**1,570.6**	**477.8**	**3,094.0**	**-2,844.5**	**29,637.9**
Investment 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.

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 legislative frameworks for risk.

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

Measuring of risk when lending to customers is done by classifying the risk a customer represents as an integrated part of the credit process. Customers are classified by risk based on a calculation of personal 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, one for private customers and one for business customers. The 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 granting of credit to private customers. The credit function is localised and organised as a unit. The department decides on granting of credit to all private customers of the bank. Use of individual mandates is highly limited.

The credit department makes decisions on credit exceeding a certain amount to customers in the commercial 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 of the credit department, the case can be decided either by management or the Board of Directors depending on the amount. Smaller exposures are entered into in accordance with the adopted framework and personal mandates of the corporate department.
The development in credit risk related to the bank's lending is monitored on an ongoing basis with framework control, periodic analyses and reports, and the use of random sampling at customer level.
Placement in interest-bearing securities for liquidity purposes is linked to the strategy for liquidity management adopted by the Board of Directors. The adopted strategy and the investment policy specify risk tolerance, allocation of asset classes, frameworks and mandates. Credit losses shall 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 based on liquidity of the security, issuer's rating and other counterparty-specific factors. Interest-bearing securities are booked at market value so that changes in risk are continuously reflected in the accounts.

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

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

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

The ordinary lending business in the group is divided by sector as at 31.12.13 with 83% of gross loans to private customers and 17% to business customers. A small portion of loans to companies contributes to a low concentration risk.

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

The lending portfolio to business customers is divided into different businesses. Exposure to property and property development makes up a relatively large portion. Turnover and operations in fixed property amounts to 57% of the business portfolio. Measured as a portion of the total lending portfolio in the group, exposure to turnover and operations in fixed property is still not more than 10%. 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% of the business market portfolio, and the ten largest no more than18%.

The bank had in its lending operations as at 31.12.13, aside from engagements with its own subsidiaries (AS Financiering, Sparebanken Øst Boligkreditt and Sparebanken Øst Eiendom AS), one exposure to external customers over 10% of their capital. As at 31.12.13, loans to the group's largest loan customer represent 1.4% of gross lending. The group's ten largest loan customers represent 4.2% of gross lending, and the group's 20 largest loan customers represent 5.9% of gross lending.

Market risk
Market risk is the risk of loss of market value on financial assets and liabilities in the bank's balance sheet, or via a negative effect on earnings or equity in the event of changes 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), exchange rates (currency risk) and to a degree 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.

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

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

<u>Currency risk</u>
Currency risk is the risk of loss of value due to a change in foreign currency rate. Such risk is managed by balancing 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% of subordinate capital in total currency exposure and a maximum of 15% of subordinate capital in one single currency.

<u>Equity risk</u>
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. Refer to the descriptions of each individual risk area for further descriptions.

The bank's loans, credit and guarantees to private and commercial customers are secured in real estate, effects and/or through guarantees. The bank has a limited number of unsecured loans. For corporate 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 fixed property or other types of additional collateral. Additionally, in these cases the bank will look closely at the customer's financial position, knowledge of the owners, industry and the market the company operates in.

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

Liquidity risk
Liquidity risk involves the bank not being in a position to meet its ongoing liabilities as they fall due, or that refinancing must be undertaken at a higher cost. The overall strategy dictates that Sparebanken Øst shall have a conservative relationship to liquidity risk. This involves a long-term and proactive approach to future liquidity needs, the distribution of borrowing between an adequate number of countries, and managing liquidity needs through the placement of assets with low liquidity and credit risks. Risk is managed against established frameworks 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. Furthermore, frameworks have been established for maximum cash flow per day and per week. The bank maintains liquidity reserves in the form of cash, drawing rights in Norges Bank and a bond portfolio consisting of liquid securities with high credit quality.

Sparebanken Øst seeks at all times to diversity its sources of finance in order to be as independent as possible of events in individual markets. In addition to deposits from customers, the Norwegian certificate and bond market, including the market for bonds with preferential rights, 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 have led to an increased in influx of deposits. Topprente.no has made a particular contribution to increasing the bank's deposit cover during the past two years. Topprente.no is a self-service concept which provides the opportunity to give customers competitive deposit terms. As at 31.12.13, deposits from customers accounted for 51.8% of the group's net lending, compared to 51.8% as at 31.12.12.

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

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

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

Long-term financial management
Long-term capital management in Sparebanken Øst is intended to ensure good solidity and adequate liquidity for the entire group. Good solidity is maintained first and foremost by ensuring that there are sufficient capital buffers in excess of the minimum capital requirements. Applicable aims for both the bank and the group are that the capital adequacy shall be the highest of the regulatory requirements and the bank's own assessment (ICAAP). From 01.07.14, the minimum capital adequacy requirements in accordance with the regulations will be 12.5%, of which 10% shall be pure core capital. As at 31.12.13 the capital adequacy was 18.41%, of which 13.23% was core capital.

The long-term aims for the capital adequacy in the group involve that the minimum requirements will follow the regulatory escalation up until 2016. Growth and planned growth in loans and other assets will therefore always take into consideration the need for buffer capital above the minimum requirements. Otherwise significant emphasis is placed on our maintaining appropriate management of commercial operations so that the group can achieve good results and provide satisfactory returns on invested capital over time. In this way the bank will be attractive to investors and help to ensure the group access to capital when required to strengthen its equity position.

NOTE 6 - CAPITAL ADEQUACY

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
207.3	207.3	Equity certificate capital	207.3	207.3
387.8	387.8	Premium reserve	387.8	387.8
1,129.9	1,010.5	Primary certificate capital	1,129.9	1,010.5
550.3	449.4	Other reserves included in tier 1 capital	327.1	286.5
390.4	308.4	Fund notes	350.3	308.4
0.0	0.0	Other tier 1 capital	0.0	0.0
-62.8	-62.2	Deductions in tier 1 capital	-66.9	-74.3
-162.9	-110.9	50/50-deduction in tier 1 capital	-154.7	-102.7
2,440.0	**2,190.3**	**Net tier 1 capital**	**2,180.8**	**2,023.5**
111.7	0.0	Fund notes in additional capital	151.8	0.0
349.1	199.9	Subordinate loan capital	349.1	199.9
113.7	33.3	Unrealised gains IFRS	113.7	33.2
-162.9	-110.9	50/50-deduction in additional capital	-154.7	-102.7
411.6	**122.3**	**Net additional capital**	**459.9**	**130.4**
2,851.6	**2,312.6**	**Net subordinated capital**	**2,640.7**	**2,153.9**
		Calculation base		
0.0	0.0	Governments and central banks	0.0	0.0
64.2	150.9	Local and regional authorities	64.2	150.9
25.0	0.0	Publicly-owned companies	25.0	0.0
395.4	452.2	Institutions	1,442.4	1,581.6
2,823.0	3,498.0	Companies	3,131.1	3,498.0
1,657.7	1,520.5	Mass market accounts	455.2	366.0
7,447.9	6,168.2	Accounts secured on property	4,846.8	3,574.9
439.4	334.5	Accounts due	407.9	334.5
206.2	179.5	Covered bonds	230.4	277.6
0.0	100.9	Shares in money-market funds	0.0	100.9
1,238.8	997.5	Other exposures	818.7	537.9
14,297.6	**13,402.2**	**Calculation base balance sheet items**	**11,421.7**	**10,422.3**
48.5	53.6	Interest rate and foreign currency instruments	31.4	37.0
483.7	395.5	Calculation base off-balance sheet items	1,903.2	1,694.5
532.2	**449.1**	**Calculation base off-balance sheet items**	**1,934.6**	**1,731.5**
0.0	**0.0**	**Calculation base exchange risk**	**0.0**	**0.0**
1,167.1	**1,203.3**	**Calculation base operational risk**	**982.4**	**1,043.7**
-325.8	-221.8	Subordinate capital in other financial institutions	-309.5	-205.5
-43.4	-43.4	Write-downs on groups of loans	-40.1	-40.1
-138.9	-40.6	Unrealised gains IFRS	-138.9	-40.6
-508.1	**-305.8**	**Deductions from the calculation base**	**-488.5**	**-286.2**
15,488.8	**14,748.8**	**Total calculation base (risk-weighted balance)**	**13,850.2**	**12,911.3**
18.41%	**15.68%**	**Capital adequacy**	**19.07%**	**16.68%**
15.75%	**14.85%**	**Tier 1 capital adequacy**	**15.75%**	**15.67%**
13.23%	**12.76%**	**Core tier 1 ratio**	**13.22%**	**13.28%**

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

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

New buffer requirements were introduced from 1 July 2013. As at 31 December 2013, the conservation buffer requirement was 2.5% and the system risk buffer requirement was 2%. These requirements are in addition to the minimum requirement of 4.5% core capital. The combined minimum requirement for core capital is currently 9%. Increased buffer requirements will be gradually introduced until 1 July 2016. The buffer for system risk will increase to 3% from 1 July 2014. Financial institutions designated as banks vital to the system will in addition maintain a buffer of 1% from 1 July 2015, which will increase to 2% from 1 July 2016. The maximum requirement for core capital will then be 14.5%. The countercyclical capital buffer will be between 0 and 2.5%. On 12 December 2013, the level for the countercyclical capital buffer was set at 1%. The requirement will come into force on 30 June 2015.
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.

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

NOTE 7 - CREDIT RISK

Maximum credit risk

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

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Liabilities		
315.1	193.5	Loan pledges	194.5	63.9
1,353.0	1,081.2	Overdraft facilities	2,405.1	1,302.1
182.4	214.1	Guaranties to customers	181.7	213.3
242.0	242.0	Guarantee to Eksportfinans ASA	242.0	242.0
0.0	0.0	Guarantee for all OMF obligations in the mortgage credit company *	6,154.2	5,368.0
2,092.5	**1,730.8**	**Total liabilities**	**9,177.5**	**7,189.3**

* 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. In the amounts, the parent bank's holdings of OMF are nominal NOK 240.0 million as of 31.12.13 and NOK 978.5 million as at 31.12.12 have been deducted from these totals.

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 for Eksportfinans ASA is NOK 242 million. A counter-guarantee has been signed which reduces the exposure to NOK 100 million. Refer to Note 52 for balance sheet value of the guarantee.

Sparebanken Øst's credit policy forms the basis for the credit activities within the bank. The debt servicing capability is central to any credit assessment, within both the consumer and business markets. As a general rule, credit shall not be provided if it is unlikely that the customer will be able to service the debt.

Sparebanken Øst has extremely low exposure relating to loans/credit without accompanying security. As a general rule, loans and credit are only granted to private customers against adequate security. Adequate security primarily means security in various types of real estate, condominium units or blocked deposits. Other security could also include land, vendor's fixed charges, securities, bonded apartments, boats, life insurance policies, pawn pledges or other security furnished by a third party. For loans against mortgages on real estate the general rule is a mortgageable limit of up to 85% on a sound asset basis. The asset basis is usually assessed on the basis of documented marketable values, rates or agent valuations. The ability to service the debt is assessed based on a liquidity calculation, where one tests against a 5% potential interest rate increase.

Within the business market, the main types of security are real estate. Other types of security are often inventories, receivables and machinery and plant. When assessing the security's value, the going concern assumption is applied as a general rule. The starting point for the credit process within the business market is an assessment of the customer's ability to service the debt. Central in such an assessment is an analysis of the customer's on-going future cash flow from the business activities to be financed. An extensive framework exists both within the business market and consumer market, which describes the guidelines for the assessment of both the ability to service the debt and securities.

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

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

NOTE 8 - CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS

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

The credit quality relating to loans and advances to customers is shown through a risk classification. In the bank's system for risk classification, risk is divided into 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 a weighting of the following elements; the customer's servicing ability (net liquidity taking a 5% 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 a weighting of an analysis of key ratios from companies' financial statements, willingness to service the loan (documented servicing history), security pledged and assessment of other more specific internal and external factors related to the company. The accumulated risk classification for the commercial customer, together with the bank's total exposure to the customer/customer grouping 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 based on rating and counterparty-specific factors. Ratings from credit assessment agencies are preferred. Where such rating is not available, indicative ratings from Norwegian brokers as well as internal assessments are used.

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

Loans to and receivables with customers classified as A and B are regarded as having a credit quality equivalent to low risk, C is assessed as medium risk and D and E are assessed as high risk. Customers allocated to the bank's department for special exposures will be risk-classified within the high-risk category.

Group as at 31.12.13

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due to**	**Individually written down**	**Total**
Loans							
Loans to and deposits with credit institutions	8.6	0.0	0.0	0.0	0.0	0.0	8.6
Loans and receivables with customers							
-Financial leasing agreements	9.1	3.4	1.3	0.5	6.6	5.1	26.0
-Cash / operations and use credits	2,227.9	141.7	33.7	38.7	100.4	22.8	2,565.2
-Building loans	64.5	38.8	0.9	2.2	4.3	6.0	116.7
-Repayment loans	17,816.7	2,736.2	906.8	322.4	1,098.3	260.0	23,140.4
Total loans	**20,126.8**	**2,920.1**	**942.7**	**363.8**	**1,209.6**	**293.9**	**25,856.9**
Financial investments							
Listed government bonds	200.7	0.0	0.0	0.0	0.0	0.0	200.7
Listed other bonds	2,539.7	199.5	0.0	0.0	0.0	0.0	2,739.2
Unlisted bonds	487.4	75.3	0.0	0.0	0.0	0.0	562.7
Total financial investments	**3,227.8**	**274.8**	**0.0**	**0.0**	**0.0**	**0.0**	**3,502.6**

Group as at 31.12.12

	Not due or written down						
	Low risk	**Medium risk**	**High risk**	**Unclassified**	**Due to**	**Individually written down**	**Total**
Loans							
Loans to and deposits with credit institutions	4.1	0.0	0.0	0.0	0.0	0.0	4.1
Loans and receivables with customers							
-Financial 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							
Treasury bills	496.4	0.0	0.0	0.0	0.0	0.0	496.4
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	**4,061.1**	**381.5**	**0.0**	**0.0**	**0.0**	**0.0**	**4,442.6**

Parent bank as at 31.12.13

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due to	Individually written down	Total
Loans							
Loans to and deposits with credit institutions	2,101.7	0.0	0.0	0.0	0.0	0.0	2,101.7
Loans and receivables with customers							
-Financial leasing agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-Cash / operations and use credits	1,776.7	74.4	26.7	27.0	79.1	22.8	2,006.7
-Building loans	64.4	38.8	0.9	2.2	4.4	6.0	116.7
-Repayment loans	11,817.8	1,410.9	631.5	226.5	647.2	173.7	14,907.6
Total loans	**15,760.6**	**1,524.1**	**659.1**	**255.7**	**730.7**	**202.5**	**19,132.7**
Financial investments							
Listed government bonds	200.7	0.0	0.0	0.0	0.0	0.0	200.7
Listed other bonds	2,781.4	199.5	0.0	0.0	0.0	0.0	2,980.9
Unlisted bonds	487.4	75.3	0.0	0.0	0.0	0.0	562.7
Total financial investments	**3,469.5**	**274.8**	**0.0**	**0.0**	**0.0**	**0.0**	**3,744.3**

Parent bank as at 31.12.12

	Not due or written down						
	Low risk	Medium risk	High risk	Unclassified	Due to	Individually written down	Total
Loans							
Loans to and deposits with credit institutions	2,915.2	0.0	0.0	0.0	0.0	0.0	2,915.2
Loans and receivables with customers							
-Financial 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							
Treasury bills	496.4	0.0	0.0	0.0	0.0	0.0	496.4
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	**5,042.3**	**381.5**	**0.0**	**0.0**	**0.0**	**0.0**	**5,423.8**

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

Group as at 31.12.13

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Financial leasing agreements	3.5	2.7	0.0	0.4	6.6
-Cash / operations and use credits	93.8	3.9	1.3	1.4	100.4
-Building loans	3.7	0.0	0.0	0.6	4.3
-Repayment loans	667.6	192.8	124.5	113.4	1,098.3
Total	**768.6**	**199.4**	**125.8**	**115.8**	**1,209.6**

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					
-Financial 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**

Parent bank as at 31.12.13

	Up to 30 days	31-60 days	61-90 days	Over 91 days	Total
Loans and receivables with customers					
-Financial leasing agreements	0.0	0.0	0.0	0.0	0.0
-Cash / operations and use credits	72.5	3.9	1.3	1.4	79.1
-Building loans	3.7	0.0	0.0	0.7	4.4
-Repayment loans	334.8	113.6	89.9	108.9	647.2
Total	**411.0**	**117.5**	**91.2**	**111.0**	**730.7**

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					
-Financial 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**

NOTE 10 - CREDIT RISK DIVIDED BY RISK CLASS

Business customers – parent bank

The risk classification system is used for decision-making support, monitoring and reporting. The risk parameters from the classification systems are included as an integral part of the credit process in the business market and are a deciding factor for the decision-making level and provide guidance with regard to pricing. Furthermore, the risk classification system is used with regard to the management and control of the current portfolio. The risk classification is made based on a weighted calculation of the following parameters; central key figures from the borrowers' accounts (55 %), internal and external commercial conditions (organisation, competence, financial management, payment history, and different external framework conditions) (20 %), and the collateral cover for the exposures (25 %).

	2013						2012					
	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%	Gross loans	Guarantees	Overdraft facil.	Individ. write-downs	Commitments	%
Low risk	593	15	56	0	664	13	733	27	72	0	832	15
Moderate risk	2,294	67	88	0	2,449	49	2,648	79	159	0	2,886	51
Normal risk	864	42	80	0	986	20	1,069	56	47	0	1,172	21
Reasonably high risk	480	49	16	0	545	11	519	32	8	5	559	10
High risk	298	3	1	34	302	6	168	3	2	40	173	3
Undistributed	30	1	39	0	70	1	20	1	6	0	27	0
Total	**4,559**	**177**	**280**	**34**	**5,016**	**100**	**5,157**	**198**	**294**	**45**	**5,649**	**100**

In the management of the total portfolio within the business market, limits for exposure have been adopted within the various risk classes. In the bank's policy, equivalent limits have also been adopted within various forms of property exposures. Furthermore, the bank's policy sets requirements regarding the minimum achieved risk class upon the intake of new and/or recently established customers. The bank adheres to a principle whereby commitments that are for observation/handling in the bank's department for special commitments are classified within the categories of reasonably high and high risk, depending on the underlying security assessments.

The risk classification of corporate customers is carried out in the event of new case assessments, annual renewals or the receipt of updated information relating to the elements included in the classification. The bank's largest commitment is reclassified annually at a minimum.

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

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

The requirements for collateral, second-line defence, for business loans will vary widely, depending on nature of the commitment, industry concerned, size of commitment and of course the project's or commitment's assessed risk. Securities are assessed in accordance with a carefully assessed market value. The majority of the bank's business loans are secured entirely or partially by way of collateral in fixed property. Valuations and market values often exist for commercial properties. Third party documentation of values shall as a general rule be supplemented with the bank's own assessments of the security. These are carried out based on the security's historical and potential cash flow, location, nature, general market outlook, etc. For parts of smaller accounts, in addition to any operations-dependent securities, there will often be a related security in real estate, private buildings etc. For each type of security the bank has drawn up specific requirements for processing and precautionary assessments which are detailed in the bank's credit manual.

Through the bank's adopted credit strategy the Board has determined overall limits related to the maximum exposure per customer/Group for 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 takes place through quarterly risk reports.

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

Grouped write-downs of loans are not dealt into risk classes.

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

Private customers – parent bank

The risk classification system is used for decision-making support, monitoring and reporting. The risk parameters from the classification systems are included as an integrated part of the credit process and the follow-up of the private customer portfolio.

The risk classification is made based on a weighted calculation of the following parameters; level of debt (10 %), ability to service the debt defined in accordance with the customer/household's net liquidity taking into account a potential 5% increase in interest rate (39 %), willingness to service the debt – payment history (26 %) and security coverage (25 %).

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

	2013						2012					
	Gross loans	**Guarantees**	**Overdraft facil.**	**Individ. write-downs**	**Commit-ments**	**%**	**Gross loans**	**Guarantees**	**Overdraft facil.**	**Individ. write-downs**	**Commit-ments**	**%**
Low risk	9,444	2	550	0	9,996	76	4,122	9	239	0	4,370	52
Moderate risk	1,666	2	73	0	1,741	13	2,201	5	92	0	2,298	28
Normal risk	744	1	20	0	765	6	1,152	1	30	0	1,183	14
Reasonably high risk	320	0	3	0	323	3	352	0	4	0	356	4
High risk	65	0	0	5	65	0	75	0	1	6	76	1
Undistributed	233	0	22	0	255	2	84	0	19	0	103	1
Total	**12,472**	**5**	**668**	**5**	**13,145**	**100**	**7,986**	**15**	**385**	**6**	**8,386**	**100**

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

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

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

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

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

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

Total portfolio – parent bank

	2013						2012					
	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Commit-ments	%	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Commit-ments	%
Low risk	10,037	17	606	0	10,660	58	4,855	36	311	0	5,202	37
Moderate risk	3,960	69	161	0	4,190	23	4,849	84	251	0	5,184	37
Normal risk	1,608	43	100	0	1,751	10	2,221	57	77	0	2,355	17
Reasonably high risk	800	49	19	0	868	5	871	32	12	5	915	6
High risk	363	3	1	39	367	2	243	3	3	46	249	2
Undistributed	263	1	61	0	325	2	104	1	25	0	130	1
Total	**17,031**	**182**	**948**	**39**	**18,161**	**100**	**13,143**	**213**	**679**	**51**	**14,035**	**100**

Write-downs on groups of loans to customers in the parent bank are unchanged from 31.12.2012 and amount to a total of NOK 40.1 million

Total portfolio – group

	2013						2012					
	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Commit-ments	%	Gross loans	Guaran tees	Overdra ft facil.	Individ. write-downs	Commit-ments	%
Low risk	14,720	17	884	2	15,621	57	8,970	36	582	3	9,588	40
Moderate risk	5,973	69	252	3	6,294	23	7,800	84	347	3	8,231	34
Normal risk	3,219	43	124	20	3,386	12	4,171	57	103	18	4,331	18
Reasonably high risk	1,133	49	23	22	1,205	4	1,252	33	15	24	1,300	6
High risk	431	3	1	51	435	2	310	3	3	57	316	1
Undistributed	372	1	68	0	441	2	205	1	31	0	237	1
Total	**25,848**	**182**	**1,353**	**98**	**27,382**	**100**	**22,708**	**214**	**1,081**	**105**	**24,003**	**100**

The group figures show a summary of the parent bank, Sparebanken Øst Boligkreditt and AS Financiering adjusted for eliminations in Sparebanken Øst Eiendom AS (including subsidiary). Write-downs on groups of loans to customers in the group are unchanged from 31.12.2012 and amount to a total of NOK 43.4 million.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst, and activities comprise mainly of financing of used cars and leasing. When classifying risk in AS Financiering credit information is obtained which is also adjusted for income, equity and any negative payment experience AS Financiering may have with the customer. Grouped write-downs of loans are not dealt into risk classes. Losses in AS Financiering for 2013 amount to a total of NOK 14.4 million compared to NOK

18.0 million in 2011. Booked losses in 2013 amounted to 0.85% of gross lending. The corresponding figure for 2012 was 1.13%.

Security in relation to loans to customers – group 31.12.13

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

	Maximum exposure for credit risk	Security pledged in property	Security pledged in securities	Other security
Gross loans to customers including unused overdraft facilities and guarantees to customers	**27,381.7**	**53,524.0**	**22.0**	**2,512.2**

The table above shows the sum of the values the bank has used as the basis for all the security that is pledged for the portfolio of loans to customers. The market values in the table are therefore not limited to maximum credit exposure on the individual loans or commitment. The bank has a lending portfolio that is primarily secured through real estate.
Where a commitment is secured through property, the property value is based on an estimated market value at the time of the last assessment of the commitment. The estimated market value is based on known market values, valuations or other types of value assessments. Within the business market, the security's cash flow will be directive for the estimated market value. For all types of security, including operationally dependent security, conservative estimates are made regarding estimated market values. Principles for valuations of all the underlying securities are described in the bank's guidelines.

For the parent bank, the estimated actual value of security for defaulted and loss-exposed loans not written down is NOK 281.4 million (NOK 263.5 million in 2012). The balance sheet value of defaulted and loss-exposed loans not written down is NOK 243.0 million (NOK 219.0 million in 2012). The estimated actual value of security for loans written down is NOK 171.1 million (NOK 77.1 million in 2012) which is equivalent to a balance sheet value for loans written down. The security consists mainly of real property, but smaller amounts may be against deposits, goods, claims and movable operating equipment as security.

AS Financiering has 20.76% (20.97% in 2012) 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	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Salaried employees	21,471.1	17,712.2	5.1	15.7	1,067.9	783.8	14.3	20.5
Agriculture, forestry, fishing	166.9	192.6	0.7	0.7	21.6	22.7	0.0	0.0
Industry, construction, power, water supply	101.0	112.0	12.7	11.1	21.8	25.9	-3.3	2.6
Buildings, facilities	509.2	629.2	23.9	65.1	67.5	58.8	6.9	0.6
Retail, hotel and catering	375.1	409.3	33.7	31.2	71.1	62.7	-3.1	-0.3
Transport, communications	81.7	106.0	11.5	13.5	6.2	5.9	0.1	1.6
Financial services	141.3	238.9	48.3	25.4	17.1	21.8	0.3	-0.4
Other service industries	468.7	466.3	14.8	21.9	14.0	18.8	-0.1	0.5
Real estate turnover and operations	2,515.5	2,818.7	31.6	29.5	64.2	80.1	0.9	-1.1
Foreign	17.8	22.8	0.1	0.0	1.6	0.7	0.2	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Total	**25,848.3**	**22,708.0**	**182.4**	**214.1**	**1,353.0**	**1,081.2**	**16.2**	**23.9**

	Distressed accounts		Loss-exposed accounts		Individual write-downs		Write-downs on groups of loans*	
	2013	2012	2013	2012	2013	2012	2013	2012
Salaried employees	159.7	182.8	5.2	5.8	60.0	55.6	3.3	4.9
Agriculture, forestry, fishing	0.2	1.9	0.0	0.0	0.2	0.2	0.0	0.0
Industry, construction, power, water supply	0.6	0.5	24.7	27.6	9.4	13.0	0.0	0.0
Buildings, facilities	98.0	64.1	1.0	0.4	5.8	5.7	0.0	0.0
Retail, hotel and catering	12.4	27.3	0.0	0.9	7.9	12.0	0.0	0.0
Transport, communications	3.1	1.6	0.0	0.0	0.5	1.6	0.0	0.0
Financial services	11.7	4.4	0.0	0.0	0.3	0.1	0.0	0.0
Other service industries	7.9	0.9	0.2	4.4	1.1	1.6	0.0	0.0
Real estate turnover and operations	151.9	65.3	9.9	37.8	12.1	14.8	0.0	0.0
Foreign	0.9	1.0	0.0	0.0	0.7	0.8	0.0	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	40.1	38.5
Total	**446.4**	**349.8**	**41.0**	**76.9**	**98.0**	**105.4**	**43.4**	**43.4**

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

Split into sector and industry – parent bank

	Gross lending		Guarantees		Potential exposure through overdraft facilities		Losses charged to income	
	2013	2012	2013	2012	2013	2012	2013	2012
Salaried employees	12,459.5	7,969.5	5.1	15.7	666.3	384.1	1.1	3.4
Agriculture, forestry, fishing	164.8	189.8	0.7	0.7	21.6	22.7	0.0	0.0
Industry, construction, power, water supply	97.2	107.4	12.7	11.1	21.8	25.9	-3.4	2.5
Buildings, facilities	493.2	611.0	23.9	65.1	66.2	57.6	6.8	0.5
Retail, hotel and catering	344.9	368.7	33.0	30.5	71.1	62.7	-3.4	-0.6
Transport, communications	64.8	83.8	11.5	13.4	6.2	5.9	0.0	1.5
Financial services	132.0	229.5	48.3	25.4	16.6	21.6	0.3	-0.4
Other service industries	450.8	436.9	14.8	21.9	14.0	18.8	-0.3	0.3
Real estate turnover and operations	2,810.8	3,129.2	31.6	29.5	62.8	78.4	0.7	-1.2
Foreign	13.0	16.8	0.1	0.0	1.6	0.7	0.0	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Total	**17,031.0**	**13,142.6**	**181.7**	**213.3**	**948.2**	**678.4**	**1.8**	**5.9**

	Distressed Commitment		Loss-exposed accounts		Individual write-downs		Write-downs on groups of loans*	
	2013	2012	2013	2012	2013	2012	2013	2012
Salaried employees	76.4	105.6	5.2	5.2	6.4	6.8	1.6	1.6
Agriculture, forestry, fishing	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Industry, construction, power, water supply	0.6	0.5	24.7	27.6	9.4	13.0	0.0	0.0
Buildings, facilities	97.5	62.7	0.0	0.0	5.3	4.6	0.0	0.0
Retail, hotel and catering	10.4	24.8	0.0	0.9	6.6	10.6	0.0	0.0
Transport, communications	2.2	1.6	0.0	0.0	0.0	1.5	0.0	0.0
Financial services	11.6	4.3	0.0	0.0	0.1	0.0	0.0	0.0
Other service industries	6.7	0.2	0.0	3.9	0.2	0.7	0.0	0.0
Real estate turnover and operations	150.7	64.4	9.9	37.7	11.3	14.1	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group write-downs, industry	0.0	0.0	0.0	0.0	0.0	0.0	38.5	38.5
Total	**356.1**	**265.9**	**39.8**	**75.3**	**39.3**	**51.3**	**40.1**	**40.1**

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

Geographical distribution

Group Loans 2013	Group Loans 2012	Group Guarantees 2013	Group Guarantees 2012		Parent bank Loans 2013	Parent bank Loans 2012	Parent bank Guarantees 2013	Parent bank Guarantees 2012
4,478.6	4,458.4	35.0	63.1	Drammen	3,642.7	3,241.3	35.0	63.1
2,381.2	2,327.2	18.2	20.2	Nedre Eiker	1,692.8	1,366.4	18.2	20.2
1,890.2	1,838.4	34.8	22.6	Øvre Eiker	1,418.4	1,226.1	34.8	22.6
2,089.0	1,807.6	52.5	36.7	Other parts of Bunkered	1,566.2	1,246.9	52.5	36.7
4,526.3	3,819.5	15.8	41.7	Oslo	2,839.1	2,221.1	15.1	40.9
4,550.0	3,704.1	20.4	18.5	Akershus	2,746.1	1,789.8	20.4	18.5
2,149.8	1,986.8	5.4	11.2	Vestfold	1,456.0	1,195.0	5.4	11.2
1,066.0	822.6	0.2	0.1	Østfold	510.3	268.9	0.2	0.1
2,699.4	1,920.6	0.0	0.0	Rest of country	1,146.4	570.3	0.0	0.0
17.8	22.8	0.1	0.0	Foreign	13.0	16.8	0.1	0.0
25,848.3	**22,708.0**	**182.4**	**214.1**	**Total**	**17,031.0**	**13,142.6**	**181.7**	**213.3**

NOTE 12 - LOANS AND RECEIVABLES WITH CUSTOMERS

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
26.0	37.7	Leasing agreements	0.0	0.0
2,565.2	1,915.6	Cash / operations and use credits	2,006.7	932.8
116.7	212.3	Building loans	116.7	212.3
23,140.4	20,542.4	Repayment loans	14,907.6	11,997.5
25,848.3	**22,708.0**	**Gross loans and receivables with customers**	**17,031.0**	**13,142.6**
97.0	104.4	Individual write-downs	38.3	50.3
43.4	43.4	Write-downs on groups of loans	40.1	40.1
25,707.9	**22,560.2**	**Net loans and receivables with customers**	**16,952.6**	**13,052.2**

NOTE 13 - LOSSES ON LOANS AND GUARANTEES - CUSTOMERS

Group 2013	Group 2012			Parent bank 2013	Parent bank 2012
			Individual write-downs		
105.4	100.7		Individual write-downs as at 01,01,	51.3	55.1
7.7	8.0	-	Actual losses for the period, where there have previously been individual write-downs	3.6	4.8
4.8	11.1	+	Increases in individual write-downs for the period	0.4	7.3
22.1	21.6	+	New individual write-downs for the period	5.5	5.0
26.6	20.0	-	Chargeback of individual write-downs for the period	14.3	11.3
98.0	**105.4**	**=**	**Individual write-downs as at 31.12. ***	**39.3**	**51.3**
			Write-downs on groups of loans		
43.4	43.4		Group write-downs as at 01.01.	40.1	40.1
0.0	0.0	+/-	Changes in write-downs on groups of loans for the period	0.0	0.0
43.4	**43.4**	**=**	**Group write-downs as at 31.12.**	**40.1**	**40.1**
			Loss costs for the period		
-7.4	4.7		Changes to individual write-downs for the period	-12.0	-3.8
0.0	0.0	+/-	Changes in write-downs on groups of loans for the period	0.0	0.0
9.8	12.8	+	Actual losses for the period, where there have previously been individual write-downs	5.7	9.6
11.6	13.5	+	Actual losses for the period, where there have previously been individual write-downs	0.7	4.3
7.0	13.1	-	Addition of previously identified losses for the period	1.8	10.2
9.2	6.0	+/-	Amortization costs for the period impairment	9.2	6.0
16.2	**23.9**	**=**	**Losses on loans and guarantees**	**1.8**	**5.9**
22.1	**20.4**		**Income interest on loans written down**	**14.9**	**12.4**

* Includes specified allocations for guarantee commitments of NOK 1.0 million for 2013 and 2012. Carried to the balance sheet under liabilities “Allocations for expenses and obligations.”

Losses on loans and guarantees divided into classes as at 31.12.13

		PM	BM	AS Financiering	Total
	Individual write-downs				
	Individual write-downs as at 01.01.	1.7	49.6	54.1	105.4
-	Actual losses for the period, where there have previously been individual write-downs	1.7	1.9	4.1	7.7
+	Increases in individual write-downs for the period	0.0	0.4	4.4	4.8
+	New individual write-downs for the period	3.0	2.5	16.6	22.1
-	Chargeback of individual write-downs for the period	0.8	13.5	12.3	26.6
=	**Individual write-downs as at 31.12. ***	**2.2**	**37.1**	**58.7**	**98.0**
	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	0.5	-12.5	4.6	-7.4
+/-	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	5.7	4.1	9.8
+	Actual losses for the period, where there have previously been individual write-downs	0.6	0.2	10.8	11.6
-	Addition of previously identified losses for the period	0.3	1.6	5.1	7.0
+/-	Amortization costs for the period impairment	0.2	9.0	0.0	9.2
=	**Losses on loans and guarantees**	**1.0**	**0.8**	**14.4**	**16.2**

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

Losses on loans and guarantees divided into 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
+/-	Amortization 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**

* Includes specified allocations to guarantee commitments of MNOK 1.0 for 2012. Carried to the balance sheet under liabilities “Allocations for expenses and obligations.”

Changes in non-performing and loss exposed accounts

Group 2013	Group 2012	Group 2011	Group 2010	Group 2009		Parent bank 2013	Parent bank 2012	Parent bank 2011	Parent bank 2010	Parent bank 2009
446.4	349.8	301.8	236.1	226.8	Total distressed accounts	356.1	265.9	229.4	162.4	155.5
82.9	83.8	78.1	102.9	90.8	- Individual write-downs	24.3	30.2	32.9	58.9	48.6
363.5	**266.0**	**223.7**	**133.2**	**136.0**	**Net distressed accounts**	**331.8**	**235.7**	**196.5**	**103.5**	**106.9**
41.0	76.9	94.2	121.6	27.4	Gross loss-exposed accounts	39.8	75.3	92.8	118.9	23.7
15.1	21.6	22.1	26.0	5.6	- Individual write-downs	15.0	21.1	21.7	24.7	4.4
25.9	**55.3**	**72.1**	**95.6**	**21.8**	**Net loss-exposed accounts**	**24.8**	**54.2**	**71.1**	**94.2**	**19.3**

Non-performing and loss-exposed accounts

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Distressed accounts over 90 days		
285.8	166.0	Business and industry	279.7	160.2
160.6	183.8	Private market	76.4	105.7
446.4	**349.8**	**Total distressed accounts**	**356.1**	**265.9**
82.9	83.8	Individual write-downs	24.3	30.2
363.5	**266.0**	**Net distressed accounts**	**331.8**	**235.7**
19%	24%	Provisions ratio	7%	11%
		Loss exposed (non-distressed) accounts		
35.8	71.1	Business and industry	34.6	70.1
5.2	5.8	Private market	5.2	5.2
41.0	**76.9**	**Gross loss-exposed accounts**	**39.8**	**75.3**
15.1	21.6	Individual write-downs	15.0	21.1
25.9	**55.3**	**Net loss-exposed accounts**	**24.8**	**54.2**
37%	28%	Provisions ratio	38%	28%
		Gross non-performing and loss exposed accounts		
321.6	237.1	Business and industry	314.3	230.3
165.8	189.6	Private market	81.6	110.9
487.4	**426.7**	**Gross non-performing and loss exposed accounts**	**395.9**	**341.2**
98.0	105.4	Individual write-downs	39.3	52.3
389.4	**321.3**	**Net non-performing and loss exposed accounts**	**356.6**	**289.9**
20%	25%	Provisions ratio	10%	15%

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 undertaken any risk related to residual values.

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
4.9	5.2	Within 1 year	0.0	0.0
20.4	31.5	Between 1 and 5 years	0.0	0.0
1.0	1.5	After 5 years	0.0	0.0
26.3	**38.2**	**Gross receivables associated with financial leasing agreements**	**0.0**	**0.0**
4.0	4.6	Non-accrued income associated with financial leasing agreements	0.0	0.0
22.3	**33.6**	**Net receivables associated with financial leasing agreements**	**0.0**	**0.0**
4.5	4.7	Within 1 year	0.0	0.0
16.9	27.6	Between 1 and 5 years	0.0	0.0
0.9	1.3	After 5 years	0.0	0.0
22.3	**33.6**	**Net investments associated with financial leasing agreements**	**0.0**	**0.0**
2.2	2.3	Accumulated loss provisions for outstanding minimum leases	0.0	0.0

NOTE 15 - LOANS AND RECEIVABLES WITH CREDIT INSTITUTIONS

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
8.6	4.1	Loans and receivables with credit institutions without agreed maturities or deadline for dismissal	8.6	3.9
0.0	0.0	Loans and receivables with credit institutions with agreed maturities or deadline for termination	2,093.1	2,911.3
8.6	**4.1**	**Loans and receivables with credit institutions**	**2,101.7**	**2,915.2**
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
8.6	**4.1**	**Net loans and receivables with credit institutions**	**2,101.7**	**2,915.2**

NOTE 16 - LOSSES ON LOANS AND GUARANTEES WITH CREDIT INSTITUTIONS

Group 2013	Group 2012			Parent bank 2013	Parent bank 2012
			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
0.0	1.4	+	Actual losses for the period, where there have previously been individual write-downs	0.0	1.4
0.0	0.0	-	Addition of previously identified losses for the period	0.0	0.0
0.0	0.0	+/-	Amortization costs for the period impairment	0.0	0.0
0.0	**1.4**	=	**Losses on loans and guarantees**	**0.0**	**1.4**
0.0	**0.0**		**Income interest on loans written down**	**0.0**	**0.0**

Changes in non-performing and loss exposed accounts

Group 2013	Group 2012	Group 2011	Group 2010	Group 2009		Parent bank 2013	Parent bank 2012	Parent bank 2011	Parent bank 2010	Parent bank 2009
0.0	0.0	0.0	1.4	156.9	Total distressed accounts	0.0	0.0	0.0	1.4	156.9
0.0	0.0	0.0	0.0	144.9	- Individual write-downs	0.0	0.0	0.0	0.0	144.9
0.0	**0.0**	**0.0**	**1.4**	**12.0**	**Net distressed accounts**	**0.0**	**0.0**	**0.0**	**1.4**	**12.0**
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 2013	Group Gross lending 2012	Group Individual write-downs 2013	Group Individual write-downs 2012	Group Write-downs on groups of loans 2013	Group Write-downs on groups of loans 2012		Parent bank Gross lending 2013	Parent bank Gross lending 2012	Parent bank Individual write-downs 2013	Parent bank Individual write-downs 2012	Parent bank Write-downs on groups of loans 2013	Parent bank Write-downs on groups of loans 2012
8.6	4.1	0.0	0.0	0.0	0.0	Norway	2,101.7	2,915.2	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	Other countries	0.0	0.0	0.0	0.0	0.0	0.0
8.6	**4.1**	**0.0**	**0.0**	**0.0**	**0.0**	**Total**	**2,101.7**	**2,915.2**	**0.0**	**0.0**	**0.0**	**0.0**

NOTE 17 - INTEREST RATE RISK

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

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

Below the net interest rate sensitivity of a parallel shift in yield curve of 1 per centage point is shown. The effect is calculated on the basis that a permanent shift in the yield curve occurs at the measurement date 31.12.13. 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 per centage point will lead to higher net interest the following year. Correspondingly, an immediate reduction in interest will give a reduced net interest.

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

Interest rate sensitivity – group as at 31.12.13

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

Interest rate sensitivity – group as at 31.12.12

Currency	Increase in base points	Sensitivity on result	Sensitivity on equity	Reduction in base points	Sensitivity on result	Sensitivity on equity
NOK	+100	16.8	0.0	-100	-16.8	0.0
EUR	+100	-1.9	0.0	-100	1.9	0.0
Other	+100	-2.4	0.0	-100	2.4	0.0
Total		**12.5**	**0.0**		**-12.5**	**0.0**

Time until expected interest rate change as at 31.12.13 – group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixing interest rate	Total
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net loans to credit institutions	NOK						8.6	8.6
Net loans to customers	NOK	4,415.4	20,855.2		437.3			25,707.9
Certificates and bonds	NOK	827.4	2,127.6	155.3	292.1	54.2		3,456.6
	FOREIGN CURRENCY					46.0		46.0
Financial derivatives	NOK						156.4	156.4
	FOREIGN CURRENCY						36.4	36.4
Other asset items	NOK						732.1	732.1
Total		**5,242.8**	**22,982.8**	**155.3**	**729.4**	**100.2**	**1,291.0**	**30,501.5**
Liabilities								
Liabilities to credit institutions	NOK	100.0	110.0	270.0			0.1	480.1
	FOREIGN CURRENCY	83.8	209.6					293.4
Customer deposits	NOK	3,910.5	8,237.8	390.9				12,539.2
Financial derivatives	NOK						21.0	21.0
	FOREIGN CURRENCY						3.0	3.0
Liabilities incurred when issuing securities	NOK	5,390.9	8,222.2	119.7	20.0			13,752.8
	FOREIGN CURRENCY	284.2						284.2
Subordinate loan capital	NOK	550.0	301.3					851.3
Other debt	NOK						60.9	60.9
Total		**10,319.4**	**17,080.9**	**780.6**	**20.0**	**0.0**	**85.0**	**28,285.9**
Net interest-rate exposure of the balance sheet		**-5,076.6**	**5,901.9**	**-625.3**	**709.4**	**100.2**	**1,206.0**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	250.0	277.4		-477.4	-50.0		
	FOREIGN CURRENCY		38.5			-38.5		
Net exposure		**-4,826,6**	**6,217.8**	**-625.3**	**232.0**	**11.7**	**1,206.0**	

The table is based on values recognised in the balance sheet. Liabilities arising from the issuance of securities where hedge accounting is used include the effect of hedging instruments.

Time until expected interest rate change as at 31.12.12 – group

		Up to 1 month	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
Net loans 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	3,117.9	145.3	264.5	54.5		4,401.2
	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			
	FOREIGN CURRENCY		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. Liabilities arising from the issuance of securities where hedge accounting is used include the effect of hedging instruments.

Interest rate sensitivity – parent bank as at 31.12.13

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

Interest rate sensitivity – parent bank as at 31.12.12

Currency	Increase in base points	Sensitivity on result	Sensitivity on equity	Reduction in base points	Sensitivity on result	Sensitivity on equity
NOK	+100	12.2	0.0	-100	-12.2	0.0
EUR	+100	-1.9	0.0	-100	1.9	0.0
Other	+100	0.0	0.0	-100	0.0	0.0
Total		**10.3**	**0.0**		**-10.3**	**0.0**

Time until expected interest rate change as at 31.12.13 – parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixing interest rate	Total
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net loans to credit institutions	NOK	2,048.1	45.0				8.6	2,101.7
Net loans to customers	NOK	4,369.1	12,146.2		437.3			16,952.6
Certificates and bonds	NOK	827.4	2,369.3	155.3	292.1	54.2		3,698.3
	FOREIGN CURRENCY					46.0		46.0
Financial derivatives	NOK						128.3	128.3
	FOREIGN CURRENCY						4.3	4.3
Other asset items	NOK						1,400.7	1,400.7
Total		**7,244.6**	**14,560.5**	**155.3**	**729.4**	**100.2**	**1,899.4**	**24,689.4**
Liabilities								
Liabilities to credit institutions	NOK	309.7	110.7	270.0			5.2	695.6
	FOREIGN CURRENCY	83.8	209.6					293.4
Customer deposits	NOK	3,923.4	8,237.8	390.9				12,552.1
Financial derivatives	NOK						21.0	21.0

	FOREIGN CURRENCY						3.0	3.0
Liabilities incurred when issuing securities	NOK	3,634.2	4,087.7	119.7	20.0			7,861.6
Subordinate loan capital	NOK	550.0	301.3					851.3
Other debt	NOK						46.2	46.2
Total		**8,501.1**	**12,947.1**	**780.6**	**20.0**	**0.0**	**75.4**	**22,324.2**
Net exposure of the balance sheet		**-1,256.5**	**1,613.4**	**-625.3**	**709.4**	**100.2**	**1,824.0**	
Contract sum for financial derivatives for which hedge accounting has not been used, that affect the interest-rate exposure.	NOK	250.0	277.4		-477.4	-50.0		
	FOREIGN CURRENCY		38.5			-38.5		
Net exposure		**-1,006.5**	**1,929.3**	**-625.3**	**232.0**	**11.7**	**1,824.0**	

The table is based on values recognised in the balance sheet. Liabilities arising from the issuance of securities where hedge accounting is used include the effect of hedging instruments.

Time until expected interest rate change as at 31.12.12 – parent bank

		Up to 1 month	**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
Net loans 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	4,099.2	145.3	264.5	54.5		5,382.4
	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. Liabilities arising from the issuance of securities where hedge accounting is used include the effect of hedging instruments.

NOTE 18 - LIQUIDITY RISK

As long as the bank's loan customers require long-term financing and the bank's deposit customers are able to allocate their deposits at very short notice in practice, there will be a liquidity risk for the bank. As long as the bank's loan customers require long-term financing and the bank's deposit customers are able to allocate their deposits at very short notice in practice, there will be a liquidity risk for the bank. Sparebanken Øst has a conservative liquidity strategy, and the liquidity risk as of the end of 2013 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 terms for capital acquisition and capital deployment. Uncertainty in the financial market has resulted in the fall away of international funding sources the bank has previously used. The bank has thus become more dependent on the Norwegian bond market. The bank has a long-term funding strategy and therefore wishes to have a balanced relationship between long-term and short-term deposits. The framework for short-term deposits, here defined as funding with a remaining maturity of less than 1 year, is set at 15% of the group's total assets. In addition the Financial Supervisory Authority of Norway's liquidity indicator 1 must not fall below 103% (financing > 1 year in % of illiquid assets), with a target of being at 105%. 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**
2013	108.6	111.0	117.4	107.6
2012	115.1	111.1	116.3	106.0

The group's deposits as a per centage of net loans amounted to 48.78% as at 31.12.13 compared with 51.81% a year ago. The bank has no formulated objectives for the relationship between deposits and loans. Other funding in the market takes place by taking up senior unsecured bonds and covered bonds. The coming years will bring with them relatively large demands for refinancing, and the bank wants to factor in the fact that uncertainty in the market may return and will thus seek to refinance at an early stage.

As at 31.12.13 the bank is capable of maintaining normal operations in accordance with the strategy without having to add new liquidity for more than 18 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 covered bonds. Deposits in financial institutions without fixed terms are also included here. In the calculation above the different reduction rates are stated in relation to risk and how good liquidity is deemed to be within the various classed.

Contractual maturity

The time at which the group's financial assets and liabilities mature is shown above. 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 31.12.13 – group

		Up to 1 month	**From 1-3 months**	**From 3 months to 1 year**	**From 1-5 years**	**Over 5 years**	**Without maturity**	**Total**
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net loans to credit institutions	NOK						8.6	8.6
Net loans to customers	NOK	122.7	34.0	799.0	4,681.0	20,074.2		25,710.9
Certificates and bonds	NOK	100.0	70.0	241.0	2,695.3	325.0		3,431.3
	FOREIGN CURRENCY					41.9		41.9
Financial derivatives	NOK			4.7	110.7	41.0		156.4
	FOREIGN CURRENCY			4.3	32.1			36.4
Other asset items	NOK		3.8	96.3	3.4		1,338.1	1,441.6
Total payments		**222.7**	**107.8**	**1,145.3**	**7,522.5**	**20,482.1**	**1,704.2**	**31,184.6**
Liabilities								
Liabilities to credit institutions	NOK		110.0	60.0	310.0		0.1	480.1
	FOREIGN CURRENCY			293.4				293.4
Customer deposits	NOK	95.6	580.7	840.4	15.3		11,007.2	12,539.2
Financial derivatives	NOK				18.1	2.9		21.0
	FOREIGN CURRENCY			3.0				3.0
Liabilities incurred when issuing securities	NOK	206.5	216.5	300.0	10,375.0	2,500.0		13,598.0
	FOREIGN CURRENCY				256.5			256.5
Subordinate loan capital	NOK			300.0	550.0			850.0
Other debt	NOK			259.8				259.8
Total outgoing payments		**302.1**	**907.2**	**2,056.6**	**11,524.9**	**2,502.9**	**11,007.3**	**28,301.0**
Net exposure		**-79.4**	**-799.4**	**-911.3**	**-4,002.4**	**17,979.2**	**-9,303.1**	
Loan pledges		118.4	91.7			105.0		315.1
Unused credit				89.4	1,074.2		189.4	1,353.0
Guarantees						100.0	182.4	282.4

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

The remaining contractual duration as at 31.12.12 – group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Assets								
Cash and receivables at central banks	NOK						702.0	702.0
	FOREIGN CURRENCY						1.3	1.3
Net loans 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	973.0	654.0	2,475.3	220.0		4,372.3
	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 31.12.13 – parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Assets								
Cash and receivables at central banks	NOK						356.0	356.0
	FOREIGN CURRENCY						1.5	1.5
Net loans to credit institutions	NOK			663.6		45.0	1,393.1	2,101.7
Net loans to customers	NOK	122.7	28.3	769.8	2,103.9	13,930.5		16,955.2
Certificates and bonds	NOK	100.0	70.0	241.0	2,937.0	325.0		3,673.0
	FOREIGN CURRENCY					41.9		41.9
Financial derivatives	NOK			4.7	107.2	16.4		128.3
	FOREIGN CURRENCY			4.3				4.3
Other asset items	NOK		3.8	73.9	3.4		1,338.1	1,419.2
Total payments		**222.7**	**102.1**	**1,757.3**	**5,151.5**	**14,358.8**	**3,088.7**	**24,681.1**
Liabilities								
Liabilities to credit institutions	NOK		110.0	60.0	310.0		215.6	695.6
	FOREIGN CURRENCY			293.4				293.4
Customer deposits	NOK	95.6	580.7	838.7			11,037.1	12,552.1
Financial derivatives	NOK				18.1	2.9		21.0
	FOREIGN CURRENCY			3.0				3.0
Liabilities incurred when issuing securities	NOK	206.5	216.5	300.0	6,275.0	750.0		7,748.0
Subordinate loan capital	NOK			300.0	550.0			850.0
Other debt	NOK			398.7				398.7
Total outgoing payments		**302.1**	**907.2**	**2,193.8**	**7,153.1**	**752.9**	**11,252.7**	**22,561.8**
Net exposure		**-79.4**	**-805.1**	**-436.5**	**-2,001.6**	**13,605.9**	**-8,164.0**	
Loan pledges		89.5				105.0		194.5
Unused credit				1,425.7	669.5		309.9	2,405.1
Guarantees						100.0	181.7	281.7

Cash credit is classified in the range "Without term".

The remaining contractual duration as at 31.12.12 – parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Assets								
Cash and receivables at central banks	NOK						702.0	702.0
	FOREIGN CURRENCY						1.3	1.3
Net loans 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	973.0	654.0	3,456.5	220.0		5,353.5
	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”.

Financial liabilities

The nominal value of the bank’s and group’s financial liabilities is shown below. All liabilities are entered to the category for the first possible payment where the contractual payment date is provided. The liabilities are inclusive of future interest payments, and it is the principal sum that is provided. Interest rates and currency rates are as at 31.12.13. Liabilities associate with derivatives are shown in a separate line, and related inflows from derivatives are shown under each table

Maturity analysis for financial liabilities as at 31.12.13 – group

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

Maturity analysis for financial liabilities as at 31.12.12 – group

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
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	11,341.7	2,722.9		16,161.6
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**	**12,630.9**	**2,853.4**	**235.3**	**30,997.0**
Financial derivatives (outflows)	10.0	32.6	111.6	389.1	232.2		775.5
Financial liabilities	**11,457.3**	**1,053.9**	**2,920.4**	**13,020.0**	**3,085.6**	**235.3**	**31,772.5**
Financial derivatives (inflows)	2.6	23.8	211.6	649.3	369.6		1,256.9

Maturity analysis for financial liabilities as at 31.12.13 – parent bank

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

Maturity analysis for financial liabilities as at 31.12.12 – parent bank

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
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

NOTE 19 - CURRENCY RISK

Market risk linked to currency risk as at 31.12.13

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

Market risk linked to currency risk as at 31.12.12

Currency	Increase in currency rate %	Effect on pre-tax profit	Effect on equity	Reduction in currency rate %	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**

The bank has a low currency exposure. As at 31.12.31 the bank's open net position was NOK 10.7 million (NOK 8.9 million as at 31.12.12). 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 - CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Group as at 31.12.13

	Fair value through profit and loss					
	Held for trading	**Designated at fair value**	**Available for sale**	**Held to maturiy**	**Amortised cost***	**Total**
Cash and receivables at central banks	0.0	0.0	0.0	0.0	357.5	357.5
Net loans and receivables with credit institutions	0.0	0.0	0.0	0.0	8.6	8.6
Net loans and receivables with customers	0.0	0.0	0.0	0.0	25,707.9	25,707.9
Certificates, bonds, etc. at fair value	2,591.8	710.1	0.0	0.0	0.0	3,301.9
Shares and units	23.5	0.0	627.4	0.0	0.0	650.9
Financial derivatives**	192.8	0.0	0.0	0.0	0.0	192.8
Certificates and bonds, held to maturity	0.0	0.0	0.0	200.7	0.0	200.7
Total financial assets	**2,808.1**	**710.1**	**627.4**	**200.7**	**26,074.0**	**30,420.3**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	773.5	773.5
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	12,539.2	12,539.2
Liabilities incurred when issuing securities	0.0	0.0	0.0	0.0	14,037.0	14,037.0
Financial derivatives**	24.0	0.0	0.0	0.0	0.0	24.0
Subordinate loan capital	0.0	0.0	0.0	0.0	851.3	851.3
Total financial liabilities	**24.0**	**0.0**	**0.0**	**0.0**	**28,201.0**	**28,225.0**

* Includes secured debt.

** Includes derivatives where hedge accounting is used.

Group as at 31.12.12

	Fair value through profit and loss					
	Held for trading	Designated at fair value	Available for sale	Held to maturiy	Amortised cost*	Total
Cash and receivables at central banks	0.0	0.0	0.0	0.0	703.3	703.3
Net loans and receivables with credit institutions	0.0	0.0	0.0	0.0	4.1	4.1
Net loans and receivables with customers	0.0	0.0	0.0	0.0	22,560.2	22,560.2
Certificates, bonds, etc. at fair value	3,121.4	1,069.9	0.0	0.0	0.0	4,191.3
Shares and units	527.3	0.0	454.6	0.0	0.0	981.9
Financial derivatives**	235.9	0.0	0.0	0.0	0.0	235.9
Certificates and bonds, held to maturity	0.0	0.0	0.0	251.3	0.0	251.3
Total financial assets	**3,884.6**	**1,069.9**	**454.6**	**251.3**	**23,267.6**	**28,928.0**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	844.5	844.5
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	11,687.9	11,687.9
Liabilities to the state, exchange of OMF covered bonds	0.0	0.0	0.0	0.0	493.5	493.5
Liabilities incurred when issuing securities	0.0	0.0	0.0	0.0	13,612.0	13,612.0
Financial derivatives**	51.7	0.0	0.0	0.0	0.0	51.7
Subordinate loan capital	0.0	0.0	0.0	0.0	508.4	508.4
Total financial liabilities	**51.7**	**0.0**	**0.0**	**0.0**	**27,146.3**	**27,198.0**

* Includes secured debt.
** Includes derivatives where hedge accounting is used.

Parent bank as at 31.12.13

	Fair value through profit and loss					
	Held for trading	Designated at fair value	Available for sale	Held to maturiy	Amortised cost*	Total
Cash and receivables at central banks	0.0	0.0	0.0	0.0	357.5	357.5
Net loans and receivables with credit institutions	0.0	0.0	0.0	0.0	2,101.7	2,101.7
Net loans and receivables with customers	0.0	0.0	0.0	0.0	16,952.6	16,952.6
Certificates, bonds, etc. at fair value	2,833.5	710.1	0.0	0.0	0.0	3,543.6
Shares and units	23.5	0.0	627.4	0.0	0.0	650.9
Financial derivatives**	132.6	0.0	0.0	0.0	0.0	132.6
Certificates and bonds, held to maturity	0.0	0.0	0.0	200.7	0.0	200.7
Total financial assets	**2,989.6**	**710.1**	**627.4**	**200.7**	**19,411.8**	**23,939.6**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	989.0	989.0
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	12,552.1	12,552.1
Liabilities incurred when issuing securities	0.0	0.0	0.0	0.0	7,861.6	7,861.6
Financial derivatives**	24.0	0.0	0.0	0.0	0.0	24.0
Subordinate loan capital	0.0	0.0	0.0	0.0	851.3	851.3
Total financial liabilities	**24.0**	**0.0**	**0.0**	**0.0**	**22,254.0**	**22,278.0**

* Includes secured debt.
** Includes derivatives where hedge accounting is used.

Parent bank as at 31.12.12

	Fair value through profit and loss					
	Held for trading	**Designated at fair value**	**Available for sale**	**Held to maturiy**	**Amortised cost***	**Total**
Cash and receivables at central banks	0.0	0.0	0.0	0.0	703.3	703.3
Net loans and receivables with credit institutions	0.0	0.0	0.0	0.0	2,915.2	2,915.2
Net loans and receivables with customers	0.0	0.0	0.0	0.0	13,052.2	13,052.2
Certificates, bonds, etc. at fair value	3,121.4	2,051.1	0.0	0.0	0.0	5,172.5
Shares and units	527.3	0.0	454.6	0.0	0.0	981.9
Financial derivatives**	184.8	0.0	0.0	0.0	0.0	184.8
Certificates and bonds, held to maturity	0.0	0.0	0.0	251.3	0.0	251.3
Total financial assets	**3,833.5**	**2,051.1**	**454.6**	**251.3**	**16,670.7**	**23,261.2**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	940.8	940.8
Deposits from and liabilities to customers	0.0	0.0	0.0	0.0	11,670.7	11,670.7
Liabilities to the state, exchange of OMF covered bonds	0.0	0.0	0.0	0.0	493.5	493.5
Liabilities incurred when issuing securities	0.0	0.0	0.0	0.0	8,204.6	8,204.6
Financial derivatives**	51.7	0.0	0.0	0.0	0.0	51.7
Subordinate loan capital	0.0	0.0	0.0	0.0	508.4	508.4
Total financial liabilities	**51.7**	**0.0**	**0.0**	**0.0**	**21,818.0**	**21,869.7**

* Includes secured debt.
** Includes derivatives where hedge accounting is used.

NOTE 21 - FINANCIAL DERIVATIVES

Interest rate and exchange rate derivatives have been entered into for the group's fixed interest bond loans and foreign currency bond loans to reduce interest rate and exchange rate risk. The hedge ratio is one-to-one and hedge accounting is used. No significant ineffectiveness of the hedges in 2013 and 2012 is recognised in the accounts. The change in value of financial derivatives used for hedge accounting was NOK 16.1 million (NOK 79.1 million in 2012) with the equivalent change in value in hedged objects. For recognised changes in value, profit/loss, refer to Note 29.

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

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

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

Group 2013 Fair value					Parent bank 2013 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	6.6	38.5	Currency swap contracts (currency swaps)	38.5	0.0	6.6
0.0	**6.6**	**38.5**	**Total currency instruments**	**38.5**	**0.0**	**6.6**
			Interest rate instruments			
1.1	11.4	527.4	Interest rate swap contracts (interest rate swaps)	527.4	1.1	11.4
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
1.1	**11.4**	**527.4**	**Total interest rate instruments**	**527.4**	**1.1**	**11.4**
10.3	0.0	242.0	Guarantee to Eksportfinans ASA*	242.0	10.3	0.0
10.3	**0.0**	**242.0**	**Total other derivatives**	**242.0**	**10.3**	**0.0**

Group 2013 Fair value					Parent bank 2013 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
36.4	3.0	544.2	Currency swap contracts (currency swaps)	292.1	4.3	3.0
36.4	**3.0**	**544.2**	**Total currency instruments**	**292.1**	**4.3**	**3.0**
			Interest rate instruments			
145.0	3.0	5,195.5	Interest rate swap contracts (interest rate swaps)	4,295.5	116.9	3.0
0.0	0.0	0.0	Interest rate swap contracts (FRA)	0.0	0.0	0.0
0.0	0.0	0.0	Standard interest rate swap contracts (futures)	0.0	0.0	0.0
145.0	**3.0**	**5,195.5**	**Total interest rate instruments**	**4,295.5**	**116.9**	**3.0**
192.8	**24.0**		**Total derivatives**		**132.6**	**24.0**

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

Group 2012 Fair value Assets	Liabilities	Contract amounts	Financial derivatives at fair value through in income	Contract amounts	Parent bank 2012 Fair value 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 Assets	Liabilities	Contract amounts	Financial derivatives used for hedge accounting	Contract amounts	Parent bank 2012 Fair value 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 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 obligations in accordance with the contra-guarantee concluded.

NOTE 22 - NETTING RIGHTS OF FINANCIAL INSTRUMENTS

The group's netting rights are in compliance with general rules in Norwegian legislation. Standardised and mainly bilateral ISDA agreements have been entered into with financial institutions, which give the parties netting rights in the event of any default. Further, additional agreements regarding the provision of security have been entered into (CSA). No netting has been carried out on amounts recognised in the balance sheet in accordance with the disclosure requirement regarding netting.

In the parent bank, there are no agreements regarding netting rights in the event of any default and no CSA agreements have been entered into.

Group As at 31.12.2013 exposure was as follows:	Gross amount	Counter-claim	Balance sheet value	Amount subject to net settlement	Value after possible net settlement
Financial derivatives assets	60.3	0.0	60.3	0.0	60.3
Financial derivatives liabilities	0.0	0.0	0.0	0.0	0.0

Group As at 31.12.12 exposure was as follows:	Gross amount	Counter-claim	Balance sheet value	Amount subject to net settlement	Value after possible net settlement
Financial derivatives assets	51.2	0.0	51.2	0.0	51.2
Financial derivatives liabilities	0.0	0.0	0.0	0.0	0.0

NOTE 23 - FINANCIAL ASSETS AND LIABILITIES

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

Valuation of financial assets and liabilities at fair value
General
The bank uses the following appreciation hierarchy to determine the fair value of financial instruments:

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

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

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

Fair value of net loans to and receivables with credit institutions is classified in level 3. These are loans and receivables without maturity and fair value is assessed in accordance with the same methods used for the bank's other lending portfolios with variable interest rates.

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

In the assessment of the value of the bank's bond portfolio, 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 Norwegian Treasury bills, are placed in pricing hierarchy level 2. This is due to 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.

Shares and units
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 31.12.13 the bank values 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.

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

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

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

Debt securities
Liabilities arising from the issuance of securities and subordinated loan capital are classified under level 2. These follow the same measurement principles as bonds and certificates on the assets side.

31.12.13 – group	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Book value**
Amortised cost					
Cash and receivables at central banks	357.5	0.0	0.0	357.5	357.5
Net loans and receivables with credit institutions	0.0	0.0	8.6	8.6	8.6
Net loans and receivables with customers	0.0	0.0	25,717.3	25,717.3	25,707.9
Certificates, bonds and other interesting bearing securities	0.0	215.6	0.0	215.6	200.7
Total assets at amortised cost	**357.5**	**215.6**	**25,725.90**	**26,299.0**	**26,274.7**
Liabilities to credit institutions	0.0	773.5	0.0	773.5	773.5
Deposits from and liabilities to customers	0.0	12,539.2	0.0	12,539.2	12,539.2
Liabilities incurred when issuing securities	0.0	14,196.8	0.0	14,196.8	14,037.0
Subordinate loan capital	0.0	851.9	0.0	851.9	851.3
Total liabilities at amortised cost	**0.0**	**28,361.4**	**0.0**	**28,361.4**	**28,201.0**
Fair value					
Certificates, bonds and other interesting bearing securities	0.0	3,301.9	0.0	3,301.9	3,301.9
Shares, units and other securities					
-at fair value through profit and loss	6.8	16.7	0.0	23.5	23.5
-available for sale	0.0	0.0	627.4	627.4	627.4
Financial derivatives	0.0	192.8	0.0	192.8	192.8
Total assets at fair value	**6.8**	**3,511.4**	**627.4**	**4,145.6**	**4,145.6**
Financial derivatives	0.0	24.0	0.0	24.0	24.0
Total liabilities at fair value	**0.0**	**24.0**	**0.0**	**24.0**	**24.0**

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

Shares and units

Disposals in level 3 in 2013 of NOK 4 million are related to the repayment of paid-up capital related to the liquidation of a company. The positive value change of NOK 176.3 million belongs to the available for sale category. Of this NOK 1.9 million represents write-downs and is included in “Net value changes and profit/loss on financial instruments” through profit and loss, while NOK 178.8 million is the net positive value change and included in “changes in fair value for investments available for sale” in the overall result. The two largest individual items are related to value adjustments for Frende Holding AS of NOK 105.2 million to NOK 226.0 million, and Nets Holding AS of NOK 78.5 million to NOK 174.9 million.

The fair value of the shares as at 31.12.13 in Frende Holding AS is based on the price upon the sale of shares to Sparebanken Sogn og Fjordane and Sparebanken Sør. The value of the shares in Nets Holding AS is based on a substantive assessment of the company’s value as at 31.12.13 based on future earnings. The valuation has been agreed upon with other owners in Nets Holding AS.

The valuation of shares in Eksportfinans ASA is based on the bank’s portion of book equity in Eksportfinans ASA corrected for unrealised gains on the company’s long-term deposits. An overall assessment indicates that there is no basis for re-assessment of the shareholding as at 31.12.13. Bank shares are generally priced below book value. Uncertainty concerning lawsuits related to the company’s bonds in Japan indicates that a write-up of the shares is not currently relevant.

31.12.12 – group	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Book value**
Amortised cost					
Cash and receivables at central banks	703.3	0.0	0.0	703.3	703.3
Net loans and receivables with credit institutions	0.0	0.0	4.1	4.1	4.1
Net loans and receivables with customers	0.0	0.0	22,569.4	22,569.4	22,560.2
Certificates, bonds and other interesting bearing securities	0.0	273.8	0.0	273.8	251.3
Total assets at amortised cost	**703.3**	**273.8**	**22,573.5**	**23,550.6**	**23,518.9**
Liabilities to credit institutions	0.0	844.5	0.0	844.5	844.5
Deposits from and liabilities to customers	0.0	11,687.9	0.0	11,687.9	11,687.9
Liabilities to the state, exchange of OMF covered bonds	0.0	493.5	0.0	493.5	493.5
Liabilities incurred when issuing securities	0.0	13,719.3	0.0	13,719.3	13,612.0
Subordinate loan capital	0.0	505.6	0.0	505.6	508.4
Total liabilities at amortised cost	**0.0**	**27,250.8**	**0.0**	**27,250.8**	**27,146.3**
Fair value					
Certificates, bonds and other interesting bearing securities	496.4	3,694.9	0.0	4,191.3	4,191.3
Shares, units and other securities					
-at fair value through profit and loss	5.1	522.2	0.0	527.3	527.3
-available for sale	0.0	0.0	454.6	454.6	454.6
Financial derivatives	0.0	235.9	0.0	235.9	235.9
Total assets at fair value	**501.5**	**4,453.0**	**454.6**	**5,409.1**	**5,409.1**
Financial derivatives	0.0	51.7	0.0	51.7	51.7
Total liabilities at fair value	**0.0**	**51.7**	**0.0**	**51.7**	**51.7**

Movement in level 3	**Fair value**
Balance as at 01.01.12	441.6
Additions/purchases	7.7
Disposal	0.0
Value change	5.3
Transferred from level 1 and 2	0.0
Balance as at 31.12.12	**454.6**

In 2012 the value change on shares and equity certificates classified as available for sale amounted to NOK 5.3 million.

Unlisted shares and equity certificates are included in the category available for sale. The year’s value change in shares and equity certificates classified as available for sale total 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.

31.12.13 – parent bank	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and receivables at central banks	357.5	0.0	0.0	357.5	357.5
Net loans and receivables with credit institutions	0.0	0.0	2,101.7	2,101.7	2,101.7
Net loans and receivables with customers	0.0	0.0	16,962.0	16,962.0	16,952.6
Certificates, bonds and other interesting bearing securities	0.0	215.6	0.0	215.6	200.7
Total assets at amortised cost	**357.5**	**215.6**	**19,063.7**	**19,636.8**	**19,612.5**
Liabilities to credit institutions	0.0	989.0	0.0	989.0	989.0
Deposits from and liabilities to customers	0.0	12,552.1	0.0	12,552.1	12,552.1
Liabilities incurred when issuing securities	0.0	7,969.6	0.0	7,969.6	7,861.6
Subordinate loan capital	0.0	851.9	0.0	851.9	851.3
Total liabilities at amortised cost	**0.0**	**22,362.6**	**0.0**	**22,362.6**	**22,254.0**
Fair value					
Certificates, bonds and other interesting bearing securities	0.0	3,543.6	0.0	3,543.6	3,543.6
Shares, units and other securities					
-at fair value through profit and loss	6.8	16.7	0.0	23.5	23.5
-available for sale	0.0	0.0	627.4	627.4	627.4
Financial derivatives	0.0	132.6	0.0	132.6	132.6
Total assets at fair value	**6.8**	**3,692.9**	**627.4**	**4,327.1**	**4,327.1**
Financial derivatives	0.0	24.0	0.0	24.0	24.0
Total liabilities at fair value	**0.0**	**24.0**	**0.0**	**24.0**	**24.0**

31.12.12 – parent bank	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Cash and receivables at central banks	703.3	0.0	0.0	703.3	703.3
Net loans and receivables with credit institutions	0.0	0.0	2,915.2	2,915.2	2,915.2
Net loans and receivables with customers	0.0	0.0	13,061.4	13,061.4	13,052.2
Certificates, bonds and other interesting bearing securities	0.0	273.8	0.0	273.8	251.3
Total assets at amortised cost	**703.3**	**273.8**	**15,976.6**	**16,953.7**	**16,922.0**
Liabilities to credit institutions	0.0	940.8	0.0	940.8	940.8
Deposits from and liabilities to customers	0.0	11,670.7	0.0	11,670.7	11,670.7
Liabilities to the state, exchange of OMF covered bonds	0.0	493.5	0.0	493.5	493.5
Liabilities incurred when issuing securities	0.0	8,264.2	0.0	8,264.2	8,204.6
Subordinate loan capital	0.0	505.6	0.0	505.6	508.4
Total liabilities at amortised cost	**0.0**	**21,874.8**	**0.0**	**21,874.8**	**21,818.0**
Fair value					
Certificates, bonds and other interesting bearing securities	496.4	4,676.1	0.0	5,172.5	5,172.5
Shares, units and other securities					
-at fair value through profit and loss	5.1	522.2	0.0	527.3	527.3
-available for sale	0.0	0.0	454.6	454.6	454.6
Financial derivatives	0.0	184.8	0.0	184.8	184.8
Total assets at fair value	**501.5**	**5,383.1**	**454.6**	**6,339.2**	**6.339.2**
Financial derivatives	0.0	51.7	0.0	51.7	51.7
Total liabilities at fair value	**0.0**	**51.7**	**0.0**	**51.7**	**51.7**

NOTE 24 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Group as at 31.12.13

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	357.5	0.0	357.5
Net loans and receivables with credit institutions	8.6	0.0	8.6
Net loans and receivables with customers	954.3	24,753.6	25,707.9

Securities – held for trading	245.3	2,346.5	2,591.8
Securities – appointed at fair value through profit and loss	166.4	567.2	733.6
Financial derivatives	9.0	183.8	192.8
Securities – available for sale	0.0	627.4	627.4
Securities – held to maturity	0.0	200.7	200.7
Deferred tax assets	0.0	0.0	0.0
Property, plant and equipment	0.0	529.9	529.9
Other assets	123.0	4.1	127.1
Total assets	**1,864.1**	**29,213.2**	**31,077.3**
Liabilities			
Liabilities to credit institutions	463.5	310.0	773.5
Deposits from and liabilities to customers	12,523.9	15.3	12,539.2
Financial derivatives	3.0	21.0	24.0
Liabilities incurred when issuing securities	733.6	13,303.4	14,037.0
Deferred tax obligation	0.0	29.5	29.5
Other liabilities	257.3	37.6	294.9
Subordinate loan capital	300.4	550.9	851.3
Total liabilities	**14,281.7**	**14,267.7**	**28,549.4**

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

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
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	1,436.3	2,398.6	3,834.9
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	21.4	21.4
Other liabilities	260.8	25.0	285.8
Subordinate loan capital	199.9	308.5	508.4
Total liabilities	**13,945.9**	**13,559.3**	**27,505.2**

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

Parent bank as at 31.12.13

	Up to 12 months	Over 12 months	Total
Assets			
Cash and receivables at central banks	357.5	0.0	357.5
Net loans and receivables with credit institutions	2,101.7	0.0	2,101.7
Net loans and receivables with customers	919.5	16,033.1	16,952.6
Securities – held for trading	245.3	2,588.2	2,833.5
Securities – appointed at fair value through profit and loss	166.4	567.2	733.6
Financial derivatives	9.0	123.6	132.6
Securities – available for sale	0.0	627.4	627.4
Securities – held to maturity	0.0	200.7	200.7
Investment in subsidiaries	0.0	687.2	687.2
Deferred tax assets	0.0	4.0	4.0
Property, plant and equipment	0.0	72.8	72.8
Other assets	77.2	4.1	81.3
Total assets	**3,876.6**	**20,908.3**	**24,784.9**

Liabilities			
Liabilities to credit institutions	679.0	310.0	989.0
Deposits from and liabilities to customers	12,552.1	0.0	12,552.1
Financial derivatives	3.0	21.0	24.0
Liabilities incurred when issuing securities	733.6	7,128.0	7,861.6
Other liabilities	166.2	35.9	202.1
Subordinate loan capital	300.4	550.9	851.3
Total liabilities	**14,434.3**	**8,045.8**	**22,480.1**

Call/put loans are divided by 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
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	1,436.3	2,398.6	3,834.9
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	251.3
Investment in subsidiaries	0.0	616.2	616.2
Deferred tax assets	0.0	10.6	10.6
Property, plant and equipment	0.0	67.6	67.6
Other assets	92.2	7.6	99.8
Total assets	**6,083.3**	**17,972.1**	**24,055.4**
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	194.3	21.6	215.9
Subordinate loan capital	199.9	308.5	508.4
Total liabilities	**13,980.6**	**8,105.0**	**22,085.6**

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

NOTE 25 - ACCOUNT WITH GROUP COMPANIES

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

	31.12.13	31.12.12
Result		
Interest income and similar income		
Interest income from subsidiaries	72.2	83.3
Interest certificates and covered bonds from subsidiaries	17.3	29.4
Interest expenses and similar expenses		
Interest and commissions to subsidiaries	2.9	2.2
Dividend/Group contributions received		
Dividend/Group contribution from subsidiary.	71.0	48.0
Commission income and income from banking services		
Other income from subsidiaries	13.9	13.8
Other operating expenses		
Rent to subsidiaries	7.3	7.9

Other costs to subsidiaries	0.2	0.2

Balance sheet

Loans to and deposits with credit institutions		
Loans to subsidiaries	2,093.1	2,911.3
Loans and receivables with customers		
Loans to subsidiaries	308.1	327.0
Certificates, bonds and other interesting bearing securities		
Investments OMF in subsidiaries	241.8	978.9
Prepaid non-accrued costs and earned not received incomes		
Accrued interest receivable	1.2	2.8
Accrued interest income Covered bonds (OMF)	0.6	0.9
Other receivables	0.0	3.9
Liabilities to credit institutions		
Deposits from subsidiaries	215.5	122.8
Customer deposits		
Deposits from subsidiaries	30.2	7.6
Other liabilities		
Other liabilities to subsidiaries	1.1	5.4

NOTE 26 - NET INTEREST AND CREDIT COMMISSION INCOME

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
8.1	12.1	Interests and similar income from loans and receivables with credit institutions	65.5	77.9
2.2	3.1	Interests and similar incomes from leasing agreements	0.0	0.0
1,146.2	1,103.6	Interests and similar income from loans and receivables with customers	707.8	684.8
9.1	10.5	Interests and similar income from bonds held to maturity	9.1	10.5
		Interests and similar income from financial assets that are written down		
0.0	0.0	Loans to and deposits with credit institutions	0.0	0.0
22.1	20.4	Loans and receivables with customers	14.9	12.4
0.5	0.2	Other interest income and similar income	0.0	0.0
1,188.2	1,149.9	Total interest income and similar income for instruments at amortised cost	797.3	785.6
63.1	65.2	Interest and similar income from certificates, bonds, etc. held for trading	64.0	66.8
22.1	39.5	Interests and similar income from certificates, bonds, etc. brought to fair value	38.5	67.2
85.2	104.7	Total interest and similar income for instruments at fair value through profit and loss	102.5	134.0
1,273.4	**1,254.6**	**Interest income and similar income**	**899.8**	**919.6**
20.4	32.3	Interests and similar costs for liabilities to credit institutions	22.7	32.7
272.1	216.5	Interests and similar costs for deposits from and liabilities to customer	271.5	216.0
381.0	469.5	Interests and similar costs for liabilities for issued securities	240.6	308.8
25.3	26.8	Interests and similar costs for subordinate loan capital	25.3	26.8
10.1	0.0	Other interest expenses and similar expenses	10.1	0.0
708.9	**745.1**	**Interest expenses and similar expenses for instruments at amortised cost**	**570.2**	**584.3**
564.5	**509.5**	**Net interest and credit commission income**	**329.6**	**335.3**

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

Group 2013		Group 2012			Parent bank 2013		Parent bank 2012	
Avg. int. bearing balance	Avg. interest rate,%	Avg. int. bearing balance	Avg. interest rate,%		Average interest payment balance	Avg. interest rate,%	Avg. Int. bearing balance	Avg. interest rate,%
				Assets				
584.0	1.39	700.7	1.73	Net loans to credit institutions*	2,986.6	2.19	2,931.8	2.66
24,089.8	4.86	22,440.1	5.02	Net loans to customers	15,067.7	4.80	13,934.0	5.00
3,844.8	2.45	4,044.1	2.85	Placing in securities	4,521.7	2.47	5,053.8	2.86
				Liabilities				
835.7	2.45	1,068.6	3.02	Deposits from credit institutions	983.3	2.30	1,120.3	2.92
12,378.5	2.20	10,698.2	2.02	Customer deposits	12,373.8	2.19	10,691.9	2.02
14,308.0	2.84	14,535.9	3.41	Securities deposits	8,581.4	3.10	9,313.8	3.60

*Includes receivables from central banks.

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

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

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
0.5	5.5	Dividends from equity instruments valued at fair value through profit and loss	0.5	5.5
12.5	5.9	Dividends from equity instruments classified as available for sale	12.5	5.9
0.0	0.0	Dividends and group contributions from group companies	98.6	48.0
13.0	**11.4**	**Dividends and other income from securities with variable yields**	**111.6**	**59.4**

NOTE 28 - NET COMMISSION INCOME

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
6.4	12.0	Charge guarantees and letters of credit	6.4	12.0
0.0	0.0	Credit disclosure fees	11.6	11.0
49.5	50.1	Charges payment transfers	49.5	50.2
1.5	1.5	Interbank charges	1.5	1.5
2.3	2.1	Securities dealing and management charges	2.3	2.1
13.2	12.6	Charges – insurance	13.2	12.6
7.5	7.8	Other charges and commissions	5.8	6.0
80.4	**86.1**	**Total commission income, etc.**	**90.3**	**95.4**
28.6	24.3	Agency fees	1.9	0.1
7.6	9.6	Payments and electronic services	8.3	9.1
3.0	3.0	Interbank expenses	3.0	3.0
1.4	1.4	Other commission expenses	1.4	1.4
40.6	**38.3**	**Total commission income, etc.**	**14.6**	**13.6**
39.8	**47.8**	**Net commission income, etc.**	**75.7**	**81.8**

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

Recognised in the profit and loss statement

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Value change and gains/losses on financial instruments at fair value through profit and loss		
-2.2	51.0	Value change of bonds and certificates – appointed at fair value	-4.6	53.4
0.2	-52.3	Realised gains/losses on bonds and certificates – appointed at fair value	3.0	-52.3
-2.0	**-1.3**	**Value change and gains/losses on financial instruments designated at fair value**	**-1.6**	**1.1**
10.1	17.4	Value change in equity instruments and money-market funds – held for trading	10.1	17.4
1.3	-17.4	Realised gains/losses on equity instruments and money market funds – held for trading	1.3	-17.4
-1.3	18.5	Value change of bonds and certificates – held for trading	-1.4	20.1
3.2	-2.4	Realised gains/losses on equity instruments – held for trading	3.2	-2.4
6.3	46.1	Change in value of derivatives – hedge accounting not applied	6.3	46.1
2.3	0.2	Realised gains/losses on derivatives – hedge accounting not applied	2.3	0.2
21.9	**62.4**	**Value change and gains/losses on financial instruments held for trading**	**21.8**	**64.0**
19.9	**61.1**	**Value change and gains/losses on financial instruments at fair value**	**20.2**	**65.1**
16.1	79.1	Financial derivatives – hedge accounting	7.0	45.4
-16.1	-79.1	Financial liabilities – hedged	-7.0	-45.4
0.0	**0.0**	**Total net hedged items***	**0.0**	**0.0**
		Value change and gains/losses on financial instruments available for sale		
-1.9	0.0	Write-downs of equity instruments – available for sale	-1.9	0.0
0.0	0.0	Realised gains/losses on equity instruments – available for sale	0.0	0.0
-1.9	**0.0**	**Value change and gains/losses on financial instruments available for sale**	**-1.9**	**0.0**
		Value change and gains/losses on financial instruments held to maturity		
0.0	0.0	Realised gains/losses from certificates and bonds	0.0	0.0
0.0	**0.0**	**Value change and gains/losses on financial instruments held to maturity**	**0.0**	**0.0**
		Currency trading		
5.3	-2.4	- Net conversion gain	5.3	-2.4
3.1	3.6	- Net transaction gain	3.1	3.6
8.4	**1.2**	**Total net income from currency trading**	**8.4**	**1.2**
26.4	**62.3**	**Value changes and gains/losses on financial instruments**	**26.7**	**66.3**

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

Refer to Note 27 for dividends and other income from securities with variable yields.

Recognised in the profit and loss statement

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Value change on financial instruments available for sale		
178.8	5.3	Value change on equity instruments through overall results – available for sale*	178.8	5.3
178.8	**5.3**	**Value change on financial instruments available for sale**	**178.8**	**5.3**

- See Note 23 for a more detailed description regarding value change on equity instruments through profit and loss – available for sale.

NOTE 30 - OTHER OPERATING INCOME

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
25.3	23.3	Leasing income investment properties	0.0	0.0
6.7	6.7	Operating incomes real estate	0.1	0.2
13.0	6.1	Profit on the sale of real estate	0.0	0.0
10.2	10.6	Other operating income	6.3	7.2
55.2	**46.7**	**Other operating income**	**6.4**	**7.4**

NOTE 31 - SALARIES AND OTHER REMUNERATION

Group 2013	Group 2012	Amount in NOK thousands	Parent bank 2013	Parent bank 2012
122,592	121,513	Salaries	102,847	103,696
19,014	17,952	National Insurance contributions	15,844	14,977
		Pensions		
8,774	11,949	– contribution-based	7,270	9,886
3,198	2,840	– deposit-based	2,801	2,540
10,631	9,397	Social costs	8,659	7,841
164,209	**163,651**	**Total salaries, etc.**	**137,421**	**138,940**
233	224	Number of man-year equivalents as at 31.12	202	195
242	237	Number of employees as at 31.12	211	205
228	234	Average total full-time equivalent positions	197	205
239	249	Average number of employees	208	218

Remuneration 2013 – parent bank

Remuneration to the CEO was NOK 2,578,682. The retirement age for the CEO is 67 years. The CEO is a member of the bank's defined benefit pension scheme and earns pension rights in the same way as other employees. If the CEO decides to leave the bank no severance pay will be due in excess of the salary agreed for the notice period of 6 months. If the bank terminates the CEO's employment the CEO has the right to claim severance pay for 3 years from the termination date – the salary basis is annual salary at the time of termination. Apart from this no employee or employee representative has severance pay or subscription rights, options, or bonus agreements. No additional remuneration for special services in addition to normal functions for a manager has been given.

NOK 2.3 million has been allocated for profit sharing to the bank's employee, and a one-off bonus to the senior management group.

Remuneration to the senior management group in 2013

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

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

Remuneration, Board of Directors 2013

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

Remuneration, other officers 2013

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

Remuneration to the senior management group in 2012

Amount in NOK thousands		Remuneration*	Salaries	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	Director, commercial market – until 31.08.12		572	67	34	673		3,451
Halvor Kirkebøen	Director, commercial market – 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.

Remuneration, Board of Directors 2012

Amount in NOK thousands		Remuneration*	Salaries	Pension	Paid profit sharing	Payment in kind	Total	Loans
Jorund Rønning Indrelid	Chairman of the Board of Directors	255					255	
Knut Smedsrud	Deputy Chairman of the Board of Directors	150					150	
Morten André Yttreeide	Board members as from 29.03.12							
Sverre Nedberg	Member of the Board	142					142	
Roar Norheim Larsen	Member of the Board	100					100	
Elly Therese Thoresen	Board member as from 29.03.12	2					2	
Hanne Solem	Member of the Board	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 officers 2012

Amount in NOK thousands		Remuneration*	Salaries	Pension	Paid profit sharing	Payment in kind	Total	Loans
Øivind Andersson	Chairman of the control committee	67					67	8
Randi H. Sandli	Member of control committee							
Eli Kristin Nordsiden	Member of control committee	40					40	
Sjur Kortgaard	Member of 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	Trustee member	7					7	
Siren Coward	Employee representative	8	705	89		24	826	2,642
Dag Fjeld Edvardsen	Trustee member	2					2	
Sissel Album Fjeld	Employee representative	13	492	44		24	573	1,671
Inger Haug Fjerdingstad	Trustee member	3					3	
Øivind Granlund	Trustee member	3					3	
Kåre J. Grøtta	Trustee member	6					6	
Arne Gundersen	Trustee member	2					2	
Thomas F. Halvorsen	Trustee member	11					11	2,245
Asbjørn R. Hansen	Trustee member	2					2	
Øivind Haugen	Employee representative	3	431	38		25	497	1,669
Ole B. Hoen	Trustee member	2					2	348
Helle Elisabeth Hofgaard	Trustee member	3					3	4,910
Iver A. Juel	Trustee member	3					3	
Steinar Karlsen	Trustee member	2					2	
Bernt K. Krabberød	Trustee member	2					2	
Vegard Kvamme	Employee representative	3	678	51		24	756	1
Jørn Larsen	Trustee member	3					3	
Halldis Kjøs Lien	Employee representative	3	471	41		21	536	1,973
Thor-Kristian Lien	Trustee member	15					15	
Anne Irene Lunden	Employee representative	8	626	63		19	716	1,050
Frode Lund Nielsen	Trustee member	2					2	2,093
Oddmar Nilsen	Trustee member	3					3	922
Borghild M. Dahler Nordlid	Trustee member	3					3	
Geir Opdahl	Employee representative	2	453	24		20	499	3,586
Rune Paule	Employee representative	3	481	39		20	543	1,950
Stian Pettersen	Trustee member	2					2	
Gunnvor Ramnefjell	Trustee member	2					2	
Morten Ranvik	Trustee member							401
Nils Johan Rønniksen	Trustee member	3					3	
Anne-Tonje Sanden	Trustee member	3					3	
Gunnar Sanden	Employee representative	3	632	58		31	724	1,989
Marianne Seip	Trustee member	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	Trustee member	3					3	182
Tom R. Svendsen	Trustee member	3					3	
Turid Solberg Thomassen	Trustee member	2					2	
Øyvind Thorsby	Trustee member	2					2	
Petter Thoresen	Trustee member	2					2	
Finn Wang	Trustee member	7					7	
Jon Aas	Trustee member	3					3	3,059
Johan Aasen	Trustee member	16					16	
Total, Trustees		**224**	**6,086**	**563**		**253**	**7,126**	**35,467**

NOTE 32 - RELATED PARTIES

Amount in NOK thousands	Senior management group 2013	2012	The Board and control committee 2013	2012	Other related parties 2013	2012
Loans						
Outstanding loans as at 01.01.	15,606	14,918	1,683	2,698	35,467	32,329
Net changes in loans in the period	-3,969	688	1,376	-1,015	-6,668	3,138
Outstanding loans as at 31.12.	**11,637**	**15,606**	**3,059**	**1,683**	**28,799**	**35,467**
Interest income	244	310	81	36	1,184	826
Loan losses	0	0	0	0	0	0
Deposits						
Deposits as at 01.01.	2,199	2,100	5,897	3,052	14,910	12,466
Net changes in deposits in the period	1,337	2,276	644	2,845	-842	2,444
Deposits as at 31.12.	**3,536**	**4,376**	**6,541**	**5,897**	**14,068**	**14,910**
Interest expenses	66	65	184	109	333	451
Other income	0	0	0	0	0	0
Guarantees issued	0	0	0	5,250	0	0

NOTE 33 - OTHER OPERATING INCOME

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
2.6	2.6	Operating costs investment properties	0.0	0.0
3.8	2.8	Operating expenses – real estate	3.1	1.8
48.6	45.5	Other operating expenses	43.4	41.1
55.0	**50.9**	**Other operating expenses**	**46.5**	**42.9**

NOTE 34 - AUDITOR'S REMUNERATION

Group 2013	Group 2012	Amount in NOK thousands	Parent bank 2013	Parent bank 2012
2,165	2,040	Audit	1,294	1,294
105	85	Other confirmation services	0	0
185	126	Taxation and excise consultancy	68	20
872	775	Other services	307	394
3,327	**3,026**	**Total**	**1,669**	**1,708**

These amounts include value-added tax.

NOTE 35 - TAXES

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Tax expenses for the year in the income statement appears as follows		
95.7	77.7	Tax payable on net income for the year	75.5	48.8
11.9	19.6	Recognised deferred tax	9.5	22.6
-1.1	0.0	Recognised deferred tax due to change in tax rate	0.2	0.0
-0.3	0.0	Excess/deficit tax, previous year	-0.8	0.0
106.2	**97.3**	**Total tax for the year**	**84.4**	**71.4**
		Tax on other income and expenses – recognised in profit and loss		
		Changes in net deferred tax assets		
-2.7	8.4	Actuarial gains and losses on benefit plans	-3.1	7.5
0.0	0.0	– Change in investments available for sale	0.0	0.0
-2.7	**8.4**	**Tax on other income and expenses**	**-3.1**	**7.5**
		Changes in net deferred tax assets		
11.9	19.6	Recognised deferred tax in profit and loss statement	9.5	22.6
-1.1	0.0	Change in deferred tax, effect of change in tax rate	0.2	0.0
-2.7	8.4	Recognised deferred tax in profit and loss statement	-3.1	7.5
0.0	0.0	Changes in net deferred tax assets entered directly in the balance sheet	0.0	0.0
8.1	**28.0**	**Total changes in net deferred tax**	**6.6**	**30.1**
		Reconciliation of annual tax costs		
388.9	359.6	Pre-tax profit	307.9	302.7
108.9	100.7	Tax at nominal 28% rate	86.2	84.7
-1.3	0.2	Tax effect of permanent differences	-1.2	-13.3
-1.1	0.0	Tax effect of changed tax rate from 28% to 27% for deferred tax recognised in balance sheet	0.2	0.0

-0.3	-3.6	Excess/deficit tax, previous year	-0.8	0.0
106.2	**97.3**	**Tax costs**	**84.4**	**71.4**
		Current tax is recognised in the balance sheet as follows		
95.7	77.7	Tax payable on net income for the year	75.5	48.8
0.0	0.0	Tax payable on group contribution	-27.6	0.0
4.3	3.4	Annual property tax	4.3	3.4
100.0	**81.1**	**Current tax is recognised in the balance sheet as follows:**	**52.2**	**52.2**

Group		**Group**			**Parent bank**		**Parent bank**	
		Change	**Change**				**Change**	**Change**
2013	**2012**	**2013**	**2012**	**Deferred tax obligation/deferred tax assets**	**2013**	**2012**	**2013**	**2012**
				Positive temporary differences				
129.9	126.5	-3.4	9.5	Operating assets	1.8	0.0	-1.8	0.0
24.7	0.0	-24.7	0.0	Securities	26.4	0.0	-26.4	0.0
0.0	0.0	0.0	0.0	Receivables	0.0	3.7	3.7	-3.7
154.6	126.5	-28.1	9.5	Total positive temporary differences	28.2	3.7	-24.5	-3.7
41.7	35.4	-7.9	2.7	Deferred tax obligation	7.6	1.0	-6.9	-1.0
				Negative temporary differences and loss to carry forward				
0.0	0.0	0.0	0.0	Operating assets	0.0	0.8	0.8	0.9
0.0	9.7	9.7	33.5	Securities	0.0	7.4	7.4	37.4
4.7	9.3	4.6	46.0	Derivatives	4.7	9.2	4.5	46.1
0.1	0.2	0.1	0.0	Receivables	0.0	0.0	0.0	0.0
2.7	5.7	3.0	-3.0	Other liabilities	2.4	2.4	0.0	-0.4
37.6	25.0	-12.6	27.1	Pension commitments	35.9	21.7	-14.2	19.8
0.2	0.0	-0.2	5.8	Deficit to carry forward	0.0	0.0	0.0	0.0
45.3	49.9	4.6	109.4	Total negative temporary differences and loss to carry forward	43.0	41.5	-1.5	103.8
12.2	14.0	1.3	30.7	Deferred tax assets	11.6	11.6	-0.4	29.1
-29.5	**-21.4**	**9.2**	**28.0**	**Net deferred tax liability (-) / net deferred tax asset (+)**	**4.0**	**10.6**	**6.4**	**30.1**

Deferred tax liabilities/deferred tax assets as at 31.12.13 are included based on the future tax rate of 27%, as opposed to 28% for the previous year.
Deferred tax assets are in their entirety recognised in the balance sheet as the group expects to be able to utilise this in the future.

NOTE 36 - CERTIFICATES AND BONDS

Certificates and bonds divided by issuing sector and category as at 31.12.13 – group

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Value entered in the balance sheet
State and government guarantees	427.5	429.4	0.0	0.0	200.0	200.7
Other public issuer	335.0	341.9	0.0	0.0	0.0	0.0
Covered bonds	2,042.4	2,056.8	0.0	0.0	0.0	0.0
Financial companies	420.0	423.8	0.0	0.0	0.0	0.0
Non-financial companies	54.0	50.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**3,278.9**	**3,301.9**	**0.0**	**0.0**	**200.0**	**200.7**

Certificates and bonds divided by issuing sector and category as at 31.12.13 – parent bank

	Fair value through profit and loss		Available for sale		Hold to maturity	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Value entered in the balance sheet
State and government guarantees	427.5	429.4	0.0	0.0	200.0	200.7
Other public issuer	335.0	341.9	0.0	0.0	0.0	0.0
Covered bonds	2,282.4	2,298.5	0.0	0.0	0.0	0.0
Financial companies	420.0	423.8	0.0	0.0	0.0	0.0
Non-financial companies	54.0	50.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**3,518.9**	**3,543.6**	**0.0**	**0.0**	**200.0**	**200.7**

Certificates and bonds divided by issuing sector and category 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	Value entered in the balance sheet
State and government guarantees	658.0	657.5	0.0	0.0	250.0	251.3
Other public issuer	765.0	772.7	0.0	0.0	0.0	0.0
Covered 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	**4,190.7**	**4,191.3**	**0.0**	**0.0**	**250.0**	**251.3**

Certificates and bonds divided by 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	Value entered in the balance sheet
State and government guarantees	658.0	657.5	0.0	0.0	250.0	251.3
Other public issuer	765.0	772.7	0.0	0.0	0.0	0.0
Covered 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	**5,169.2**	**5,172.5**	**0.0**	**0.0**	**250.0**	**251.3**

Certificates and bonds divided by maturity as at 31.12.13 – group

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	50.1	0.0	554.7	25.3	630.1
Other public issuer	100.0	0.0	187.7	54.2	341.9
Covered bonds	10.0	75.2	1,724.6	247.0	2,056.8
Financial companies	126.2	50.3	247.3	0.0	423.8
Non-financial companies	0.0	0.0	0.0	50.0	50.0
Total certificates and bonds	**286.3**	**125.5**	**2,714.3**	**376.5**	**3,502.6**

Certificates and bonds divided by maturity as at 31.12.13 – parent bank

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	50.1	0.0	554.7	25.3	630.1
Other public issuer	100.0	0.0	187.7	54.2	341.9
Covered bonds	10.0	75.2	1,966.3	247.0	2,298.5
Financial companies	126.2	50.3	247.3	0.0	423.8
Non-financial companies	0.0	0.0	0.0	50.0	50.0
Total certificates and bonds	**286.3**	**125.5**	**2,956.0**	**376.5**	**3,744.3**

Modified duration

	Group	Parent bank
State and government guarantees	0.12	0.12
Other public issuer	0.15	0.15
Covered bonds	0.16	0.16
Financial companies	0.12	0.12
Non-financial companies	0.14	0.14
Total duration	0.14	0.15

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

Certificates and bonds divided by maturity as at 31.12.12 – group

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	572.3	0.0	311.1	25.4	908.8
Other public issuer	510.2	20.0	188.0	54.5	772.7
Covered 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	**1,433.4**	**244.8**	**2,497.4**	**267.0**	**4,442.6**

Certificates and bonds divided by maturity as at 31.12.12 – parent bank

	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and government guarantees	572.3	0.0	311.1	25.4	908.8
Other public issuer	510.2	20.0	188.0	54.5	772.7
Covered 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	**1,433.4**	**244.8**	**3,478.6**	**267.0**	**5,423.8**

NOTE 37 - SHARES, EQUITY CERTIFICATES AND MONEY-MARKET-FUNDS

Specification of shares, equity certificates and money-market funds as at 31.12.13

	Number of shares	Ownership in %	Book cost	Fair value
Fair value through profit and loss				
Eltek ASA	59,512	0.02	0.7	0.4
Visa Inc.	4,739	0.00	2.0	6.4
Voss Veksel- og Landmandsbank ASA	7,751	8.16	18.2	15.9
Ringerike Sparebank	6,650	0.05	0.9	0.8
Total fair value through profit and loss			**21.8**	**23.5**
Available for sale				
Nets Holding AS	2,223,883	1.21	96.4	174.9
Sparebankmateriell AS	302	0.96	0.0	0.0
Eiendomskreditt AS	126,594	4.12	12.7	12.7
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	1.0	1.0
Frende Holding AS	1,003,248	14.84	120.8	226.0
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			**374.4**	**627.0**
Cost				
Dialog Eiendomsmegling Eiker Drammen AS	340	34.00	0.4	0.4
Other shares			0.0	0.0
Total cost			**0.4**	**0.4**
Total shares and capital certificates			**396.6**	**650.9**

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

	Number of shares	Ownership in %	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 shares	1,600	2.90	0.2	0.2
NorgesInvestor Opportunities AS B shares	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
Other shares			0.0	0.0
Total cost			**0.4**	**0.4**

Total shares and capital 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**

NOTE 38 - OWNERSHIP IN GROUP COMPANIES

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

* 100% owned subsidiary of Sparebanken Øst Eiendom AS.

None of the subsidiaries are listed on the stock exchange.

NOTE 39 - FIXED ASSETS AND INVESTMENT PROPERTIES

Capital equipment as at 31.12.13

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

Capital equipment as at 31.12.12

Group Machinery/ inventory/ vehicles etc.	Group Property	Group Investment property		Parent bank Machinery/ inventory/ 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	Year's write-downs	0.0	0.0	
3-8 years	10-50 years	10-50 years	Economic lifetime	3-5 years	10-50 years	
Linear	Linear	Linear	Depreciation plan	Linear	Linear	
0.1	**13.1**		**Annual hire of assets not entered in the balance sheet**	**0.1**	**18.4**	

Valuation of investment properties

The group uses the following valuation hierarchy:

Level 1: Observable market value in active market.
Level 2: Valuation techniques based on observable market data, external valuations.
Level 3: Valuation techniques that are not based on observable market data.

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

Group	Fair value	Book value
Investment properties at fair value as at 31.12.13	472.4	403.5
Investment properties at fair value as at 31.12.12	517.7	457.1

The fair value of the investment properties is based on assessments by external parties. The valuation method used is discounted estimated cash flows. The average required rate of return is 6.8%. All the properties are situated in Drammen and the surrounding areas. Most of the properties relate to office buildings. No changes have been made to the valuation techniques compared with the previous year.

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

For leasing income and operating costs on investment properties refer to Note 30 Other operating income and Note 33 Other operating costs.

Real estate for own activities 2013

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

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

Liabilities
There are no liabilities relating to projects or purchases of operating equipment.

Real estate for own activities 2012

Group Book value 2012*	Group Area – m² Own use	Leasing	Commercial building	Parent bank Area – m² 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.

NOTE 40 - OPERATIONAL LEASING AGREEMENTS

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

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
13.3	13.2	Annual rental costs	18.1	18.5
		Annual rental costs correspond to minimum rent payments		
		Minimum future rental payments		
11.5	10.8	Within 1 year	15.2	14.4
20.3	22.6	Between 1 and 5 years	35.9	42.2
0.8	0.1	After 5 years	0.8	0.1
32.6	**33.5**	**Total**	**51.9**	**56.7**

NOTE 41 - OTHER ASSETS

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
7.2	8.7	Membership contribution for Kredittforeningen for Sparebanker (Savings Bank Credit Association)	7.2	8.7
32.8	33.0	Other receivables	6.2	16.5
40.0	**41.7**	**Other assets**	**13.4**	**25.2**

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

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
79.2	83.2	Accrued income not received	60.7	69.3
7.9	5.5	Other prepaid non-accrued costs	7.2	5.3
87.1	**88.7**	**Prepaid non-accrued costs and earned not received incomes**	**67.9**	**74.6**

NOTE 43 - DEBT TO CREDIT INSTITUTIONS

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
0.0	21.2	Loans and receivables with credit institutions without agreed maturities or deadline for dismissal	5.2	33.8
773.5	823.3	Loans and receivables with credit institutions with agreed maturities or deadline for dismissal	983.8	907.0
773.5	**844.5**	**Liabilities to credit institutions**	**989.0**	**940.8**

NOTE 44 - DEPOSITS FROM AND DEBT TO CUSTOMERS

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
10,373.2	9,498.8	Deposits from and debt to customers without agreed maturity date	10,385.9	9,481.4
2,166.0	2,189.1	Deposits from and debt to customers with agreed maturity date	2,166.2	2,189.3
12,539.2	**11,687.9**	**Deposits from and liabilities to customers**	**12,552.1**	**11,670.7**

Geographical distribution of deposits

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
2,542.0	2,535.7	Drammen	2,571.5	2,542.7
1,632.6	1,619.0	Nedre Eiker	1,630.8	1,617.1
1,632.0	1,609.6	Øvre Eiker	1,631.5	1,609.0
732.5	733.6	Other parts of Bunkered	731.7	725.0
2,514.4	2,148.4	Oslo	2,509.4	2,143.0
1,052.0	946.4	Akershus	1,047.0	941.8
487.7	424.5	Vestfold	486.3	423.1
163.7	141.9	Østfold	162.4	140.9
1,672.3	1,458.3	Rest of country	1,671.5	1,457.6
110.0	70.5	Foreign	110.0	70.5
12,539.2	**11,687.9**	**Total**	**12,552.1**	**11,670.7**

Distribution of deposits by sector and industry

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
7,837.7	7,059.6	Salaried employees	7,828.4	7,050.1
228.5	137.1	Public administration	228.5	137.1
130.2	124.8	Agriculture, forestry and fishing	130.2	124.8
478.3	370.8	Industry and mining, power and water supplies	478.3	370.8
402.9	433.4	Construction and civil engineering	401.9	432.5
412.7	463.9	Retail, hotel and catering	412.5	461.7
154.6	143.5	Transport and communications	154.3	143.2
1,396.8	1,438.9	Financial services	1,393.1	1,429.8
574.6	603.2	Other service industries	573.2	601.8
812.9	842.2	Real estate turnover and operations	841.7	848.4
110.0	70.5	Foreign	110.0	70.5
12,539.2	**11,687.9**	**Total**	**12,552.1**	**11,670.7**

NOTE 45 - DEBT CONTRACTED THROUGH THE ISSUING OF SECURITIES

Group	Outstanding volume 2013*	Average balance 2013	Weighted interest rate 2013	Outstanding volume 2012*	Average balance 2012	Weighted interest rate 2012
Certificates	0.0	0.0	0.00%	0.0	0.0	0.00%
Bond loan	14,037.0	13,661.3	2.82%	13,762.0	14,061.7	3.39%
Own holdings – bond loans	0.0	-108.2	3.29%	-150.0	-127.2	4.34%
Liabilities incurred when issuing securities	**14,037.0**	**13,553.1**	**2.82%**	**13,612.0**	**13,934.5**	**3.38%**

* Measured at amortised cost on balance date.

Parent bank	Outstanding volume 2013*	Average balance 2013	Weighted interest rate 2013	Outstanding volume 2012*	Average balance 2012	Weighted interest rate 2012
Certificates	0.0	0.0	0.00%	0.0	0.0	0.00%
Bond loan	7,861.6	8,017.4	3.05%	8,354.6	8,828.4	3.58%
Own holdings – bond loans	0.0	-108.2	3.29%	-150.0	-127.2	4.34%
Liabilities incurred when issuing securities	**7,861.6**	**7,909.2**	**3.04%**	**8,204.6**	**8,701.2**	**3.57%**

* Measured at amortised cost on balance date.

NOTE 46 - SUBORDINATE LOAN CAPITAL

	Outstanding volume 2013*	Average balance 2013	Weighted interest rate 2013	Outstanding volume 2012*	Average balance 2012	Weighted interest rate 2012
Eternal subordinate loan capital	502.2	337.8	4.42%	308.5	299.1	5.08%
Subordinate bond loans	349.1	253.6	3.87%	199.9	295.1	3.86%
Subordinate loan capital	**851.3**	**591.4**	**4.26%**	**508.4**	**594.2**	**4.47%**

* Measured at amortised cost on balance date.

NOTE 47 - LONG-TERM DEPOSITS DIVIDED BY MATURITY

Long-term deposits as at 31.12.13 – group

	Loans from credit institutions	Bond loan	OMF (Covered bonds)	Subordinate loans	Debts to the government	Total
2014	463.5	723.0	210.0	300.0	0.0	1,696.5
2015	160.0	2,460.0	760.0	0.0	0.0	3,380.0
2016	60.0	1,600.0	1,434.2	0.0	0.0	3,094.2
2017	60.0	465.0	1,000.0	0.0	0.0	1,525.0
2018	30.0	1,750.0	1,000.0	550.0	0.0	3,330.0
2019	0.0	0.0	1,000.0	0.0	0.0	1,000.0
2020	0.0	750.0	0.0	0.0	0.0	750.0
2021	0.0	0.0	0.0	0.0	0.0	0.0
2022 and later	0.0	0.0	750.0	0.0	0.0	750.0
Gross deposits	773.5	7,748.0	6,154.2	850.0	0.0	15,525.7
Direct costs and over/under discount	0.0	113.6	21.2	1.3	0.0	136.1
Net deposits	**773.5**	**7,861.6**	**6,175.4**	**851.3**	**0.0**	**15,661.8**

Call/put loans divided by call/put date.

Long-term deposits as at 31.12.12 – group

	Loans from credit institutions	Bond loan	OMF (Covered 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 over/under 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 divided by call/put date.

Long-term deposits as at 31.12.13 – parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Debts to the government	Total
2014	679.0	723.0	300.0	0.0	1,702.0
2015	160.0	2,460.0	0.0	0.0	2,620.0
2016	60.0	1,600.0	0.0	0.0	1,660.0
2017	60.0	465.0	0.0	0.0	525.0
2018	30.0	1,750.0	550.0	0.0	2,330.0
2019	0.0	0.0	0.0	0.0	0.0
2020	0.0	750.0	0.0	0.0	750.0
2021	0.0	0.0	0.0	0.0	0.0
2022 and later	0.0	0.0	0.0	0.0	0.0
Gross deposits	989.0	7,748.0	850.0	0.0	9,587.0
Direct costs and over/under discount	0.0	113.6	1.3	0.0	114.9
Net deposits	**989.0**	**7,861.6**	**851.3**	**0.0**	**9,701.9**

Call/put loans divided by call/put date.

Long-term deposits as at 31.12.12 – parent bank

	Loans from credit institutions	Bond loan	Subordinate loans	Debts 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 over/under discount	-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 divided by call/put date.

NOTE 48 - OTHER LIABILITIES

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
3.6	3.2	Liabilities associated with payment transfers	3.6	3.2
9.4	9.7	Accounts payable	5.0	3.9
46.2	58.0	Other liabilities	30.5	52.7
59.2	**70.9**	**Other liabilities**	**39.1**	**59.8**

NOTE 49 - INCURRED COSTS AND RECEIVED, UNEARNED INCOME

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
64.0	71.8	Accrued interest	46.3	52.9
33.0	35.6	Other accrued expenses	27.6	28.1
0.1	0.4	Received not earned income	0.0	0.3
97.1	**107.8**	**Accruals and deferred income**	**73.9**	**81.3**

NOTE 50 - ALLOCATIONS FOR COSTS AND COMMITMENTS INCURRED

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
37.6	25.0	Pension obligations (see Note 51)	35.9	21.6
1.0	1.0	Specified allocations to guarantee commitments	1.0	1.0
38.6	**26.0**	**Provisions for accrued costs and liabilities**	**36.9**	**22.6**

NOTE 51 - PENSION OBLIGATIONS

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

The defined-benefit plans in the group are closed schemes. New employees receive a pension based on a defined-contribution plan. In 2013, the group has implemented the changes in the revised IAS 19. Refer to Note 2 point 2, Changes in accounting principles, for details of the effects of the implementation.

Defined-benefit pension scheme
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 236 persons, 137 active and 99 retired, of whom 20 are completely or partly disabled. The scheme has been closed. Pension obligations are entered to accounts in accordance with IAS 19, which requires that the present value of pension obligations minus the market value of pension funds should be included in the balance sheet. Actuarial calculations are carried out each year on the basis of the information provided by the bank.

Defined-contribution scheme

As from 1 January 2007, Sparebanken Øst introduced a defined-contribution 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 basic amount or in Norwegian "Folketrygdens grunnbelop"), plus 8 per cent of salaries between 6 and 12 G, are paid. The paid contributions are managed in various Storebrand funds. The defined-contribution scheme now includes 85 employees, of which one is on disability. The premiums for these are paid and expensed in salaries, etc. in the accounts on an ongoing basis.

Subsidiary companies

AS Financiering has a collective pension scheme which comprises 19 persons, 12 active and 7 disabled/retired. The scheme has been closed. 12 employees have defined-contribution schemes. Sparebanken Øst Eiendom AS has a defined-benefit scheme for 4 persons, all of whom are active. The scheme has been closed. Three employees have defined-contribution schemes.

Operating pensions
The bank has separate pension agreements in place for 5 persons on salaries above 12G, of which 4 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. These operating pensions are taken into account in the calculations from the actuary.

Agreement-based early retirement pension (AFP)
The parent bank is a member of the AFP scheme, which is a collective pension scheme for the sector regulated by tariff agreements in Norway. The AFP scheme is based on a tripartite collaboration between employer organisations, employee organisations and the state. The state covers 1/3 of the AFP pension costs, while companies that are members of the scheme cover 2/3. Companies that participate in the AFP scheme are joint and severally liable for that which shall be paid to the employees who fulfil the terms of the scheme at any given time. All the parent bank's employees (211 persons) are members of the scheme.

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

Contributions to the AFP scheme are included in the accounts under salaries, etc., and comprised NOK 1.2 million in 2013 and NOK 1.1 million in 2012. Next year's premium is estimated at approximately NOK 1.0 million.

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

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

In 2013, the premium constituted 2 per cent of salary between 1G and 7.1G. For 2014, the premium will constitute 2.2 per cent.

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

Discontinued early retirement (AFP) scheme
The banking and finance industry's old AFP scheme was an early retirement pension. The scheme is partly deducted based on the closure and discontinuation of the scheme. A remaining allocation applies to the portion for person who have taken early retirement under the old scheme. At the end of 2013, there were 6 persons receiving pensions within the old/phased out scheme. The balance sheet liability as at 31.12.13 was NOK 1.1 million.

Further information about defined-benefit schemes

Remaining qualification period
For secured schemes Sparebanken Øst's calculations are based on a remaining qualification period for active members of 10 years, whilst Sparebanken Øst Eiendom AS and AS Financiering's calculations are based on 8 and 13 years respectively. The average remaining qualification period for operational pensions lies in intervals of 1-6 years.

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

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

Economic criteria	**2013**	**2012**
Expected return on pension funds	4.10%	3.80%
Discount rate	4.10%	3.80%
Annual salary growth	3.00%	3.20%
Annual G adjustment	3.50%	3.25%
Annual pension regulation	0.60%	0.20%

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

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

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

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

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

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

Pension costs in ordinary result

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Net pension costs, contribution-based scheme		
8.0	10.3	Present value of annual pension savings	6.5	8.3
0.9	1.7	Interest expenses for pension obligations	0.8	1.6
8.9	**12.0**	**Net pension costs including employer's contribution**	**7.3**	**9.9**
1.9	1.7	Premium paid, contribution-based scheme	1.6	1.4
1.2	1.1	Premium paid, AFP scheme	1.2	1.1
12.0	**14.8**	**Total pension costs in ordinary result**	**10.1**	**12.4**

Specification of pension obligations and pension funds – group

	2013				2012	
Funded	Unfunded	Total		Funded	Unfunded	Total
			Changes to gross pension obligations			
218.1	28.7	246.8	Pension obligations as at 01.01.	249.3	29.9	279.2
0.0	0.0	0.0	Access and retirement	0.0	0.0	0.0
7.7	0.3	8.0	Costs of current period's pension earnings	10.0	0.3	10.3
8.1	1.0	9.1	Interest costs	8.0	0.9	8.9
1.9	1.9	3.8	Actuarial gains and losses	-42.9	1.3	-41.6
-6.5	-3.5	-10.0	Payment pension/paid-up policies	-6.3	-3.8	-10.0
229.3	**28.4**	**257.7**	**Gross pension obligations as at 31.12.**	**218.1**	**28.7**	**246.8**
			Changes to gross pension funds			
221.8	0.0	221.8	Fair value of pension funds as at 01.01.	227.4	0.0	227.4
8.2	0.0	8.2	Yield on pension funds	6.9	0.0	6.9
-6.0	0.0	-6.0	Actuarial gains and losses	-11.7	0.0	-11.7
2.3	0.0	2.3	Premium payments	4.7	0.0	4.7
-6.2	0.0	-6.2	Payment of pension/paid-up policies	-5.6	0.0	-5.6
220.1	**0.0**	**220.1**	**Fair value of pension funds as at 31.12.**	**221.8**	**0.0**	**221.8**
			Net pension obligation (+)/- pension funds (-)	**-3.7**	**28.6**	**25.0**
9.2	28.4	37.6	Unrecognised actuarial gains	0.0	0.0	0.0
0.0	0.0	0.0	Unrecognised plan changes	0.0	0.0	0.0
9.2	**28.4**	**37.6**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**3.7**	**28.6**	**25.0**

2013		2012
25.0	**Net pension obligations as at 01.01.**	**52.1**
8.9	Recognised pension cost	12.0
9.8	Actuarial gains and losses	-29.9
-2.6	Paid-in pension premiums	-5.4
-3.5	Pension payments	-3.8
37.6	**Net balance sheet pension obligations as at 31.12.**	**25.0**
2.8	Expected premium payment next year, contribution-based scheme	2.8
2.2	Expected premium payment next year, deposit-based scheme	1.7
1.0	Expected premium payment next year, new AFP scheme	1.2
	Placement of pension funds, per centage:	
24%	Money market/bonds	35%
48%	Construction bonds	35%
14%	Shares	11%
11%	Property	15%

3%	Other	4%
3.3%	Booked returns totalled	5.8%

Sensitivity analysis, defined-benefit schemes

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

Change in per centage points	Discount rate + 1%	- 1%	Annual salary growth/ basic amount + 1%	- 1%	Annual adjustment of pensions + 0.50%	- 0.50%
Per centage change in pension						
– Pension liability (DBO)	-14.2%	19.9%	5.2%	-4.6%	6.9%	-6.3%
– Net pension costs for the period	-18.1%	23.9%	10.5%	-9.1%	6.5%	-5.9%

The pension obligation is particularly sensitive to changes in the discount rate. A reduction in the discount rate will in isolation result in an increase in the pension obligation. A reduction in the discount rate of one per centage point will give an increase in the pension obligation of around 20%. An increase in salary adjustments and the adjustment of pensions will result in an increase in the pension obligation.

The group’s pension obligations as at 31.12.13 has the following maturity structure over the next 10 years.

	Amount	In % of gross pension obligation
Under one year	9.8	3.8%
Year 2	9.2	3.6%
Year 3	9.8	3.8%
Year 4	10.1	3.9%
Year 5	10.9	4.2%
Year 6-10	64.2	24.9%
Total	114.1	44.3%

Specification of pension obligations and pension funds – parent bank

2013 Funded	2013 Unfunded	2013 Total		2012 Funded	2012 Unfunded	2012 Total
			Changes to gross pension obligations			
197.5	28.0	225.5	Pension obligations as at 01.01.	225.8	25.6	251.4
0.0	0.0	0.0	Access and retirement	0.0	0.0	0.0
6.3	0.2	6.5	Costs of current period's pension earnings	8.2	0.1	8.3
7.4	1.0	8.4	Interest costs	7.4	0.8	8.2
3.5	2.3	5.8	Actuarial gains and losses	-38.4	1.6	-36.8
0.0	0.0	0.0	Transfer of employee from subsidiary	0.0	3.7	3.7
-5.7	-3.5	-9.2	Payment pension/paid-up policies	-5.5	-3.8	-9.3
209.0	**28.0**	**237.0**	**Gross pension obligations as at 31.12.**	**197.5**	**28.0**	**225.5**
			Changes to gross pension funds			
203.9	0.0	203.9	Fair value of pension funds as at 01.01.	209.9	0.0	209.9
7.5	0.0	7.5	Yield on pension funds	6.6	0.0	6.6
-5.3	0.0	-5.3	Actuarial gains and losses	-10.1	0.0	-10.1
0.6	0.0	0.6	Premium payments	2.6	0.0	2.6
-5.6	0.0	-5.6	Payment of pension/paid-up policies	-5.1	0.0	-5.1
201.1	**0.0**	**201.1**	**Fair value of pension funds as at 31.12.**	**203.9**	**0.0**	**203.9**
			Net pension obligation (+)/- pension funds (-)	**-6.4**	**28.0**	**21.6**
7.9	28.0	35.9	Unrecognised actuarial gains	0.0	0.0	0.0
0.0	0.0	0.0	Unrecognised plan changes	0.0	0.0	0.0
7.9	**28.0**	**35.9**	**Net balance sheet pension obligations (+)/- pension funds (-)**	**-6.4**	**28.0**	**21.6**

2013		2012
21.6	**Net pension obligations as at 01.01.**	**41.5**
0.0	Transfer of employee from subsidiary	3.7
7.3	Recognised pension cost	9.8
11.1	Actuarial gains and losses	-26.7
-0.6	Paid-in pension premiums	-2.6
-3.6	Pension payments	-4.1
35.9	**Net balance sheet pension obligations as at 31.12.**	**21.6**
0.7	Expected premium payment next year, contribution-based scheme	0.6
1.8	Expected premium payment next year, deposit-based scheme	1.7
1.0	Expected premium payment next year, new AFP scheme	1.2
	Placement of pension funds, per centage:	
24.0%	Money market/bonds	35.0%
48.3%	Construction bonds	34.9%
1.7%	Shares, Norwegian	1.1%
8.4%	Shares, global	5.8%
3.1%	Private Equity	4.0%
11.4%	Property	15.0%
3.1%	Other	4.2%
3.3%	Booked returns totalled	5.8%

Sensitivity analysis, defined-benefit schemes

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

	Discount rate		Annual salary growth/ basic amount		Annual adjustment of pensions	
Change in per centage points	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**	**+ 0.50%**	**- 0.50%**
Per centage change in pension						
– Pension liability (DBO)	-14.2%	20.0%	5.1%	-4.5%	7.0%	-6.4%
– Net pension costs for the period	-18.7%	24.9%	10.9%	-9.5%	6.7%	-6.1%

The pension obligation is particularly sensitive to changes in the discount rate. A reduction in the discount rate will in isolation result in an increase in the pension obligation. A reduction in the discount rate of one per centage point will give an increase in the pension obligation of around 20%. An increase in salary adjustments and the adjustment of pensions will result in an increase in the pension obligation.

The parent bank's pension obligations as at 31.12.13 has the following maturity structure over the next 10 years.

	Amount	In % of gross pension obligation
Under one year	9.3	3.9%
Year 2	8.8	3.7%
Year 3	9.3	3.9%
Year 4	9.6	4.1%
Year 5	10.1	4.3%
Year 6-10	57.7	24.4%
Total	104.8	44.2%

Development in pensions – group

	2013	2012	2011	2010	2009
Gross pension obligation (hedged and non-hedged schemes)	257.7	246.8	279.2	263.1	275.7
Gross fair value of pension funds	220.1	221.8	227.4	210.6	193.1
Net pension obligations	**37.6**	**25.0**	**51.8**	**52.5**	**82.6**

Development in pensions – parent bank

	2013	2012	2011	2010	2009
Gross pension obligation (hedged and non-hedged schemes)	237.0	225.5	251.4	239.7	254.7
Gross fair value of pension funds	201.1	203.9	209.9	194.2	178.4
Net pension obligations	**35.9**	**21.6**	**41.5**	**45.5**	**76.3**

NOTE 52 - GUARANTEE LIABILITIES

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
68.6	71.5	Payment guarantees	67.9	70.7
92.6	69.6	Contract guarantees	92.6	69.6
2.2	46.5	Loan guarantees	2.2	46.5
19.0	26.5	Other guarantee liabilities	19.0	26.5
182.4	**214.1**	**Total guarantee liabilities to customers**	**181.7**	**213.3**
100.0	100.0	Guarantee to Eksportfinans ASA*	100.0	100.0
282.4	**314.1**	**Total guarantee liabilities**	**281.7**	**313.3**

* The net guarantee liability is NOK 100 million. The guarantee is a derivative. The value of the derivative excluding the swap settlement was positive at NOK 22.4 million as at 31.12.13 compared with NOK 10.7 million as at 31.12.12. Refer 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. Covered bond (OMF) commitments amounted to nominal NOK 6,154.2 million as at 31.12.13 and nominal NOK 5,368.0 million as at 31.12.12. In the amounts, the parent bank's holdings of OMF are nominal NOK 240.0 million as of 31.12.13 and NOK 978.5 million as at 31.12.12 have been deducted from these totals.

NOTE 53 - PLEDGES AND RIGHTS

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
1,620.0	2,020.0	Bond, nominal value, pledged as security for borrowing facilities at Norges Bank	1,620.0	2,020.0
1,620.0	**2,020.0**	**Assets pledged as security**	**1,620.0**	**2,020.0**
0.0	**539.5**	**Preferential exchange scheme**	**0.0**	**539.5**
6,394.2	**5,802.6**	**Preferential rights in accordance with the Financial Institutions Act, section 2-35 ***	**0.0**	**0.0**

* Including holdings owned by the parent bank at a nominal value of NOK 240 million as at 31.12.13 and NOK 439 million as at 31.12.12.

Group 2013	Group 2012	Security in real estate	Parent bank 2013	Parent bank 2012
0.0	26.5	Liabilities with security in property	0.0	0.0
0.0	61.6	Book value of pledged properties	0.0	0.0

NOTE 54 - COSTS RELATED TO THE BANKS' COMPENSATION SCHEME

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

Parent bank

	2013	2012
	9.0	0.0

NOTE 55 - ADDITIONAL INFORMATION CASH FLOW STATEMENT

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
		Cash and cash equivalents		
357.5	703.3	Cash and receivables at central banks	357.5	703.3
0.0	496.4	Treasury bills	0.0	496.4
8.6	4.1	Loans to and receivables on credit institutions that are clean placements	8.6	3.9
366.1	**1,203.8**	**Total**	**366.1**	**1,203.6**
		Changes in other assets in connection with operations		
503.8	-492.0	Net changes in financial assets held for the purposes of trade	503.8	-492.0
31.4	-45.7	Net changes in financial derivatives (net assets and liabilities)	31.4	-45.7
3.3	-7.2	Net changes to other assets	18.5	-11.4
538.5	**-544.9**	**Total**	**553.7**	**-549.1**
		Non-cash items included in profit before tax		
17.9	16.7	Depreciations on fixed assets	6.7	5.4
0.6	1.3	Amortization of financial investments held to maturity	0.6	1.3
-5.4	4.2	Write-downs on financial assets	-10.1	-4.3
10.5	5.6	Amortization financing activities measured at amortised cost	6.9	4.1
23.6	**27.8**	**Total**	**4.1**	**6.5**

NOTE 56 – EQUITY CERTIFICATES

Profit per equity certificate

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

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

Group 2013	Group 2012		Parent bank 2013	Parent bank 2012
282.7	262.3	Profit after tax (million NOK)	223.5	231.3
122.4	118.0	Profit after tax allocated to equity certificate owners (million NOK)	96.7	104.0
20.7	20.7	Weighted average of number of outstanding equity certificates (million NOK)	20.7	20.7
5.90	5.69	Profit per equity certificate (NOK).	4.67	5.02

Weighed number equity certificates

2013	
Number of equity certificates in 2013	20,731,183
Total number of equity certificates in 2013	20,731,183
2012	
Number of equity certificates in 2012	20,731,183
Total number of equity certificates in 2012	20,731,183

Ownership ratio, parent bank

	01.01.14	01.01.13
Equity instruments	207.3	207.3
Premium reserve	387.8	387.8
Equalization fund (excl. dividend)	229.5	198.5
Available for sale reserve	104.7	32.0
Total numerator (A)	929.3	825.6
Total equity (year's allocation for dividends excluded)	2,242.6	1,907.6
Sum denominator (B)	2,242.6	1,907.6
Ownership ratio (A/B) in %	**41.44**	**43.28**

Dividends

The Boards proposal for dividends is NOK 62,193,549, which amounts to NOK 3 per equity certificate

2013	In NOK	2012
62,193,549	Total dividends paid out	62,193,549
3	Paid out per equity certificate	3

The largest equity certificate holders as at 31.12.13

Name	Number	%	Name	Number	%

1	MP Pensjon	2,049,218	9.88%	11	Profond AS	269,741	1.30%
2	Skagen Vekst VPF	1,413,500	6.82%	12	Jag Holding AS	250,000	1.21%
3	Directmarketing Invest AS	999,500	4.82%	13	Foretakskonsulenter AS	243,600	1.18%
4	Pareto AS	677,070	3.27%	14	Teleplan Holding AS	239,665	1.16%
5	Storetind AS	565,000	2.73%	15	Citybank NA New York	216,968	1.05%
6	Hansen, Asbjørn Rudolf	466,443	2.25%	16	Grete Evensen Øvrum AS	203,000	0.98%
7	AS Andersen Eiendomsselskap	354,500	1.71%	17	Danske Bank AS	161,488	0.78%
8	Sparebankstiftelsen DNB	308,320	1.49%	18	Wenaasgruppen AS	160,000	0.77%
9	Verdipapirfondet Eike utbytte	308,205	1.49%	19	Øvrum Invest AS	153,440	0.74%
10	Hustadlitt AS	289,040	1.39%	20	RWA Invest AS	150,875	0.73%

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

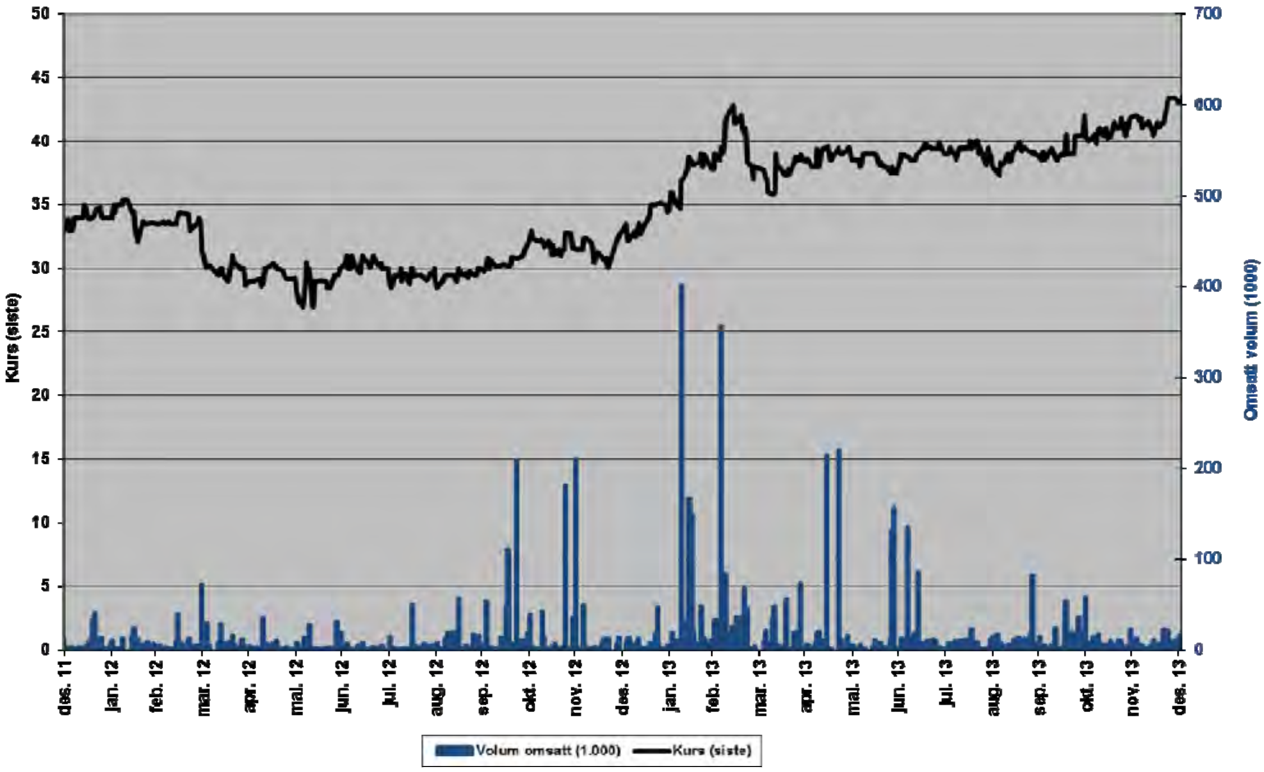
Owner statistics – geographical distribution

	Number of owners	%	Number equity certificates	%
Foreign	86	2.7%	1,126,887	5.4%
Øvre Eiker	286	9.2%	660,523	3.2%
Nedre Eiker	171	5.5%	581,300	2.8%
Drammen	216	6.9%	2,861,127	13.8%
Other parts of Buskerud	256	8.2%	645,742	3.1%
Asker/Bærum	137	4.4%	970,879	4.7%
Oslo	412	13.3%	8,251,883	39.8%
Trondheim	671	21.6%	440,384	2.1%
Bergen	95	3.1%	766,225	3.7%
Rest of the country	779	25.1%	4,426,233	21.4%
Total	**3,109**	**100.0%**	**20,731,183**	**100.0%**

Equity certificates’ spread

Number of equity certificates per owner	Number of owners	%	Number equity certificates	%
1-100	439	14.1%	22,084	0.1%
101-1,000	1,532	49.3%	610,614	3.0%
1,001-10,000	895	28.8%	3,129,245	15.1%
10,001- 100,000	212	6.8%	6,097,097	29.4%
100,001-	31	1.0%	10,872,143	52.4%
Total	**3,109**	**100.0%**	**20,731,183**	**100.0%**

Revenue and exchange rate developments over the last two years



NOTE 57 - ELECTED REPRESENTATIVES

Andreas E. Øvrum	153,440
Kristin Nystrøm	38,303

Board of Trustees	Number equity certificates
Jon Aas	0
Thor-Kristian Lien	0
May-Britt Andersen	0
Nils Kr. Steenberg	0
Kari Solberg Økland	0
Morten Ranvik	0
Thomas F. Halvorsen	0
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
Frode Lindbeck	2,428
Vegard Kvamme	3,000
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 (representative for Hoen Invest AS)	2,372
Tom R. Svendsen	3,003
Frank Borgen	33,123
Helle Elisabeth Hofgaard	7,000
Iver A. Juel	120,096
Asbjørn R. Hansen	466,443
Svein L. Syversen	15,000
Petter Thoresen (representative for Sparebankstiftelsen DNB)	308,320
Borghild M. Dahler Nordlid	6,000
Marianne Seip	3,000
Bernt K. Krabberød	5,900
Petter Qvam (representative for Skagenfondene)	1,459,915
Kåre J. Grøtta (representative for Storetind AS)	565,000
Jørn Larsen (representative for Bondeungdomslaget in Drammen)	17,500

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

Senior employees with personal close relationships	Number equity certificates
Pål Strand	11,000
Kjell Engen	0
Per Øyvind Mørk	10,000
Kristian Thowsen	0
Jan-Roger Vrabel	0
Anne Siri Rhoden Jensen	416
Lars-Runar Groven	0

Control committee	Number equity certificates
Randi H. Sandli	0
Sjur Kortgaard	0
Eli Kristin Nordsiden	897
Øivind Andersson	4,125

DONATION ALLOCATION FOR 2012 PAID IN 2013

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

IF Birkebeineren	NOK	540,000
Åssiden IF	NOK	500,000
Drammen Idrettsråd og Buskerud idrettskrets	NOK	500,000
Stiftelsen Fossesholm	NOK	400,000
Skoger idrettslag	NOK	300,000
Hermansenteret Mjøndalen	NOK	220,000
Hokksund Turnforening	NOK	150,000
Mjøndalen IF turn	NOK	150,000
Krokstadelva Jeger- og Fiskeforening	NOK	150,000
Hokksund Jente og Guttekorps	NOK	100,000
Eiker o-lag	NOK	100,000
Hakavik Vel	NOK	100,000
Musikkblest	NOK	100,000
Nedre Buskerud krets av Norges speiderforbund	NOK	100,000
Konnerud Sanitetsforening	NOK	90,000
Motorhistorisk Klubb Drammen	NOK	90,000
HLF Eiker (Hørselslag)	NOK	80,000
Mjøndalen misjonsmenighet	NOK	70,000
Betania Mjøndalen	NOK	70,000
Drammen Roklubb	NOK	65,000
Konnerud Skolekorps	NOK	60,000
Strømsgodset Musikkorps	NOK	60,000
Drammen Jerns Musikkorps	NOK	60,000
Øren skolekorps	NOK	60,000
Danvik skolekorps	NOK	60,000
Gulskogen Gårds Venner	NOK	60,000
Landbruksmuseet Fossesholm	NOK	50,000
Sangforeningen Samklang	NOK	50,000
Krokstad og Solberg Skolekorps	NOK	50,000
Solberg Musikkorps	NOK	50,000
Stiftelsen Temte Gård og Bygdesamling	NOK	50,000
Mjøndalen Jeger og Fiskeforening ungdomsgruppa	NOK	50,000
Åskollen skolekorps	NOK	50,000
Celleforeningen 1412-2	NOK	40,000
DFEF Salem Mjøndalen	NOK	40,000
Knoffen Ungdom	NOK	35,000
Austad Gårds Venner	NOK	35,000
Fiskum skole og ungdomskorps	NOK	30,000
Bedehuset Tabor	NOK	30,000
Frisko Band	NOK	30,000
Drammen Symfoniorkester	NOK	30,000
Drammen Bordtennisklubb	NOK	30,000
HLF Drammen	NOK	30,000
5. Drammen sjø	NOK	25,000
Hokksund Troppsturn	NOK	20,000
Åssiden KFUK-KFUM handicapspeidere	NOK	20,000
Megabandet	NOK	20,000
Danvik-Fjell Frivilligsentral/håndarb.gr.	NOK	20,000
Skoger Sanitetsforening	NOK	15,000
Eiker Spellemannslag	NOK	10,000
Konnerud Pensjonistforening	NOK	10,000
	NOK	
Total	**NOK**	**5,055,000**

The Board of Directors has also allocated donations throughout 2013, of which the most significant are:

Stiftelsen Portåsen	NOK	250,000
Drammen Scener AS	NOK	250,000
Buskerud Idrettskrets	NOK	250,000
Buskerud Fotballkrets	NOK	150,000
Idretts- og kulturstipend	NOK	150,000
LAMIS samarbeidsavtale	NOK	150,000
Frydenhaug Skole, 20 Ipads	NOK	78,708

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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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 2013, 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.

Building a better working world

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 2013 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 and on the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statement on corporate governance 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, 13. March 2014
ERNST & YOUNG AS

Bjørn Baklid
State Authorised Public Accountant (Norway)

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

ANNUAL REPORT FROM THE CONTROL COMMITTEE FOR 2013

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 2013.

Drammen, 13 March 2014

………………………..	………………
Øivind Andersson	Randi H. Sandli
…………………	……………
Eli Kristin Nordsiden	Sjur Kortgaard