178th year

ANNUAL REPORT 2020

SPAREBANKEN ØST

CONTENTS

Key figures - Group

		2020	2019	2018	2017	2016
	Profitability					
1	Return on equity*	11,47	8,74	10,81	10,59	11,23
2	Net interest income as a percentage of average total assets	1,46	1,51	1,45	1,58	1,54
3	Profit after tax as a percentage of average total assets	1,05	0,77	0,96	0,94	0,94
4	Costs as a percentage of average total assets	0,68	0,65	0,74	0,76	0,80
5	Costs as a percentage of income (before losses on loans/guarantees)*	35,04	38,50	38,16	37,91	39,57
6	Costs as a percentage of income, exclusive of return on financial invest	42,50	39,57	45,29	40,50	46,18
	Balance sheet figures					
7	Net lending to customers	35.443,8	34.225,3	35.147,4	30.972,4	29.695,7
8	Lending growth (12 months)	3,56	-2,62	13,48	4,30	6,15
9	Deposits	14.845,1	14.791,7	14.899,7	13.971,8	13.887,4
10	Deposit growth (12 months)	0,36	-0,73	6,64	0,61	5,53
11	Average equity	3.812,9	3.564,6	3.354,9	3.140,2	2.950,1
12	Average total assets	43.299,0	42.504,5	38.986,6	36.497,2	35.420,3
	Write-downs of impaired and non-performing loans					
13	Losses as a percentage of net lending to customers (OB)*	0,04	0,05	0,06	0,02	0,02
14	Loan loss provisions as a percentage of gross lending to customers*	0,35	0,33	0,29	0,32	0,36
15	Net payments over 90 days past due as a percentage of net lending*	0,29	0,37	0,35	0,36	0,47
16	Other net non-performing commitments (Stage 3) as a percentage of ne	0,02	0,02	0,19		
	Financial strength					
17	CET1 capital ratio	17,96	17,69	16,39	17,49	17,21
18	Tier 1 capital ratio	19,67	19,49	18,15	19,44	19,19
19	Capital adequacy	21,34	21,25	19,87	21,39	21,17
20	Risk-weighted volume (calculation basis)	20.471,4	19.450,3	19.959,5	17.960,0	17.696,7
21	Leverage ratio (%)	9,03	8,81	8,48	9,23	9,24
	Liquidity					
22	Loan to deposit ratio (LDR)	41,88	43,22	42,39	45,11	46,77
23	LCR (%)	266,93	265,11	224,93	204,15	284,00
	Branches and full-time equivalents					
24	Number of bank branches	29	28	27	25	25
25	Full-time equivalents	184	192	199	181	209
	Equity certificates					
26	Ownership fraction**	31,40	32,45	34,40	36,21	37,67
27	No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
28	Book equity per equity certificate*	61,18	58,95	58,98	58,57	57,30
29	Earnings per equity certificate	6,62	4,87	6,01	5,81	6,02
30	Dividend per equity certificate***	4,50	3,60	4,60	5,00	4,00
31	Turnover rate	20,64	15,17	28,16	19,31	12,04
32	Price	51,40	54,60	55,60	55,25	52,00

* Defined as an alternate performance target

**For ownership fraction applicable from 01.01.21, see note 52.

** The Board of Directors has recommended a dividend of up to NOK 4.50 for 2020, where NOK 3.50 is payable based on the Board of Trustees (
on 25.03.21 and the Board of Trustees has given the Board of Directors special authorisation to make a decision on paying a dividend of up to
on 01.10.21 and by no later than the annual meeting of the Board of Trustees in 2022.

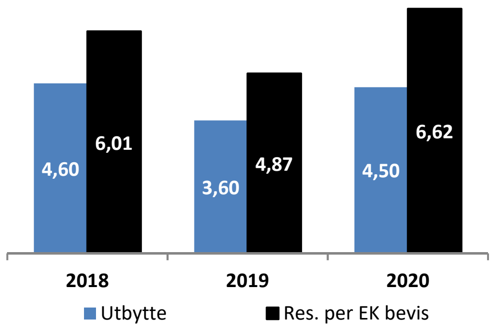
For definition of key figures and a review of alternative profit targets, see p. 136.

BOARD OF DIRECTORS' REPORT FOR 2020

The Covid-19 pandemic led to 2020 becoming one of the most volatile economic years of modern times, both nationally and internationally. At this time, we are still not in a position to fully understand the overall human and economic consequences of the pandemic. From a global perspective, the Norwegian economy coped well in 2020. Norway's extremely robust economy enabled the government to implement packages of economic measures that have helped to ensure that Norwegian society has, so far, come through the crisis well, although some industries have experienced severe negative impacts due to the government's infection control measures. At the beginning of 2021, considerable uncertainty remains about future developments. Despite the fact that a vaccination process has started and is well underway, new virus mutations have contributed to the introduction of very strict and more comprehensive infection control measures, albeit only regionally at the moment. This is why it is too early to summarise the pandemic's impact on business and the rest of society.

The Bank's 178th year of operations was a special one for Sparebanken Øst. The infection control measures that were introduced and the shutdown of society in March created an unclear and turbulent situation for the financial services industry. Sparebanken Øst established a crisis team that met frequently in order to ensure good liquidity for the Bank, produce an overview of risk development through close contact with the Bank's customers, ensure that the Bank's customers had good access to credit and money-transfer services, and to safeguard the Bank's employees in the best possible manner. From March to the end of September, Sparebanken Øst's operations were characterised by caution and restraint. Less general uncertainty, a better understanding of the effects of the government's packages of measures and greater confidence in the Bank's financial development all contributed to the Bank being able to make more aggressive strategic choices in Q4 regarding the growth in low-risk mortgages and normalising the level of the Bank's liquidity reserves.

The Board of Directors is proposing a dividend of up to NOK 4.50 per equity certificate to the Board of Trustees (NOK 93.3 million in total) and up to NOK 25.9 million for good causes. In line with the recommendations of the Ministry of Finance regarding limiting dividends, the Board of Directors is recommending that a cash dividend of NOK 3.50 per equity certificate (NOK 72.6 million in total) and provisions for good causes of NOK 5.7 million be paid out in the ordinary manner following a decision of the Board of Trustees on 25.03.21. In addition, the Board of Directors is proposing that it be given special authorisation to decide to pay out a dividend of up to NOK 1.0 per equity certificate (NOK 20.7 million in total) and provisions for good causes of up to NOK 20.2 million at the earliest on 01.10.21 and by no later than the annual meeting of the Board of Trustees in 2022. The Board of Directors' proposed allocation for good causes deviates from the current dividend policy.



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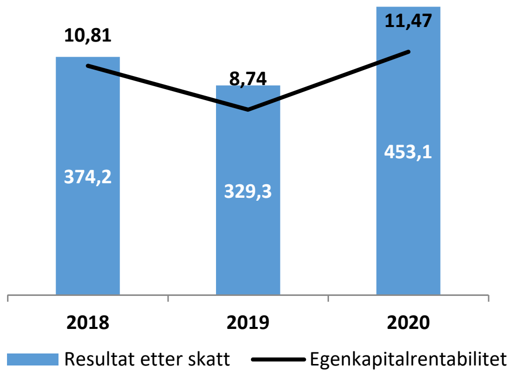
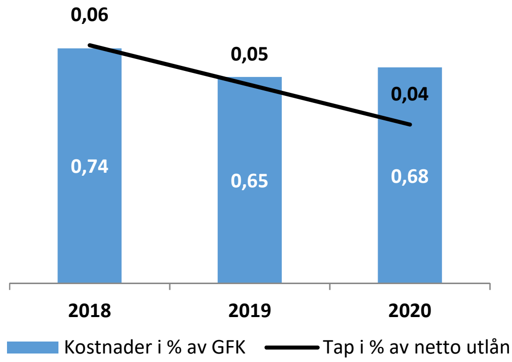
BUSINESS IN 2020

The Group achieved a profit after tax of NOK 453.1 million in 2020. By comparison, the profit after tax was NOK 329.3 million in 2019. The return on equity in 2020 was 11.47 per cent, compared with 8.74 per cent in 2019. Net interest income is stable. It decreased by just NOK 9.6 million compared with 2019 and amounted to NOK 632.1 million. Net value changes and gains/losses from financial instruments amounted to NOK 136.3 million, NOK 145.8 million higher than in 2019. Positive value changes to the Bank's shares in Frende Holding AS totalled NOK 154.0 million to date this year, compared with a negative value change of NOK 10.7 million in 2019. Total operating costs were NOK 296 million in 2020. The Bank has practised very effective cost control over time and its costs are low. Lending losses are low and stable and amounted to NOK 15.1 million for 2020.



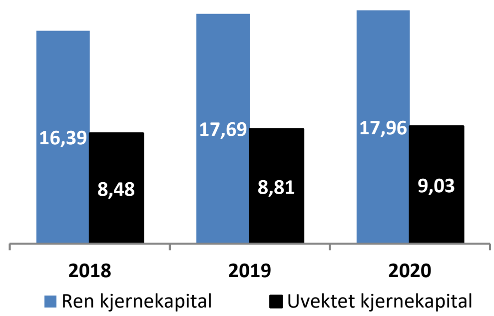
Lending grew by 3.56 per cent in 2020 and deposits from



customers grew by 0.36 per cent.

The Bank is very solid with a CET1 capital ratio of 17.96 per cent and a leverage ratio of 9.03 per cent. The Bank has implemented 150 per cent of the risk weight in the calculation basis for financing speculative investments in real estate.

Average total assets increased by NOK 794.5 million in 2020 and amounted to NOK 44,069.7 million at the end of 2020.



Sparebanken Øst maintained its distribution network in 2020 and now has 29 physical distribution points. The combination of effective digital distribution solutions and physical presence is still considered to be a good business model for Sparebanken Øst. The availability of the Bank's in-person services for customers was heavily impacted throughout the year due to the infection control measures that were introduced. Changed customer behaviour and the competition situation is increasing the need to develop existing operating models further. Ongoing streamlining and change work with good cost control and a very low level of costs will remain an important prerequisite if the Group is to be a relevant and sustainable provider of financial services in the future.

in 2020, the Sparebanken Øst Group comprised the parent bank and five wholly owned subsidiaries. Established in 1930, AS Financiering is a central actor within providing loans for second-hand cars with collateral in the purchased car. Sparebanken Øst Boligkreditt AS securitises mortgages for the Bank and thereby achieves lower funding costs for the Group. Sparebanken Øst Eiendom AS and its subsidiaries are tasked with managing properties belonging to the Sparebanken Øst group. The main object of Øst Prosjekt AS and its subsidiaries is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed commitments in the parent bank. The object of Øst Inkasso AS is to engage in debt collection operations and other activities naturally associated with this, including reminder services and long-term monitoring of debt collection portfolios. A decision was made to wind up the debt recovery company by transferring its business to Lindorff AS with effect from 01.01.21.

Sparebanken Øst is constantly developing and streamlining work and credit processes. No own research was conducted and no internal costs were capitalised in relation to development activities in 2020.

The risk in portfolios associated with loans to business customers and retail loans is considered low. The Bank has continued its restrictive credit policy with respect to granting loans to business customers. The risk associated with retail loans is generally low. An increasing proportion of retail customers is contributing to low concentration risk. Non-performing commitments were at a very low level at the end of 2020. Compliance controls carried out by the internal auditor, Risk Management Department, and Compliance Department show a consistently satisfactory process for the assessment of risks, satisfactory formulation of procedures and routines, and that the compliance with procedures and routines is good. No incidents resulting in a risk of significant losses were registered in 2020.

The Board and executive management team would like to thank the Group's employees for their great efforts in 2020.

STRATEGY, OBJECTIVES AND RISK PROFILE

Sparebanken Øst's strategy was most recently considered and approved by the Board of Directors in June 2019.

Vision
We want to be a leading savings bank in Eastern Norway.

Business concept
Our mission is to be a non-affiliated, independent and locally managed provider of financial services, to enable people in general, along with small and medium-sized enterprises, to exploit their financial resources in the best possible manner.

Savings bank identity
We want to be:

- community-oriented with high ethical standards
- a contributor to value creation and sustainable development, both through the Group's ordinary operations and through the Bank's social dividend – especially in the municipalities of Øvre Eiker, Nedre Eiker, and Drammen
- development-oriented while remaining rooted in the local community
- sound, far-sighted and credible

Core values
We want to live up to the following three core values:

- predictable
- down-to-earth
- forward-leaning

Geographical market area
We define the central Eastern Norway region as our main market. With a combination of physical and digital distribution, we are a modern traditionalist and provider of financial services to the general public and local businesses in the region.

- We have our origins in the municipalities of Øvre Eiker, Nedre Eiker, and Drammen, and view these as our local market. We are a unique actor that offers a dense network of branches with traditional banking services and modern digital services.
- The use of digital distribution channels means that we view the entire country as our market. We have been modernising our distribution strategy since 2005 and offer standard products to the general public nationwide.
- We offer products and services to business customers in the central Eastern Norway region. We define Oslo – Akershus, as well as Nedre Buskerud, including Kongsberg, as our core market area.

Products
We want to satisfy our customers' needs for ordinary financial products. The Bank's three core products are savings products, credit products and payment products. In addition, we distribute insurance, fund shares, interest rate hedging, and currency.

Risk tolerance
Banking requires a certain degree of risk-taking, but we seek to take a conscious and measured approach to the risks the Bank has or assumes. This applies to the most significant risk areas for losses involving credit risk, market risk, operational risk and liquidity risk.

Organisational and employee development
We want to be a market-oriented organisation that offers interesting challenges to responsible and qualified employees. Goals will be set for employees' achievements and skills where the expectations will be clearly communicated from management. We want to develop our employees to enable them to meet future skills and reorganisation requirements, as well as work for equal status in all areas of our business. We want to be an attractive employer by offering a good working environment and competitive terms.

Market and brand strategy
Sparebanken Øst bases its brand strategy on a desire to give its customers freedom of choice. This means that the Bank wants to facilitate efficient distribution through physical branches, digital sales portals and external product vendors. The strategy gives customers the freedom to choose how they want to be served, thereby determining the degree of self-service. Sparebanken Øst has a marketing model based on a 'House of Brands' brand strategy that provides differentiated product and service offerings based on customers' preferences and needs. In addition to the Sparebanken Øst brand, the Group has the following brands: DinBANK.no, Topprente.no, Boligkreditt.no, Youngbank.no, Nybygger.no and AS Financiering. The Bank's branding strategy and concepts will be tailored to comply with any marketing guidelines issued by the government.

The Group has products to honour the needs of environmentally aware customers and sustainable development by providing green mortgages and green car loans at very competitive prices.

Overall financial objectives
We want to be a profitable bank run according to business principles. Its financial performance each year and over time must help ensure the Group achieves its targets.

- The Group's CET1 capital ratio target is set at 14.75 per cent.
- The Group's target for its return on equity has been set at 10 per cent over time.

The Board believes that expanding the Bank can best be achieved through organic growth, and considers sustained growth important in ensuring that the Bank can achieve its objectives, and retain its independence. All growth must comply with the conditions established by the Bank's overarching financial objectives.

COMMENTS ON THE ANNUAL FINANCIAL STATEMENTS

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

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

Profit/loss
Sparebanken Øst's profit for 2020 was very good. The profit after tax was NOK 453.1 million. By comparison, the profit after tax was NOK 329.3 million in 2019. The return on equity in 2020 was 11.47 per cent, compared with 8.74 per cent in 2019.
Profit effects from the equity investment in Frende Holding AS and gains from the sale of real estate totalled NOK 173.8 million in 2020. Profit effects from the equity investment in Frende Holding AS were NOK 15.7 million in 2019.

Net interest income amounted to NOK 632.1 million and decreased by just NOK 9.6 million compared with the year before. This in a year of significance turmoil around, and pressure on, the Banks' interest income due to the Covid-19 crisis. The Bank cut its lending rates to customers as early as Q2. However, the reduction in money market rates only took effect on borrowing costs as of Q3 2020.

Net commission income amounted to NOK 35.1 million, which represents a reduction of NOK 10.0 million compared with the same period last year. The reduction was mainly due to the lower number of money-transfer transactions compared with the year before.

Dividends received in 2020 totalled NOK 11.8 million and were mainly dividends from Eksportfinans ASA totalling NOK 5.1 million and dividends from VN Norge AS totalling NOK 6.4 million in connection with the realisation of shares in Visa Inc. By comparison, at the end of 2019, dividends received totalled NOK 28.9 million, of which NOK 26.4 million related to the receipt of repaid equity from Frende Holding AS.

Net value changes and gains/losses from financial instruments amounted to NOK 136.3 million, NOK 145.8 million higher than in 2019. Positive value changes to the Bank's shares in Frende Holding AS totalled NOK 154.0 million to date this year, compared with a negative value change of NOK 10.7 million in 2019. The positive change in the value of the Bank's shares in Kraft Bank ASA amounted to NOK 5.8 million in 2020. Positive value changes related to shares and equity rights in Visa Inc. totalled NOK 2.3 million in 2020, compared with a positive value change of NOK 15.2 million in 2019; the year's value change must be seen in the context of dividends from VN Norge AS being recognised as income. The value of shares in Norne Securities AS was adjusted downwards by NOK 0.6 million in 2020. The value of the liquidity portfolio fell by NOK 18.4 million, compared with a decrease of NOK 9.9 million in 2019. The net profit effects of currency, derivatives and fixed-rate loans at fair value were NOK 2.8 million in 2020, the corresponding figure for 2019 was NOK 2.7 million. The cost of buying back the Bank's own issued debt amounted to NOK 9.6 million in 2020, compared with NOK 6.8 million in 2019.

Other operating income amounted to NOK 29.3 million in 2020, compared with NOK 15.3 million in 2019. The increase was primarily due to a gain from the sale of real estate totalling NOK 19.8 million during Q1 2020, in addition to reductions in rental income of NOK 4.8 million as a result of these sales.

Total operating costs were NOK 296.0 million in 2020, compared with NOK 277.8 million in 2019. Operating costs have primarily increased as a result of provisions for profit sharing, transitional supplements, IT costs, and external assistance.

Impairment losses on loans to customers, unused credits and guarantees amounted to NOK 15.1 million in 2020, compared with NOK 18.9 million in 2019.

Income tax in 2020 totalled NOK 80.4 million and amount to 15.1 per cent of the profit before tax. The low income tax cost is explained primarily by the gain in value of the Frende Holding AS shares, as well as gains from the sale of real estate, which are subject to the exemption method.

Dividend considerations
In its assessment of prudence, the Board of Directors has afforded particular weight to the factors the Norwegian authorities have addressed in the Financial Supervisory Authority of Norway's letter dated 21.12.20, the Ministry of Finance's response dated 20.01.21, and the Financial Supervisory Authority of Norway's statement dated 20.01.21, which was based on the EBA's recommendations regarding banks' dividends published on 15.12.20. The EBA recommends that European banks refrain from dividends and other distributions until 30.09.21 unless particular prudence is exercised. The above is also based on the ESRB's resolution of 15.12.20 that generally extends its recommendation to national authorities regarding asking banks and others to refrain from distributing dividends, etc. The recommendation applies up to 30.09.21.

In its assessment, the Board of Directors has chosen to follow the Ministry of Finance's recommendations. However, it is important to point out that the Ministry of Finance has based its assessments on "The Banks' regulatory capital adequacy ratio is high and has risen over the past year. However, this increase can largely be attributed to regulatory changes that do not imply an actual improvement in the Banks' financial soundness." Sparebanken Øst uses the standard model when calculating the Bank's capital adequacy and setting its capital targets and has, for all practical purposes, not been affected by the regulatory changes that result in some banks achieving substantially better capital adequacy as the Financial Supervisory Authority of Norway assumes when discussing the Banks' financial strength. The Board of Directors of Sparebanken Øst uses the Bank's capital situation and not the Financial Supervisory Authority of Norway's generalised assumption concerning the Banks' and the Bank's financial strength.

On 11.02.21, the Board of Directors unanimously decided to recommend that the Board of Trustees approve a dividend of up to NOK 4.50 per equity certificate (NOK 93.3 million in total) and up to NOK 25.9 million for good causes for 2020.

The Board of Directors regards this as justifiable and consistent with prudent and good conduct under due consideration for losses that may be incurred following the end of the accounting year, or that may be expected to be incurred, as well as based on the need to build up equity in the Bank. The Ministry of Finance has asked Norwegian banks that find a basis for making distributions, following a particularly cautious assessment and based on the ESRB's recommendations, to keep the total distributions within a maximum of 30 per cent of the total annual profit for the years 2019 and 2020 (including the dividend already paid out for the 2019 accounting year) until 30.09.21. On this basis, the Bank's Board of Directors has based its decisions on the following calculations (figures in NOK millions):

Profit, parent bank 2019, allocated to equity certificates and primary capital	**289.7**	
Cash dividend paid out based on 2019 accounting year		74.6
Distributed to good causes based on 2019 accounting year		59.7
Profit, parent bank 2020, allocated to equity certificates and primary capital	**419.0**	
Total profit for parent bank 2019 and 2020	**708.7**	
Dividend limit (ref. the Ministry of Finance) 30 per cent	212.6	
Previously allocated to dividends for equity certificate holders and good causes	134.3	
Available budget for payment of dividends before 30.09.21	**78.3**	

Therefore, the Board of Directors proposes that the recommended dividend be paid out in line with the Ministry of Finance's recommendations and that a dividend of NOK 3.50 per equity certificate (NOK 72.6 million in total) and provisions for good causes totalling NOK 5.7 million be paid out in the normal manner following the Board of Trustees' approval. The Board of Directors also recommends that the Board of Trustees give the Board of Directors special authorisation to make a decision on paying a dividend of up to NOK 1.00 per equity certificate (NOK 20.7 million in total) and provisions for good causes of up to NOK 20.2 million, at the earliest on 01.10.2021 and by no later than the annual meeting of the Board of Trustees in 2022, if the capital situation and the authorities' guidelines so permit. The year's recommend distribution deviates from the communicated dividend policy as far as distributions to good causes are concerned.

In its assessment of prudence, the Board of Directors placed particular emphasis on the following:

The authorities have reiterated their call for Norwegian banks to refrain from and wait before distributing dividends and other distributions until the uncertainty has reduced further and at least until 30.09.21 unless particular caution is exercised. The Financial Supervisory Authority of Norway refers to the EBA's reasoning that significant economic uncertainty still remains as a result of the Covid-19 pandemic, and that a conservative approach to distributions is essential for maintaining prudent capital levels and to enable European banks to continue offering credit. In an announcement on 15.12.20, the European Central Bank (ECB) urged all banks under the direct supervision of the ECB to avoid, or limit, payments of dividends and share buybacks until 30.09.21. The ECB's request was directly targeted at the 115 banks (as at December 2020) that are significant. In this context, one of the criteria for being a significant bank is size, more specifically EUR 30 billion. The ECB recommends that national supervisory authorities, wherever appropriate, take the same approach to banks in the eurozone that are not subject to direct supervision by the ECB. The Financial Supervisory Authority of Norway maintains that considerable uncertainty still remains about how the Norwegian economy and financial markets will develop in the future. It points out that the Banks' loan losses have increased as a result of the crisis, that the increases are moderate so far and that they are largely linked to oil-related loans. Furthermore, it points out that since large sections of business have suffered significant falls in earnings, there is a risk of latent losses being underestimated in the Banks' loan loss provisions.
In the opinion of the Board of Directors, Sparebanken Øst is a smaller savings bank with low systemic risk and thus of less significance in terms of the stability of the financial system and this, in combination with the Board of Directors' assessment of prudence, permits the proposed distributions as presented for the 2020 accounting year.

Sparebanken Øst has had, and has, very low levels of impairment and non-performing commitments and neither of these increased in 2020. At year-end 2020, the Bank's net payment defaults over 90 days past due accounted for 0.29 per cent of net lending, at year end 2019 the corresponding figure was 0.37 per cent. As at 31.12.20, losses amounted to 0.04 per cent of net lending to customers, while at year end 2019 they amounted to 0.05 per cent. The Bank has no direct exposure to oil-related activities. The Board of Directors has noted that some industries and companies are experiencing falls in earnings and that the government's packages of measures are having varying impacts. The Board of Directors has also noted that, at the same time, many industries and companies are doing better than ever and that impacts the pandemic is having on the region's business sectors differ greatly.

Sparebanken Øst has very limited exposure to particularly vulnerable industries, no direct exposure to oil-related activities, defaults over 90 days past due are low and even lower at the end of 2020 than at the end of 2019. Losses are low and to date have not increased from the level in 2019. The Board of Directors believes that the risk of losses in the loan portfolio is limited going forward.

Sparebanken Øst has boosted its financial strength in the past few years and the Group's CET1 capital ratio and leverage ratio have developed as follows:

	31.12.20*	31.12.19	31.12.18
CET1 capital ratio	**17.96%**	**17.69%**	**16.39%**
Tier 1 capital ratio	19.67%	19.49%	18.15%
Calculation basis	20,471.4	19,450.3	19,959.5
Leverage ratio	9.03%	8.81%	8.48%

* The figures for 31.12.20 were calculated on the basis of the Board of Directors' proposed allocations.

The Bank's target for CET1 capital is 14.75 per cent, while the authorities' total requirement for Sparebanken Øst's CET1 capital is 12.8 per cent (not including expectations relating to the P2G buffer). The authorities' requirement for the leverage ratio is 5 per cent.

In its capital planning, the Board of Directors has taken into account known future buffer requirements and has also emphasised that the Bank's model for calculating financial strength as a standard bank is based on conservative principles for calculation bases that appear significantly sounder and more robust than those for IRB banks' models. The Board of Directors has noted that the government's provisions for capital calculations in IRB banks have resulted in significant easing for these banks. As a standard bank, Sparebanken Øst has not experienced such significant easing and the Bank's assessment of its dividend capacity has therefore not been based on such either. Sparebanken Øst has also taken into account the rules for capital weighting for 'speculative property operations' and the effects of such capital weightings have been incorporated into the Bank's financial statements and key figures. In its assessment, the Board of Directors has also taken into account the Bank's recovery plan. Sparebanken Øst is a very sound bank in terms of both its CET1 capital ratio and its leverage ratio. The Bank's risk assessments (ICAAP) indicate that its credit, market and liquidity risks should be considered low. The Bank's capital plan (ICAAP) clearly shows the Bank's financial strength, even in light of the very strict stress tests that are used for the Bank's total capital assessments and proposed dividend for the 2020 accounting year. In the opinion of the Board of Directors, the Bank is very sound, and it has a robust capital plan in place with a significant ability to absorb losses that should also meet future buffer requirements. The Board of Directors believes the stress tests associated with the Bank's capital plan (ICAAP) show that the Board of Directors' proposed allocations in the 2020 financial statements are prudent.

Projections under stress have been made in the Bank's model based on the current financial situation taking into account the recommended profit allocation as at 31.12.20. The stress test shows that the Group will satisfy current and known future equity requirements, even based on a strict scenario with a severe and prolonged setback. The scenario results in severe effects on the real economy and the financial markets after an extensive and prolonged pandemic with the locking down of the Norwegian economy, a high number of bankruptcies, high unemployment and negative GDP growth. **In the opinion of the Board of Directors, the CET1 capital is adequately sound and robust, and the allocations for the 2020 accounting year that have been recommended and explained are prudent.**

Sparebanken Øst maintained excellent liquidity throughout 2020, and the Board of Directors points out that the Bank's LCR (in per cent) rose throughout the year and was stable at year end 2020. As at 31.12.19, LCR was 265.11 per cent. During the first phase of the pandemic LCR was 371.91 per cent (as at 30.06.20) and 337.87 per cent (as at 30.09.20). At the end of the year, LCR was 266.93 per cent. In the opinion of the

Board of Directors, the Bank's liquidity was particularly good and well above the authorities' LCR requirement of 100 per cent and far in excess of the self-determined framework of a minimum of 102 per cent and target figure of 115 per cent.

Sparebanken Øst has a very high quality customer portfolio. The Bank has a low proportion of loans for corporate activities in its portfolio. The Bank's corporate portfolio accounts for just 14.2 per cent of the Bank's total loan portfolio as at 31.12.20. Furthermore, the Board of Directors emphasises that the Bank has extremely low levels of exposure, both directly and indirectly, to industries that are defined as being particularly vulnerable. Additionally, Sparebanken Øst still has no direct exposure to the oil or shipping industries.

In light of the pandemic, temporary interest-only periods were made available following government calls to this effect, which together with a range of additional packaged measures by the authorities were designed to reduce short-term negative consequences of the pandemic. The Board of Directors points out that the proportion of retail customers with interest-only periods was down sharply from 4.4 per cent as at 30.06.20 (as a percentage of the loan portfolio) and 1.4 per cent as at 30.09.20 to 0.3 per cent as at 31.12.20. In the corporate portfolio, the proportion with temporary interest-only periods also fell sharply from 9.0 per cent as at 30.06.20 and 0.7 per cent as at 30.09.20 to 0.1 per cent as at 31.12.20 and as at 31.12.20 related to a single corporate commitment of NOK 4.7 million. The Board of Directors has also noted that the development in ordinary forbearance is stable; as at 30.06.20 the proportion of retail customers with forbearance was 0.2 per cent and for the self-employed it was 0.1 per cent. At the end of 2020, the proportion of ordinary forbearance for retail customers was 0.2 per cent and for self-employed 0.2 per cent. The Board of Directors assumes that the stable and low level of non-performing and impaired loans the Bank has had, and still has, underlines the good quality of the loan portfolios held by the Bank. Additionally, the Bank's administrative team have remained in close contact with the Bank's customers throughout the pandemic and have not uncovered circumstances that would indicate that credit risk in the portfolio will result in a significantly increased potential for loss as a result of Covid-19 as at 31.12.20. The Board of Directors also notes that, as at 31.12.20, just two loans have been issued through the Bank under the government's guarantee scheme, totalling NOK 3.5 million.

Sparebanken Øst recorded a very good financial profit as at 31.12.20. The Bank's financial result was at an 'all time high' level with a result before tax of NOK 533.6 million and a return on equity after tax of 11.47 per cent. Net interest income in 2020 was relatively stable from the year before despite the fact that Q2 was a weak net interest income quarter due to major and sharp impacts on market interest rates. Cost control is good, and costs remains low. The Bank's losses over time have been very low and as at 31.12.20 the losses had been reduced to NOK 15.1 million (0.04 per cent) from NOK 18.9 million (0.05 per cent) in 2019. The Board of Directors emphasises that since 2020, the Bank has built up a significant financial result that illustrates its good banking operations during the pandemic. The result in 2020 provides leeway for both growth and the payout of dividends, as well as a large capacity for absorbing any losses that might arise in the period ahead.

The uncertainty surrounding macroeconomic developments has reduced significantly compared with earlier. The uncertainty is still somewhat higher than normal at the start of 2021. However, we are exposed to substantially less uncertainty today than in the immediate period after the virus outbreak. The Board of Directors refers in this regard to the Ministry of Finance's white paper of 09.09.20, Statistics Norway's 'Economic trends 4/20' and to the national budget for 2021. The international economy has been strongly impacted by the pandemic. Over time, the vaccination programme will have full effect and a gradual winding down of the infection control measures is expected throughout 2021. Norway's trading partners will probably recover during the course of 2021 and the next few years. More oil money was spent in 2020 and the structurally oil-corrected budget deficit for 2020 was estimated to be around 3.9 per cent of the oil fund's market value at the start of the year. When oil money is spent, there must be an emphasis on evening out fluctuations in the economy to ensure good capacity utilisation and low unemployment and the expansive policy in 2020 was therefore in line with the fiscal rule (3 per cent). Household consumption is lower than before the outbreak of Covid-19, although the consumption of goods has grown strongly. The rate of savings is high and a savings rate as high as 15 per cent has been measured in the income and capital accounts before. Consumption is expected to rise during 2021 such that we will return to pre-Covid-19 levels towards the end of 2021. The low interest rate is expected to rise from the middle of 2021 and until 2023. The interest rate level in the period remains below the normal interest rate level.

Furthermore, the Board of Directors has taken into account unemployment and house prices. Unemployment remains higher than the normal (old) rate but has fallen significantly since April 2020. The average unemployment rate has been at around 3.7 per cent so far in the 2000s. Unemployment for 2020 is expected to be 4.8 per cent (measured by the labour survey) before falling gradually to around 4 per cent in 2022 and 2023. House prices are rising after a slight downturn in March 2020. Low interest rates are significant given that house prices in Norway rose by 8.7 per cent in 2020. In Oslo, house prices rose by 12 per cent in the past year. Statistics Norway estimates that house prices will rise by 3-4 per cent per year in the coming years. Significant and increasing competition between banks in mortgage lending indicate clearly that banks remain able to continue lending to customers, even when taking into account that many savings banks have paid dividends and made charitable donations for the 2019 financial year. This is supported by the decision issued by the Ministry of Finance on 11.09.20 to discontinue temporary changes to lending regulations relating to flexibility quotas for mortgages as of for Q4 2020. This reinforces the impression that the housing market is moving towards normalisation.

The trend in infections in Norway was falling, as at 05.02.20, after climbing around Christmas and New Year. Norway's vaccination programme has commenced but is exposed to some political polemic regarding progress. Around 200,000 people had received their first vaccination dose as at 05.02.21. As at 01.01.21, the government had made some adjustments to the national infection control measures with, among other things, more opening of schools and in children's and young people's sports. The authorities are warning against a third wave and of local outbreaks of infection with moderate consequences. In connection with the increase in mutant variants, strict, time-limited regional infection control measures have been implemented. The Board of Directors assumes that regional variants and the rise in local infections will continue to occur, including when it comes to mutant variants. Earlier, the Norwegian Institute of Public Health considered the capacity to offer treatment to be good both at a municipal and national level, and there is no shortage of personal protective equipment (PPE). Hospitals have improved their plans and fairly substantial reserve capacity for intensive care treatment is on standby. Hospitals have been received a lot of new equipment and have also gained experience in the treatment of patients of this kind, with positive treatment outcomes. In the view of the Board of Directors, infection trends may vary, especially in terms of local outbreaks, and new measures could still be implemented in order to reduce the spread of infection, however these will not have the same major consequences that created tremendous uncertainty at an early stage during the pandemic. The commenced vaccination programme is expected to be completed in the course of the next few months. **In the opinion of the Board of Directors, the level of uncertainty surrounding infection trends has reduced despite continued variations and fluctuations.**

Sparebanken Øst has just over 3,000 equity certificate holders; around 90 per cent of these can be defined as private individuals and small savers. The Board of Directors considers that a dividend for these parties may be seen as an interest rate return on ordinary savings and the timing of such a payment may generate negative consequences in tax terms. **Out of consideration to the Bank's large proportion of small savers, the Board of Directors is choosing to decide to recommend the presented allocation of dividends, although with payment limits on parts of the dividend.**

The Covid-19 pandemic has resulted in significant challenges and a financially demanding period for many associations and clubs. In the sporting and cultural spheres, the pandemic has also created challenges in terms of work directed at children and young people, as well as other particularly vulnerable groups. The Bank plays a very important role as a financial donor to voluntary work that is aimed at improving the lives of children and young people. In a press release dated 25.03.20, the Ministry of Finance clarified that prohibiting the payment of dividends and donations to good causes would impact small savings banks and result in donations not being able to be made to clubs and associations in the future. The Board of Directors recommends an allocation for good causes of up to NOK 25.9 million. The Board of Directors recommends earmarking up to NOK 13 million for Covid-19 relief measures targeted especially at children and young people.

Following an overall assessment, the Board of Directors believes that it is justifiable and consistent with prudent and good business practices under due consideration for losses that may be incurred following the end of the accounting year, or that may be expected to be incurred, as well as based on the need to build up equity in the Bank, to recommend paying a dividend and making a grant to good causes for the 2020 accounting year.

Allocation of profit for the 2020 accounting year:

Profit after tax, parent bank*	**NOK 419.0 million**
Allocation to/from fund for unrealised gains	**NOK -157.3 million**
For allocation	**NOK 261.7 million**
Added to the Bank's primary capital	**NOK 153.6 million**
Allocated to good causes	**NOK 25.9 million**
Cash dividend for equity certificate holders	**NOK 93.3 million**
Transfer to/from equalisation fund	**NOK -11.1 million**

*Equity certificate holders' and primary capital's share of profits.

The dividend for equity certificate holders and good causes amounts in total to NOK 119.2 million and represents 28.5 per cent of the parent bank's profit for the equity certificate holders and primary capital of 2020. The Financial Supervisory Authority of Norway must be notified of awards of dividends in excess of 50 per cent of the parent bank's profit after tax in accordance with section 10-6, paragraph 3 of the Financial Institutions Act. The total dividend on the parent bank's profit, therefore, does not necessitate notification to the Financial Supervisory Authority of Norway in relation to the payment of the dividend for 2020 after ordinary provisions. The dividend payout rate for equity certificate holders has been calculated at 67.9 per cent and, therefore, is well within the earlier communicated dividend policy that states that the dividend for the equity certificate holders should lie between 50-75 per cent. The allocation rate for good causes has been calculated at 27.8 per cent and lies below the communicated dividend policy (50-100 per cent), see the Bank's dividend policy for further details.

Balance sheet
Total assets increased by NOK 1,683.9 million compared with 31.12.19 and amounted to NOK 44,069.7 million at the end of 2020.

<u>Assets</u>
Cash and receivables at central banks amounted to NOK 409.4 million as at 31.12.20, compared with NOK 302.5 million as at 31.12.19.

Net lending to financial institutions amounted to NOK 13.4 million as at 31.12.20, compared with NOK 15.9 million as at 31.12.19.

Net lending to customers amounted to NOK 35,443.8 million as at 31.12.20, compared with NOK 34,225.3 million as at 31.12.19. This represents an increase of NOK 1,218.6 million in the past 12 months, or 3.56 per cent. In 2020, the Bank saw major movements in its loan portfolio as a result of the Bank's strategic choices when the pandemic struck Norwegian society. The Bank's lending volume decreased prior to Q4. Lending grew significantly in Q4. The growth came as a result of the Bank's 'Nybygger.no' campaign, which is specifically targeted as the market's very best mortgage customers. This also affects the Bank's net interest income development and financial strength during the year. Gross lending to retail customers accounted for 85.8 per cent of total lending to customers.

Holdings of certificates and bonds amounted to NOK 6,790.2 million as at 31.12.20, compared with NOK 6,755.1 million as at 31.12.19. Liquidity reserves measured using LCR totalled 266.93 per cent as at 31.12.20, compared with 265.11 per cent as at 31.12.19. The Bank's liquidity strategy involves a high proportion of securities that are included in the LCR calculation. The maturity structure for market funding significantly affects LCR.

Shares and units amounted to NOK 811.0 million as at 31.12.20, compared with NOK 629.6 million as at 31.12.19.

The Bank's stake in Frende Holding AS was 13.75 per cent, and the shareholding was valued at NOK 481.2 million as at 31.12.20.

The Bank owns 4.85 per cent of the shares in Eksportfinans ASA, and the shareholding was valued at NOK 195.0 million as at 31.12.20.

Balder Betaling AS is owned by several independent banks, and its main purpose is to own these banks' shares in Vipps AS. The Bank owns a 0.70 per cent stake in Vipps AS. The Bank's shares in Balder Betaling AS were valued at NOK 31.0 million as at 31.12.20. The valuation was based on the underlying share value in Vipps AS.

The Bank owns 6.85 per cent of the shares in Kraft Bank ASA. The shareholding was valued at NOK 28.8 million as at 31.12.20.

The Bank owns 'C' shares in Visa Inc. The shareholding was valued at NOK 35.4 million as at 31.12.20. The Bank also has rights to shares and 'A' shares in Visa Inc., owned via VN Norge Forvaltning AS and rights to shares owned via VN Norge AS. The rights and 'A' shares were valued at NOK 22.4 million as at 31.12.20.

The Bank owns 14.1 per cent of the shares in Norwegian Block Exchange AS (NBX). The shareholding was valued at NOK 15.0 million as at 31.12.20.

Liabilities

Deposits from customers amounted to NOK 14,845.1 million as at 31.12.20, compared with NOK 14,791.7 million as at 31.12.19. This is an increase of NOK 53.5 million, or 0.36 per cent, in the past 12 months. The loan-to-deposit ratio in the Group at the end of 2020 was 41.88 per cent, compared with 43.22 per cent at the end of 2019.

Securities issued amounted to NOK 23,111.0 million as at 31.12.20, compared with NOK 22,261.7 million as at 31.12.19. The degree of stable and long-term financing measured by NSFR was 120.42 per cent as at 31.12.20, compared with 117.04 per cent as at 31.12.19. The average maturity for market funding was 3.13 years as at 31.12.20, compared with 3.16 years as at 31.12.19.

Other borrowing amounted to NOK 601.0 million as at 31.12.20, compared with NOK 300.6 million as at 31.12.19. The increase relates to short-term F loans of NOK 300.0 million.

Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 3,292.0 million as at 31.12.20.

SUBSIDIARIES

Sparebanken Øst Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Øst and exists to grant or acquire residential mortgages, commercial mortgages, loans secured by means of mortgage in other real estate assets, and public loans, and to finance lending operations primarily by issuing covered bonds. The company has a low loan-to-value (LTV) ratio in the cover pool. The loan-to-deposit ratio was 48.3 per cent at the end of 2020, compared with 48.5 per cent at the end of 2019.

As at 31.12.20, the company's total assets amounted to NOK 18,233.9 million and mainly consist of first priority home mortgages, which are financed via covered bonds and drawing rights on the parent company. The company's paid-up equity is NOK 1,150.0 million, of which NOK 426.4 million is share capital and NOK 723.6 million makes up the share premium account. The profit after tax in 2020 was NOK 107.4 million, compared with NOK 88.8 million for 2019. The company has no employees, rather it sources services from Sparebanken Øst.

AS Financiering is a wholly owned subsidiary of Sparebanken Øst. Its main product is providing loans for second-hand cars with collateral in the purchased car. The company achieved a profit after tax of NOK 53.0 million for 2020, compared with NOK 38.3 million for 2019. Total assets amounted to NOK 2,234.4 million. At the end of 2020, the company had 17 employees, corresponding to 17 FTEs.

Sparebanken Øst Eiendom AS is a wholly owned subsidiary of Sparebanken Øst and manages properties belonging to the Sparebanken Øst Group. The company's other operating income amounted to NOK 25.2 million in 2020, compared with NOK 10.1 million in 2019. NOK 19.8 million in profit from the sale of property was recognised as income in Q1 2020. The profit after tax was NOK 21.1 million in 2020, compared with NOK 1.4 million in 2019. At the end of 2020, the company had no employees apart from the general manager who was paid by the company, equivalent to 0.2 FTEs.

Øst Prosjekt AS is a wholly owned subsidiary of Sparebanken Øst and its main object is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company has no employees. The loss after tax was NOK 0.4 million in 2020, compared with a profit of NOK 0.6 million in 2019. In Q2 2020, the company took over an office building valued at NOK 8.2 million as part of hedging loan commitments in the Bank.

Øst Inkasso AS is a wholly owned subsidiary of Sparebanken Øst. A decision was made to wind up the debt recovery company by transferring its business to Lindorff AS with effect from 01.01.21.

The company's other operating income amounted to NOK 9.4 million in 2020, compared with NOK 8.5 million in 2019. The result after tax for 2020 was a loss of NOK 1.2 million in, compared with a loss of NOK 0.2 million in 2019. The company had no employees at the end of 2020, the general manager was employed by Sparebanken Øst.

FRENDE FORSIKRING

Frende Holding AS owns Frende Skade AS and Frende Liv AS (Frende Forsikring). The Bank has a 13.75 per cent stake in the holding company. As at 31.12.20, Frende is owned by 14 savings banks and three Varig insurance companies, where Sparebanken Vest is the largest shareholder and Sparebanken Øst is the third largest. On 28.12.20, an agreement on cooperation and ownership in Frende was announced between the current owners and the Lokalbank alliance consisting of ten savings banks from the former Eika alliance. Frende offers life and non-life products to companies and private individuals and has more than 250,000 customers. Frende Forsikring's head office is in Bergen. Frende Holding AS posted a profit after tax of NOK 559.6 million for 2020, compared with NOK 322.5 million for 2019.

ENVIRONMENTAL, SOCIAL AND BUSINESS ETHICAL CONDITIONS

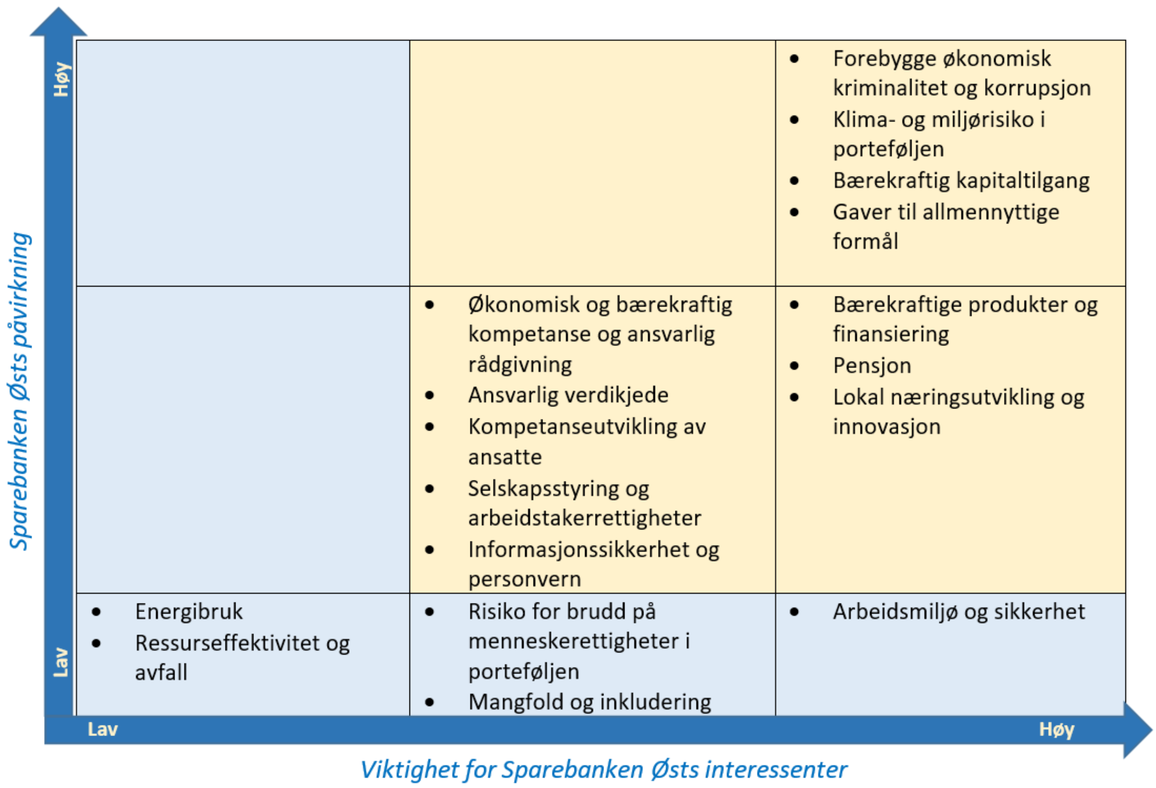
Sparebanken Øst has helped build local communities ever since 1843. Therefore, integrating sustainability into the Bank's activities represents a natural progression of the Bank's social role. As a regional savings bank, we have a responsibility, through our actions and products, to be a positive driving force in society and support sustainable development.

in 2020, Sparebanken Øst is reporting based on the Global Reporting Initiative (GRI) Standard. GRI is a recognised global system and framework for reporting on sustainability that is recommended in Oslo Børs' guidance on reporting on sustainability. There will be areas in the reporting that will be further developed in the future and the reporting will therefore not fully satisfy the GRI standards.

The main principle in GRI is that companies should report on the most relevant factors as regards the company's impact on the environment, social conditions and corporate governance. Therefore, Sparebanken Øst started mapping stakeholders in 2019 and carried out a materiality analysis that entailed the Bank examining its value chain to identify where we, as a regional savings bank, have the greatest impact. This work resulted in the Bank mapping and selecting the main themes that the Bank would prioritise going forward. This was reflected in a materiality matrix. We continued to work on this and update it in 2020 (see the matrix below). The main themes are explained below and grouped into these four categories:

i) Sustainable products and our contribution to local growth
ii) Our employees
iii) Responsible corporate governance
iv) Creating value in society as a savings bank.

In line with the Norwegian Code of Practice for Corporate Governance (NUES), this section of the annual report describes our ongoing work to identify significant non-financial issues and their impact on Sarebanken Øst's activities.



Sustainable products and our contribution to local growth

Preventing economic crime and corruption

GRI indicators: GRI 205-1, GRI 505-2, GRI 205-3

Financial institutions play a crucial role in preventing money laundering, corruption, terrorist financing and other economic crime. Our customers, and society as a whole, trust and expect the Bank to operate responsibly, ethically and legally. Sparebanken Øst is in a position to help prevent these sorts of suspicious transactions. This is a responsibility the Bank takes very seriously.

The Bank has conducted a business-oriented risk assessment in line with section 7 of the Anti-Money Laundering Act, which assesses the risk of misuse for money laundering or terrorist financing throughout the Bank's entire organisation. The risk assessment is considered by the Board of Directors and the executive management team. It is updated on an ongoing basis as needed and at least once a year. The assessment provides the basis for the Bank's anti-money laundering and terrorist financing measures. The Bank has also developed and implemented internal procedures in line with the Anti-Money Laundering Act to prevent money laundering and terrorist financing. These are designed to ensure compliance with the requirements of the Anti-Money Laundering Act. This includes customer measures for new and existing customers. Furthermore, new customers must undergo an approval process before an account can be opened.

In 2020, the Bank decided to establish a central team with responsibility for setting up new, non-digital retail customers. A decision was also made to conduct a trial scheme for centralising the annual review of retail customers in relation to reinforced customer measures. For business customers subject to special customer measures, the review will be coordinated centrally. The Bank also examines suspicious transactions in real-time in line with the anti-money laundering rules. This also includes transactions related to corruption. Suspicious transactions are reported to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM). Sparebanken Øst reported 35 suspicious transactions in 2019 and 69 cases in 2020.

Sparebanken Øst has a code of conduct that, among other things, is intended to prevent corruption involving employees, customers and other partners. The code of conduct is reviewed in every department every year. No cases that could be defined as corruption were reported in 2020.

The Bank conducts regular training on money laundering and terrorist financing for all employees that deal with customer affairs. In addition, all employees also undergo compulsory annual e-courses on counter money laundering and terrorist financing measures. All employees completed this in 2020.

Climate and environmental risk in the portfolio

GRI indicators: None.

Given the awareness of how climate risk can lead to increased financial risk, financial institutions have been focusing on developing expertise within sustainability and the climate. Finance Norway has recommended that Norwegian companies should adopt the Task-Force on Climate-related Financial Disclosures (TCFD) framework in their corporate reporting. This is also in line with the government's recently presented Climate Plan 2021-2030 in which the financial services sector is highlighted as an important driver in the transition to sustainable restructuring. Reporting on climate risk can make the business sector more aware of climate-related challenges and opportunities. Financial institutions can also contribute to the green transition by ensuring that money flows are oriented more towards financing green and sustainable solutions.

Sparebanken Øst supports the recommendations of the Task-Force on Climate-related Financial Disclosures (TCFD) and wants to implement them in the Bank's future work on climate risk. The Bank will, therefore, work to put in place procedures for identifying, assessing and managing climate risk. We also want to start work on identifying climate-related risks and opportunities, and assess their impact on the Bank's activities, strategy and financial planning.

The recommendations from TCFD concern how Sparebanken Øst should handle climate risk as a company. Meanwhile, since we believe that it is through our portfolio that the Bank can have the greatest impact on the climate, going forward we will primarily focus on the Bank's impact via our portfolio.

The Bank wants to put a framework in place for green products and green financing based on sustainable criteria in line with leading standards, with guidance from industry organisations and national and international organisations. As part of this, we will look at, for example, exclusion criteria based on ethical assessments and risk assessments. Once our green framework has been finalised, we will review our lending portfolio to see how large a proportion can be considered green based on our criteria.

In 2020, Sparebanken Øst started work on incorporating climate risk and sustainability criteria into investment analyses and decision-making processes. As a first step, Sparebanken Øst prepared its own sustainability assessment for business customers. This was tested on a sample of loan applications from November 2020. Based on their answers, customers are scored on a number of environmental and sustainability criteria. The Bank weights the criteria such that the total score in the assessment provides the Bank with an indication of how ready the customer is with regards to meeting the sustainability and environmental challenges we face. The score is an element in the Bank's continued engagement with customers with a view to, for example, encouraging customers to make more sustainable choices. The Bank will continue work on this in 2021 and possibly assess whether and how it could affect lending terms and conditions such as price, LTV ratio, etc.

Sustainable products and financing

GRI indicators: None.

We developed our first green customer products in 2019 in response to the increased focus on, and awareness of, climate risk and the role financial institutions can play in ensuring resources are allocated correctly. We offer green mortgages and green car loans at competitive prices.

Our green mortgages are granted to finance zero-emission homes. Since the Bank has only given one customer a green mortgage so far and we can see that the criteria for green mortgages differ greatly in the market, we will look more closely at the criteria for green mortgages going forward.

Green car loans are offered through Sparebanken Øst's subsidiary AS Financiering. The car in question must be a hybrid or an electric car for the car loan to be defined as green. AS Financiering will assess these criteria more closely going forward. Since AS Financiering currently has no means of flagging green car loans in its systems it is difficult to report how large a proportion of the loans are green. However, around 13.5 per cent of AS Financiering's new loans in 2020 were for fully electric cars. This means a volume of approximately NOK 155 million. This was an increase of no less than 20 per cent compared with the previous year. As at 31.12.20, electric cars accounted for around 12 per cent of AS Financiering's total portfolio. Some 13.6 per cent of the cars financed are electric cars.

Sparebanken Øst wants to build on green products and will continue to work systemically on implementing principles for green products and green financing. This requires a framework for green product development and the classification of customers based on sustainability criteria. The principles will also form the basis for the issuance of green bonds and stipulate how other parts of the business can be restructured in a more sustainable direction.

We want to develop our framework in line with leading standards, with guidance from industry organisations and national and international organisations. We will evaluate our customers' needs for green products and develop suitable products where we see a need and demand. We will also consider the possibility of issuing sustainable or green bonds, and will develop appropriate products for these.

Risk of breaches of human rights and labour rights in the portfolio

GRI indicators: None.

Sparebanken Øst's customer portfolio in the business market contains Norwegian companies with operations in Norway. The customers' operations are regulated by Norwegian law, which focuses heavily on human rights and labour rights. We therefore consider the risk of breaches of human rights and labour rights in the portfolio to be low.

Nevertheless, the Bank started a project in 2020 aimed at analysing the risk of breaches of human rights and labour rights in the business portfolio. These themes are included as part of the analysis of sustainability mentioned in the section above concerning climate and environmental risk in the portfolio.

As part of the Bank's work on sustainability, we want to assess how we can improve our reporting on the risk of breaches of human rights and labour rights in the portfolio.

Financial and sustainability expertise and responsible advice

GRI indicators: GRI 417-2, GRI 413-1.

In order to ensure that our employees have financial and sustainability expertise and that our customers receive responsible advice, employees in customer areas are required to have completed and passed various FinAut authorisation schemes. The table below shows the proportion of employees in customer areas authorised within the various FinAut authorisation schemes as at 31.12.20.

Type FinAut authorisation	Business market	Retail market
Credit	53%	52%
Savings and investments	27%	47%
Non-life insurance	-	54%
Personal insurance	-	43%

We seek to offer our customers a broad range of financial products to meet every need and so we can offer responsible advice. For insurance products and investments in funds and pensions, we cooperate with other companies or offer our customers products available from other financial institutions. In 2021, we will continue to focus on and discuss the sustainable products range with our third-party suppliers. If we determine that the range of green products is inadequate, we will initiate a dialogue with the providers in order to help develop green options.

The number of complaints made to the Norwegian Financial Services Complaints Board is an indicator of the responsibility of our advice for the retail market, which accounts for the largest proportion of the Bank's activities. In 2019, two complaints about the Bank were lodged with the Norwegian Financial Services Complaints Board and in 2020 the number was eight. This is a low number given the size of the Bank's customer base.

As part of our responsible advice, we offer lessons in personal finances to pupils in year 10 at lower secondary schools through the school programme 'Economics and Careers' in partnership with Young Entrepreneurship. Young Entrepreneurship is an nationwide non-profit organisation that in partnership with the education system, business and other stakeholders works to develop the creativity and self-belief of children and young people. Over the course of a school day, employees of the Bank teach pupils the financial relationship between consumption, income, education and dreams. They teach pupils to make their own choices and provide pupils with the skills they will need in work and society. Sparebanken Øst visits lower secondary schools in Drammen, Øvre Eiker, Kongsberg, Røyken and Hurum. Unfortunately, Covid-19 resulted in agreed lessons on personal finances having to be cancelled for 21 classes in 2020. Nevertheless, six schools entailing a total of 22 classes and 570 pupils did receive a full school day of lessons on personal finances from our employees. In total this amounted to 110 hours of teaching (based on 5 hours of teaching per school day).

In 2020, we analysed the need for training measures and will in 2021 offer all employees training within sustainability. The Bank also appointed a Sustainability Officer in 2020 who will be responsible for the work on sustainability going forward.

Sustainable access to capital

GRI indicators: None.

Sparebanken Øst has a NOK 300 million loan from Nordic Investment Bank (NIB) dating from 2017. This borrowing finances green activities in line with NIB's mandate and sustainability criteria.

In 2021, the Bank wants to work on putting an internal framework in place for green products and green financing/bonds based on sustainable criteria in line with leading standards and with guidance from industry organisations and national and international organisations.

<u>Our employees</u>

In order to serve our customers as well as possible, both today and in the future, Sparebanken Øst wants to ensure that our employees always have the knowledge and skills that current and future operations require.

Sparebanken Øst wants to be an attractive workplace that provides our employees with interesting challenges in an inclusive and supportive working environment.

Diversity and inclusion

GRI indicators: GRI 405-1, GRI 406-1.

A working environment in which differences are respected and the employees' expectations match those of the Bank and its needs is of great value to the Bank.

Sparebanken Øst complies with Norwegian legislation, which, among other things, forbids discrimination based on sexual orientation, gender identity and expression, ethnicity, religion and beliefs, or disability. Equal opportunities are also protected by local and national agreements with employee organisations. The Bank has also worked well with the employees representatives in numerous committees and projects for a long time. The Bank also has an ethics committee that deals with, for example, reports of misconduct. No incidents relating to discrimination were reported to the ethics committee in 2020. Nor has the Bank received any complaints of discrimination in connection with recruitment.

In 2018, the Bank established Junior Week for employees with children aged 2-9 as a means of promoting itself as an attractive employer for everyone including employees with young children. They receive an extra 1 week's paid holiday. In 2020, 46 employees (27 per cent) were covered by this scheme.

The proportion of women in Sparebanken Øst is generally high. The overview below shows that the proportion of female managers at levels 2 and 3 is 45 per cent. It also shows the distribution between men and women on the Board of Directors and at levels 1 to 3, the proportions of part-time and full-time male and female employees, and their distribution by age group.

As the overview shows, women take more weeks of parental leave than men. In order to highlight and further raise awareness of the status of gender equality in the Bank, next year we will try to report in line with the GRI standard for pay differences between men and women.

GRI-405-1	**Women**	**Men**	**Under 30**	**30-50**	**Over 50**
Board members	57%	43%	0%	14%	86%
Part-time employees	94%	6%	0%	12%	88%
Full-time employees	60%	40%	8%	47%	45%
Number level 1[3]	0	1	-	-	-
Number level 2	1	6	-	-	-
Number level 3	14	12	-	-	-
Average number of weeks of parental leave	14 weeks[1]	10 weeks[2]	-	-	-

[1] *Number of weeks includes unpaid leave.*
[2] *Number of weeks includes compassionate leave in connection with birth*
[3] *Level 1 is the CEO*

Working environment and safety

GRI indicator: GRI 401-1.

The Bank's working environment can be reflected by employee satisfaction, which has been measured for many years in employee surveys. A major survey of the Bank's employees was conducted in 2020, and achieved a response rate of 91 per cent. The purpose of the survey is to measure the employees' satisfaction and commitment. The feedback provides us with a good insight into areas that are ripe for improvements, large and small, as well as areas in which the Bank is doing well. The results from the latest survey show that employees are generally satisfied. We also found some important areas requiring improvement in some parts of the business.

In an era of major changes, both in the industry and the company, employee uncertainty has naturally increased. Sparebanken Øst has worked on various improvement measures over time based on employee surveys and will in 2021 also implement measures in selected areas within the various parts of the operations, in addition to some overarching measures.

As far as safety is concerned, the Bank ensures that statutory health, safety and environment (HSE) requirements are implemented in a systematic manner, including via established procedures and a close cooperation with the occupational health service. Aftercare in connection with robberies is included in the Bank's overall HSE work and is addressed by a
special aftercare team.

The working environment can be reflected through the number of new employees and the number of employees who leave. The overview below shows this, distributed by age and gender. We have not taken into account regional affiliation since the Bank only has employees in the Eastern Norway region.

GRI-401-1	Number	Per cent*
New employees in 2020	**21**	**12.21%**
Women	11	6.40%
Men	10	5.81%
New employees under 30 *(2 women, 1 man)*	3	
New employees aged 30-50 *(8 women, 8 men)*	16	
New employees over 50 *(1 woman, 1 man)*	2	
Turnover in 2020	**21**	**12.21%**
Women	13	7.66%
Men	8	4.65%
Turnover under 30 *(0 women, 1 man)*	1	
Turnover aged 30-50 *(7 women, 3 men)*	10	
Turnover over 50 *(6 women, 4 men)*	10	

** of total employees as at 31.12.20*

Skills development

GRI indicator: GRI 404-2.

The financial services sector faces a number of opportunities and threats, including because of changed customer behaviour, technological developments, competition from new market entrants and new regulatory requirements. Therefore, the employees' professional development is important for the Bank if it is to ensure continued growth and profitability. As part of the Bank's work on improving employee skills, the Bank has, as mentioned before, signed up to the FinAut authorisation schemes. In 2020, we also carried out internal training in several areas and recruited new expertise externally within, for example, customers, digitalisation/technology, regulations and sustainability. In 2021, we will continue our internal training and external recruitment of new expertise.

Pensions

GRI indicator: GRI 201-3.

It is important for Sparebanken Øst to use a pension provider with a solid history of taking sustainability into account in its investment decisions and that offers a broad range of green investment options. The Bank, therefore, offers its employees pensions through Storebrand, which focuses on active ownership in order to promote decisions that favour sustainability. Storebrand has also produced its own Storebrand Standard, which includes minimum criteria regarding human rights, international law, corruption, financial crime, the climate and environment, weapons and tobacco that result in exclusion should a company not improve following engagement. Storebrand's investment strategy entails them allocating capital to sustainable companies that contribute to the UN Sustainable Development Goals and that do not significantly hinder other sustainability goals or the Paris Agreement.

Many employees want their pension to be invested responsibly and sustainably. When the Bank offers to invest employees' pensions sustainably, we are demonstrating that, as an employer, the Bank cares about the same things that many of our employees do. Where pensions are invested can also have an impact on society as a whole. To ensure our employees are aware of how their pensions are invested and their investment options, Storebrand regularly sends out information directly to the employees. They also give employees the opportunity to take part in information meetings about pensions.

Responsible corporate governance

It means that high ethical standards must be set, not only for the Bank's employees, but also with regard to customers, suppliers and other stakeholders. The Bank has established a code of conduct for employees and elected representatives in the Group. The code of conduct provides instructions on how employees must conduct themselves in relation to customers, the authorities, suppliers, competitors and colleagues. The code of conduct is readily accessible from the Bank's intranet and must be reviewed annually by employees. An ethics committee has been established comprising of chief employee representatives, an attorney, the Chief HR Officer, the Deputy CEO and the CEO. The committee may be enlarged to include the main safety representatives. The committee is tasked with updating and maintaining the code of conduct, as well as handling whistleblower reports about wrongdoing, cf. Working Environment Act, chapter 2A. The committee must ensure uniform processing of warnings as defined in the Work Environment Act and ensure that both the alarm and the person notified of the alarm are dealt in a responsible manner. The committee must review and make suggestions regarding Sparebanken Øst's code of conduct on an ongoing basis.

IT security and personal data protection

GRI indicator: GRI 418-1.

Sparebanken Øst systematically addresses IT security and personal data protection through its own information security management system with associated strategic security objectives, risk assessments, instructions, routines, and guidelines. The Bank has established a culture programme within IT security involving training and documentation that ensures the Bank's employees can better understand the role they play in day-to-day IT security. The Bank's customer-oriented digital services, such as the online and mobile banks, are delivered by TietoEVRY via a multi-bank platform that is used by a significant proportion of comparable Norwegian savings banks. TietoEVRY has long and wide-ranging experience in delivering mission-critical digital services to Norwegian savings banks, including the IT security services and solutions necessary to ensure confidentiality, integrity, and accessibility in relation to the Bank's technological platform.

Responsibility for information security rests with the Bank's executive management team. The Bank has appointed a data protection officer. Routines and instructions have been established for how customers can complain, report incidents, request access to registered personal data, and request the transfer of registered personal data to another data controller. These rights are described in the Bank's privacy policy which is available from the Bank's website: www.oest.no/personvern/.

The Bank must register and assess non-conformance related to the processing of personal data and base its reporting to the Norwegian Data Protection Authority on this. The Bank did not incur any fines for breaches of IT security or privacy in 2020. Nor did any customers complain to the Norwegian Data Protection Authority about breaches of privacy.

Responsible value chain

GRI indicator: None.

Suppliers must be chosen and goods and services purchased in line with our values, and they must also fulfil our goal of achieving sustainability throughout our entire value chain. As a first step, the Bank introduced a requirement in 2019 that means that suppliers in exposed sectors must complete a self-declaration form confirming that they do not contribute to breaches of human or labour rights, do not contribute to a negative environmental impact, and that they do not contribute to corruption. The Bank carried out follow-up measures in 2020, which included checking pay and working conditions at relevant external suppliers.

Sparebanken Øst wants to take a more active role throughout its value chain and aims to work on an ethical standard for suppliers that addresses the links in the value chain where we have the highest costs and impact. It may also be relevant to discuss sustainability and climate impacts with our suppliers. In 2021, we will prioritise further developing the Bank's purchasing and supplier policy by incorporating social and environmental factors such that these are addressed in relation to our main suppliers.

Resource efficiency and waste

GRI indicator: None.

As a consequence of the analysis of the Bank's value chain, Sparebanken Øst has focused its reporting on the themes in the materiality matrix where the Bank can have the greatest impact. Resource efficiency and waste are not considered one of the areas where the Bank has the greatest opportunity to have an impact because the Bank is assumed to have a small climate footprint. Therefore, in our reporting we have chosen to focus on the Bank's activities. The Bank's energy consumption is, nevertheless, covered in the section below, where we report in line with the GRI Standard. Otherwise, Sparebanken Øst will continue to work on improving all aspects of our operations related to this theme.

Energy consumption

GRI indicator: 302-1, 305-1, 305-2.

Thanks to its local roots and presence, Sparebanken Øst has a total of 29 locations. This necessitates some travel on the part of employees. Since the employees' travel expenses only provide information about the number of kilometres driven, we have made assumptions about the distribution between electric cars, diesel cars and petrol cars based on Statistics Norway's car fleet statistics for Norway for 2020. We have, therefore, assumed that 9 per cent of the kilometres were driven using electric cars, 50 per cent using diesel cars, and 41 per cent using petrol cars. Based on last year's travel expenses, 35,587.6 kilometres were driven using petrol cars and 43,399.5 kilometres using diesel cars. Assuming an average consumption of 0.06 litres per kilometre, this results in total consumption of 2,135 litres of petrol and 2,604 litres of diesel.
The Bank also has a company car scheme in which the Bank covers operating costs. Therefore, it is difficult to know how many litres of petrol and diesel have been consumed in connection with work. We have thus assumed that 15 per cent of the consumption was linked to work. Based on this assumption, diesel consumption was 2,059 litres and petrol consumption 271 litres.

In addition to the employees' mileage allowances and the Bank's company car scheme, the Bank has some service vehicles. The total diesel consumption for these vehicles was 1,343 litres in 2020.

Therefore, the Bank's total fuel consumption for 2020 was 2,406 litres of petrol and 6,006 litres of diesel.

The following overview shows the Bank's greenhouse gas emissions, internal energy consumption and indirect emissions from energy consumption in 2020.

GRI 302-1 *GRI-305-1* *GRI 305-2*	Category	Unit	Energy (kWh)	Emissions (tCO2e)
	Transport			
	Petrol	2,406 litres		5.46
	Diesel	6,006 litres		16.10
Scope 1 total				**21.56**
	District heating Norway			
	District heating Bragernes	kWh	320,130	5.76
	District heating Vestfossen	kWh	29,012	2.29
	Electricity Norway			
	Electricity Asker	kWh	24,375	0.41
	Electricity Bragernes	kWh	294,960	5.01
	Electricity Fredrikstad	kWh	26,311	0.45
	Electricity Gulskogen	kWh	20,632	0.35
	Electricity Holmestrand	kWh	17,218	0.29
	Electricity Holtet	kWh	14,106	0.24
	Electricity Hokksund	kWh	452,509	7.69
	Electricity Horten	kWh	33,330	0.57
	Electricity Hønefoss	kWh	20,117	0.34
	Electricity Jessheim	kWh	14,442	0.25
	Electricity Kongsberg	kWh	22,863	0.39
	Electricity Konnerud	kWh	29,936	0.51
	Electricity Krokstadelva	kWh	42,640	0.72
	Electricity Lierbyen	kWh	23,618	0.40
	Electricity Mjøndalen	kWh	31,268	0.53
	Electricity Oslo city centre	kWh	30,889	0.53
	Electricity Røyken	kWh	14,011	0.24
	Electricity Sande	kWh	32,831	0.56
	Electricity Sandvika	kWh	22,500	0.38
	Electricity Skotselv	kWh	5,309	0.09
	Electricity Stavern	kWh	8,500	0.14
	Electricity Strømmen	kWh	21,105	0.36
	Electricity Stovner	kWh	5,403	0.09
	Electricity Svelvik	kWh	13,179	0.22
	Electricity Sætre	kWh	20,000	0.34
	Electricity Tofte	kWh	3,000	0.05
	Electricity Tønsberg	kWh	14,937	0.25
	Electricity Vestfossen	kWh	16,567	0.28
	Electricity Vikersund	kWh	5,603	0.10
Scope 2 total			**1,631,301**	**29.85**

Corporate governance and labour rights

GRI indicator: GRI 102-18.
Sparebanken Øst complies with the recommendations of the Norwegian Corporate Governance Board (NUES – www.nues.no). Please see 'Corporate governance' in the annual report for a full report on the Bank's corporate governance.

The labour rights and social conditions of the Bank's employees are ensured through central and local agreements with employee organisations, which are subject to annual negotiations. Labour rights are also well addressed by other legislation and regulations.

Creating value in society as a savings bank

Because we are a savings bank, Sparebanken Øst's social responsibility extends beyond merely producing financial results.

Sparebanken Øst must be socially oriented and have higher ethical standards. We shall be a contributor to value creation and sustainable development, both through the Group's ordinary operations and through the Bank's grants for good causes from social capital – especially in the municipalities of Øvre Eiker, Nedre Eiker, and Drammen.

Local business development and innovation

GRI indicator: None.

Sparebanken Øst is a bank with local roots in a major market. Therefore, it is important for us to be present as a major local employer and to contribute to local business development and innovation through financing and banking services for business and the Bank's local communities. The Bank also wants to work more on contributing to local business development and innovation going forward through, for example, sharing knowledge with business.

Grants for good causes

GRI indicator: None.

Sparebanken Øst was established by and for the local community. Ever since 1843, the Bank has helped build the local community brick by brick. Each year, Sparebanken Øst gives millions of Norwegian kroner back to the local community through the Bank's grant scheme.

The Bank supports projects, large and small, with grants for good purposes through the Spire fund. These funds have been earmarked for children and young people participating in sports clubs, bands, theatre and other types of associations. All of the Spire grants made in 2020 are listed on this web page: https://www.oest.no/wp-content/uploads/SPIRE-2020-Allmennyttige-gaver.pdf.

Under the 'Sprang' category, the Bank gives grants to young individuals who are dedicating their lives to sports or culture. The grants have to 'make a difference' and the candidates have to have chosen a path, demonstrated a willingness to go for it, and achieved good and promising results. In other words, individuals at a national level within culture or sports.

As mentioned before, through our school programme the Bank visits year 10 classes at lower secondary school to provide lessons on the financial relationship between consumption, income, education and dreams, in partnership with Young Entrepreneurship. Some 1,500 pupils a year in our region receive a full day of lessons in personal finances. Because of Covid-19, a large proportion of this teaching was cancelled in 2020.

In addition to the Spire, Sprang and teaching at lower secondary schools, the Bank donates money to a number of other good causes such as the conservation of older buildings and heritage sites.

In 2020, the Board of Trustees decided to set aside NOK 59.7 million for grants for good causes. Of this amount, NOK 30.3 million was allocated to provisions for the social dividend. NOK 29.4 million was allocated to good causes. The Bank received a total of 179 applications. Of the funds, NOK 23 million was distributed to 79 clubs, associations, and foundations in the central Eastern Norway region.

In December 2020, the Board of Directors allocated extra funds for good causes to ten sports clubs, the Norwegian Skating Association, five children's and young people's theatres, and the Norwegian Salvation Army in Drammen and Øvre Eiker, with which the Bank has long-term agreements. A total of NOK 4.25 million was provided in Covid-19 support for 2020. Volunteering faced an extremely difficult year in 2020. Extra Covid-19 support was provided to clubs, associations, theatres, and the Norwegian Salvation Army so they could provide good services for their target groups. The amount of NOK 4.25 million is included in the total grants amount of NOK 23 million for 2020.

Of the Bank's profit for 2020, the Board of Directors is proposing allocating up to NOK 25.9 million for good causes. The table below shows the number of recipients and the total amount in 2020 by various categories of purpose.

Category	Number of recipients	Total amount
Sports and outdoor activities	41	10,013,000
Heritage sites (buildings and preservation)	3	8,695,000
Culture	27	2,732,000
Good causes	8	1,560,000

RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to section 13-5(1) of the Financial Institutions Act, the Bank must be organised and operated properly. This involves having a clear organisational structure, clear division of responsibilities, clear and appropriate management and control systems, and appropriate guidelines and routines for identifying, managing, monitoring, and reporting risks to which the Bank is or may be exposed.

The Bank's board and executive management team bear ultimate responsibility for risk management and internal control. The Board adopts the overall risk strategy and approves principles for monitoring, control, and risk thresholds. The executive management team regularly reports to the Board on all significant risks, including the actual level of risk compared with established limits. An annual report on internal control, including confirmation that internal control has been carried out, is also produced together with an overall annual risk assessment.

Risk management must support the Bank's development and achievement of objectives and must ensure financial stability and responsible business operations. The process for risk management and internal control in the Bank is described in more detail in the 'Risk management and internal control' section of the 'Corporate Governance' section of this annual report.

RISK AND CAPITAL SITUATION

Credit risk

Sparebanken Øst has a credit strategy that deals with various types of credit risk related to loans, credits and guarantees granted to customers in the retail and business markets, as well as counterparty risk for securities.

The credit strategy is intended to help ensure that the Bank's activities in the credit area are in line with the framework conditions and guidelines in the Bank's overall business concept and strategic plans, including ensuring that the activities are prudent in relation to the Bank's capacity and willingness to bear risk.
The credit strategy is implemented in the Bank's credit manuals and in other instructions.

The Bank has an established credit portfolio of a quality and composition that ensures the Bank's profitability in the short and long term, and ensures that the Bank's management of credit risk is in accordance with the requirements stipulated in acts, regulations, directives from the authorities and other regulatory conditions.Within the retail and business markets, the capacity and willingness to pay are key aspects of the credit assessments. The Mortgage Regulation provides essential guidance to the Bank's lending business to private individuals. Measurement of risk on lending to customers is by classifying customers according to risk. Risk classification has been established as an integral element of the credit process, and the requirement for the annual reclassification of loan commitments is fulfilled. Credit risk trends are monitored continuously through reports to the Bank's executive management and quarterly reports to the Bank's Board of Directors.

The Bank's geographical coverage provides access to a large market area with flexibility with regard to customers and segments. The Bank's loan portfolio is primarily spread across the central Eastern Norway area. The low proportion of lending to the business market contributes to a lower overall credit risk for the Bank. Exposure to commercial property represents a relatively large proportion of the business portfolio, but a limited proportion of the Bank's total loan portfolio. The Bank has no exposure to oil, oil-related activities, fishing, or aquaculture activities. In general terms, the Bank can also be said to have very little direct or indirect exposure to the accommodation/hospitality industry, import/export businesses, or major industry and trading activities. There is also very little direct or indirect exposure to trading activities with the exception of groceries. During Q1 2020, measures were implemented to increase follow-up with its business customers through close contact in order to monitor the early impacts of the Covid-19 situation. The Bank opted to prioritise the special follow-up of its 100 largest customers, as well as customers in particularly vulnerable industries. The Bank's monitoring and assessment indicates that the loan portfolio is robust, and the risk associated with it low. The use of temporary interest-only periods due to Covid-19 is low. At the end of 2020, only one corporate commitment has been granted such an interest-only period. The commitment accounts for 0.1 per cent of the corporate market portfolio. In relation to the government's loan guarantee scheme, just a handful of applications have been received and only two loans have been granted as at the end of 2020.

Loans and credits to the retail market are generally only granted against home mortgages. The Bank's exposure to lending and credit without associated security is low. Given the Group's high share of loans to the retail market, which is primarily distributed in geographic terms throughout the central area of Eastern Norway, the retail market portfolio is considered to have certainty and a capability to service debt in a housing and labour market that is expected to remain fully functional in the longer term. Temporary interest-only periods as a result of Covid-19 have been granted based on furlough notices and were primarily granted in the period from March to May 2020. At the end of Q4 2020, the volume of temporary interest-only periods due to Covid-19 had been significantly reduced and constituted a total of 0.3 per cent of the retail market portfolio and 0.1 per cent in AS Financiering.

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

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

Market risk
Sparebanken Øst has a financial strategy that is intended to help ensure that the Bank's activities in the financial area are in line with the framework conditions and guidelines in the Bank's overall business concept, strategic plans, and budgets, as well as ensuring that the activities are justifiable in relation to the Bank's capacity and willingness to bear risk. The financial strategy is also intended to ensure that the Bank's management of financial risk complies with the requirements stipulated in acts, regulations, directives from the authorities, and other regulatory conditions. Sparebanken Øst has a liquidity portfolio comprising interest-bearing securities that are primarily issued by Nordic financial institutions, Norwegian banks, municipalities, the central government, and government-guaranteed companies. Through this, the Bank takes credit spread risk.

The interest rate risk is kept within fixed limits and is limited in that assets and liabilities mainly have variable interest rates or are swapped to variable interest rates. Currency risk is reduced by entering into forward contracts or basis swaps. The Bank has very little interest rate and currency risk. Exposure to equity instruments beyond the Bank's subsidiaries and strategic investments is limited.

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

Sparebanken Øst issues covered bonds through the Bank's wholly owned mortgage credit company. Covered bonds with long maturities are generally issued, while senior bond loans are issued with maturities that fit the existing maturity profile at any time. The Group's most important source of funding is the Norwegian covered bond market, which is a key part of the Norwegian securities market. Covered bonds provide security for investors in the form of preferential rights to low-risk mortgages. The market is attractive for Norwegian institutional investors because the supply of Norwegian government debt is low, but foreign players also invest in such bonds. Through the issuance of covered bonds, the Group secures access to external capital, often with a somewhat longer maturity than senior unsecured bond loans. The focus is therefore on facilitating issues of covered bonds within the framework established in the Group.

At the end of 2020, the Group's liquidity situation was very robust.

Operational risk
Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error, or external events.

Management and control of operational risk is safeguarded through the strategy for comprehensive risk management. The strategy is adopted by the Board and evaluated at least once annually. The strategy clearly defines who is responsible for the establishment and implementation of the internal control. Measures are taken to try and keep operational risk at a low level. The risk tolerance for operational risk is assigned to the Financial Supervisory Authority of Norway's incident categories, graded as zero tolerance, low and moderate risk. A code of conduct has been adopted and must be reviewed by all employees at least once a year in line with instructions. Such reviews must be confirmed by the managers in connection with the annual confirmation of the completed internal control. A clear organisational structure has been established with clear lines of responsibility. The required division of labour has been introduced as part of the internal control. Independent control functions have been established with responsibility for internal audit, risk management and compliance.

An annual review of all work processes in the organisation will be carried out where the associated potential risks are identified and the necessary measures to eliminate/reduce open risks will be defined.

This is registered in a joint risk register divided into categories. Risk level is assessed according to a stipulated scale. The review starts at the department level and is evaluated at the manager level. This is called a Key Process Review in Sparebanken Øst. Measures can include a division of tasks, establishment of routines, line controls etc. Managers must confirm each year that they have carried out the internal control, including actions taken as defined in the 'Key Process Review'.

Internal guidelines for outsourcing have been established. Written agreements have been prepared to ensure inspection, control, and auditing.

An incident database has been established that shows incidents with any loss grouped by category. Incidents with follow-up measures are reported to the Board of Directors on a quarterly basis in a special report from the Compliance Department. Monthly incident reporting is carried out as part of the business report for the Board of Directors. In the ICT area, special risk assessments and risk and vulnerability analyses have been established in accordance with the ICT Regulations, including based on the COBIT and ITIL frameworks. Continuity and contingency plans have been drawn up in the area along with routines for operations, development, procurement, non-conformance, and change management, as well as guidelines for information security and outsourcing. Contingency plans have been prepared to cover all of the Bank's operations. The contingency plans are tested on a regular basis. Measures to combat money laundering and terrorist financing are discussed in a dedicated section of the Board of Directors' Report.

The Group registered no significant losses due to the failure of internal processes, systems, human error or unforeseen events in 2020.

Assessment of overall risk and capital requirements
The capital adequacy ratio measured as CET1 capital amounted to 17.96 per cent at the end of 2020, compared with 17.69 per cent at the end of 2019. The Bank has implemented 150 per cent of the risk weight in the calculation basis for financing speculative investments in real estate.

The applicable Pillar 2 requirement for Sparebanken Øst is 1.8 per cent, although a minimum of NOK 360 million. The requirement came into effect on 30.06.20. Given the current level of the countercyclical buffer of 1 per cent, this entails a total CET1 capital requirement of at least 12.8 per cent. Sparebanken Øst's target for CET1 capital is 14.75 per cent.

Net primary capital at the end of 2020 amounted to NOK 4,369.6 million, of which NOK 4,026.2 million constituted the Group's CET1 capital. Given a calculation basis of NOK 20,471.4 million, this corresponds to a capital adequacy ratio of 21.34 per cent, of which 19.67 per cent constitutes the CET1 capital ratio. The Bank uses the standardised approach to calculate the minimum primary capital adequacy requirement for credit risk.

The leverage ratio amounted to 9.03 per cent at the end of 2020, compared with 8.81 per cent at the end of 2019. The unweighted requirement for CET1 capital is 5.0 per cent.

RATING

On 29.01.21, Moody's Investors Service upgraded Sparebanken Øst's ratings long-term and issuer ratings from A2 to A1. The upgrade was based on the Bank's expected issuance of senior non-preferred debt due to the publication of the Bank's MREL requirement on 15.12.20. With an expected increase in non-preferred debt, the risk of losses on deposits and ordinary senior debt is considered to be lower. The outlook for all of the Bank's ratings is stable. Covered bonds issued by Sparebanken Øst Boligkreditt AS have an AAA rating from Moody's.

EMPLOYEES, MANAGERS AND THE BOARD OF DIRECTORS

At the end of 2020, the Group had 189 employees, equivalent to 184 FTEs, compared with 197 employees and 192 FTEs at the end of 2019. The average age of employees in the parent bank was 47.68. The proportion of female employees was 63.37 per cent. The proportion of women in management positions was 44.1 per cent at the end of the year. The average age of employees in management positions was 48. Total sick leave in 2020 amounted to 4.88 per cent of total working hours, compared with 5.34 per cent in 2019. The sick leave rate in 2020 was 2.11 per cent for men and 6.63 per cent for women. Three personal injuries that were reported to NAV were registered in 2020.

All employees in the Bank are offered the same opportunities in terms of advancement and personal and professional development. The Bank's overall strategy includes organisational and employee development targets and stipulates that it must be sought to achieve equal opportunities in every area of the Bank. Equal opportunities are protected by central and local agreements with employee organisations, as well as other legislation and regulations. A special function has been established as an equal opportunities contact in the Bank under the auspices of the employee organisations.

The executive management team comprises the following seven members at the end of 2020:

Pål Strand, b. 1965
CEO
Bank employee since 1984

Kjell Engen, born 1969
Deputy CEO
Bank employee since 2003

Eivind W. Christiansen, b. 1979
Chief Digital and Marketing Officer
Bank employee since 2020

Kjartan Reve, b. 1980
Chief Customer Office
Bank employee since 2020

Thor-Henning Bråthen, b. 1981
Chief Financial Officer
Bank employee since 2017

Kirsten B. Østby-Deglum, b. 1984
Chief Legal Officer
Bank employee since 2020

Arnljot Lien, b. 1965
Chief Digital Officer
Bank employee since 2001

Of the Bank's board members, four are women. The Board consists of the following members: Øivind Andersson (chair), Cecilie Hagby (deputy chair), Elly Therese Thoresen, Jorund Rønning Indrelid, Arne K. Stokke, Sissel Album Fjeld (employee) and Ole-Martin Solberg (employee). Eivind W. Christiansen was elected as a board member on 26.03.20, but stepped down on 29.06.20. Richard Tandberg Olsen (first deputy board member) regularly attended board meetings from 25.08.20 onwards and took part in 14 board meetings in 2020.

Øivind Andersson, b. 1956
State authorised public accountant
Board member since 2015, chair from 2017
Previously a deputy member of the Board of Trustees and chair of the Bank's control committee.

Cecilie Hagby, b. 1966
Managing director
Board member since 2018
Previously a deputy member of the Board.

Elly Therese Thoresen, born 1957
Municipal council member
Board member since 2012
Previously a member of the Board of Trustees.

Arne K. Stokke, b. 1946
Lawyer
Board member since 2019
Former board member 1991-1997

Sissel Album Fjeld, b. 1959
Employee
Board member since 2019
Former member of the Board of Trustees and attending deputy member of the Board of Directors.

Jorund Rønning Indrelid, b. 1959
Managing director
Board member since 2019
Former board member 2001-2017

Ole-Martin Solberg, b. 1978
Employee
Board member since 2016
Former member of the Board of Trustees and a deputy member of the Board of Directors.

Board members' attendance at board meetings in 2020:

Øivind Andersson	31 of 31 meetings
Cecilie Hagby	30 of 31 meetings
Elly Therese Thoresen	25 of 31 meetings
Jorund Rønning Indrelid	31 of 31 meetings
Arne K. Stokke	31 of 31 meetings
Eivind W. Christiansen	of meetings (from 27.03.20, up to and including 29.06.20)
Morten André Yttreeide	of meetings (up to and including 26.03.20)

Employee representatives

Ole-Martin Solberg	31 of 31 meetings
Sissel Album Fjeld	31 of 31 meetings

DIVIDEND POLICY

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

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

MACROECONOMIC DEVELOPMENTS

The Covid-19 pandemic means 2020 will go down in history as one of the most volatile economic years of modern times. In March, the Norwegian and international economies were severely impacted by the infection control measures introduced by governments to limit the damage done by the disease. Economic activity varied a lot throughout the year due to changes in the infection situation and the associated easing or tightening of infection control measures.

In Norway and among our trading partners, the shutdowns of economies were generally countered with major monetary and fiscal policy measures aimed at preventing prolonged recessions. The central banks' policy rates were cut quickly when liquidity in the financial markets faltered in March and the equity markets abruptly fell. The central banks in the USA, EU and Japan also launched major programmes to support purchases of bonds to ensure access to credit in their economies. The indications are that the central banks' measures will be maintained for several years going forward and that interest rates will probably be close to 0 per cent during this period.

Norges Bank also cut interest rates fast. The key policy rate was first cut from 1.50 per cent to 1.0 per cent on 12.03.20. A week later it was cut by a further 0.75 percentage points. At the beginning of May, Norges Bank cut its rate to 0.0 per cent. In parallel with the rate cuts and expanded supply of liquidity from Norges Bank, the Norwegian government launched several immediate measures aimed at reducing the economic damage caused by the pandemic. Compensation schemes for enterprises that experienced falls in earnings of more than 30 per cent, tax and VAT deferrals, and wages compensation for furloughed workers were some of the measures that were put in place in spring 2020.

In 2020, the US economy was impacted less by the pandemic than the EU economy. The US's GDP fell by around 3.5 per cent for the full year, while the EU's GDP was down by 6.4 per cent. For the UK, the pandemic came in addition to the negative economic consequences due to its departure from the EU. Right up to the end of December there was great uncertainty surrounding its exit and what agreement the EU and UK would reach when the transition period ended on 31.12.20. The UK's GDP fell by no less than 9.9 per cent in 2020. Asian countries generally fared better economically speaking than Europe and the USA in 2020. They have largely managed to keep infections under control and thus been able to maintain a higher level of economic activity.

Oil prices were heavily affected by the global economic situation in 2020. North Sea oil fell from USD 66 per barrel at the end of 2019 to USD 19 per barrel at its lowest in April due to the Covid-19 crisis and the price war between Russia and the OPEC countries. Prices developed positively in the second half-year and ended the year at just over USD 50 per barrel. Prices have continued to rise in the first months of 2021.

The Norwegian Mainland economy fell by 2.5 per cent for 2020 following strong fluctuations in growth throughout the year. In Q2, GDP fell by 6.3 per cent, while in Q3 it grew by 5.2 per cent. In Q4, growth was 1.9 per cent in spite of new infection control measures. The infection control measures have had varying effects on the economy. Service industries have seen big drops in demand, while retail and parts of manufacturing have fared much better. Unemployment peaked in March in Norway at 10.6 per cent completely unemployed. Unemployment dropped quickly during the summer and autumn in line with society reopening and was 3.8 per cent in December. The housing market developed unexpectedly strongly due to the interest rate cuts and the growth in prices increased over the year after a fall in March. Prices rose by 8.7 per cent in 2020.

OUTLOOK

The economic uncertainty caused by the Covid-19 pandemic has decreased significantly since the first half of 2020. The long-term health and economic consequences remain unclear. The number of infections has been rising since August and Norway saw them peak at the beginning of January 2021. The trend in infections has been downwards in the year to date. Despite the low level of infection and falling infection rates, recent finds of virus mutations have resulted in the introduction of very strict infection control measures in Eastern Norway. So far, it has been communicated that these comprehensive measures will be short-term in nature. Very strict infection control measures are over time having major negative economic consequences for multiple industries. To date, three vaccines have been approved in Norway. The vaccination process is well underway but some delays in progress have been warned about. In the opinion of Sparebanken Øst, it appears that the authorities have a good overview and are in a position to implement effective infection control measures. The authorities have also launched support schemes for a large number of groups that appear to be helping to reduce the negative economic effects of the pandemic.

The state budget presented on 07.10.20 forecast good growth in the Norwegian economy in 2021. GDP is expected to grow by 4.4 per cent while unemployment will continue to fall. The budget will tighten facilitation of certain extraordinary funding measures implemented during the course of this year but continues to provide an impulse for growth to the Norwegian economy throughout next year. Statistics Norway, Norges Bank and the Banks' analysis teams all expect a relatively high level of growth in GDP for the mainland economy during 2021.

Unemployment is expected to continue to fall over the coming year thanks to a growth in demand from households and increased rates of activity in society.

Turnover and pricing trends for housing are both developing positively supported by low rates of interest and increased job security. Rising house prices support increased future house building following the postponement of multiple projects in the first 6 months of the year. Norges Bank's loan survey for Q4 2020 showed that demand for mortgages was effectively unchanged. The Banks' lending margins for mortgages dropped slightly in Q4 due to increased funding costs and somewhat stronger competition.

Sparebanken Øst is a cost-effective bank with a strong focus and belief that low costs constitute a competitive advantage. Costs are expected to remain stable going forward, however increased complexity may result in temporary cost increases.

Banking involves risking losses and non-performance, which means that losses on lending and guarantees to customers cannot be ruled out. The Bank has carried out evaluations of its portfolio in light of the Covid-19 pandemic, and no circumstances have been identified to date that will result in significant losses. The low rate of non-performing commitments and low losses on lending are expected to continue going forward.

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

The Group has great financial strength, which provides latitude, opportunities for growth and high potential dividends. The Group also continues to enjoy good liquidity, which will provide security if the Banks' access to funding is challenged in the future.

Sparebanken Øst believes that it holds a good position in the equity certificate market and aims to ensure simple, open communication with its investors. The Bank's target for its return on equity has been set at 10 per cent over time.

Growth in lending to and deposits from customers will depend on general competition in the Banking market, as well as the access to long-term financing. Money market rates have stabilised at historically low levels and the funding market for banks is well functioning. This, combined with the reduction in countercyclical capital buffers in March 2020, indicates that going forward the competition will be fierce, especially for mortgages. Pressure on the Bank's net interest rate is expected to be significant going forward.

Sparebanken Øst bases its capital calculations on the principles in the standard model. The government's regulation within the area of capital and financial strength is creating some major competitive advantages for a few large banks at the expense of the vast majority of Norwegian savings banks, including Sparebanken Øst. It is a matter of deep concern that the Norwegian authorities are choosing to discriminate against banks through the capital calculation regulations by treating equal risk differently. If the authorities choose to maintain this differential treatment it will have a major impact on the structure of the Norwegian financial services industry and on how individual savings banks will align their operations in the future. Sparebanken Øst will work to ensure that the framework conditions for Norwegian banks are equal and that competition between the Banks can be maintained without the use of such means.

On the basis of the low money market rates, the Bank is offering historically low rates of interest on lending through its self-service concept 'nybygger.no' which launched on 09.10.20. Sparebanken Øst has long experience of using various sales channels. The Bank's self-service solutions are cost effective and enable very competitive rates of interest with lower margins. The Bank expects to achieve lending growth in the future in line with the credit growth in society.

Growth in lending to retail customers will primarily come from home mortgages and providing loans for second-hand cars that are secured by collateral in the purchased car. Growth in lending to business customers will be seen in the Group's defined market areas, of which the main product is repayment loans against mortgages in real estate.

Sparebanken Øst will continue to systematically implement principles for green products and green funding. The framework for green product development and the classification of customers is based on sustainability criteria and for 2020 the Bank will report in line with the Global Reporting Initiative Standards (GRI). GRI is a recognised global system and framework for reporting on sustainability that is recommended in Oslo Børs' guidance on reporting on sustainability. There will be areas in the reporting that will be further developed in the future and the reporting will therefore not fully satisfy the GRI standards as at 31.12.20.

The Financial Supervisory Authority of Norway set Sparebanken Øst's MREL requirement on 15.12.20 at 31.6 per cent of an adjusted calculation basis. The MREL requirement must be met by 01.01.24 and can be phased in by the Group being allowed, prior to 01.01.24, to include in the fulfilment of the minimum requirement unsecured senior preferred bonds issued by Sparebanken Øst to external investors with remaining terms to maturity of at least 1 year. The phasing in of the MREL requirement must as a minimum be linear over the years 2021, 2022 and 2023. By the end of Q1 2021, the Bank will submit a plan for issuing senior non-preferred debt to the Financial Supervisory Authority of Norway. This plan must be based on a prognosis for an adjusted calculation basis at the end of the phasing in period. During the course of 2021, Sparebanken Øst must phase in a minimum of one third of the total estimated need for non-preferred debt in the phasing in period.

The Ministry of Finance has completed new lending regulations that will apply for 4 years from 01.01.21 and be evaluated in autumn 2022. The regulations are an amalgamation of the earlier mortgage regulations and consumer loan regulations. Most of the requirements in the earlier regulations will be continued, even though the Financial Supervisory Authority of Norway suggested some changes in the consultation paper at the end of September 2020. This means that the regulations will continue the requirements for a debt ratio of up to five times annual income, a loan-to-value ratio of a maximum of 85 per cent for primary homes, the capacity to service a 5 per cent rise in interest rates and a requirement for instalment payments for loans with a loan-to-value ratio of more than 60 per cent. The flexibility quota of 8 per cent in Oslo and 10 per cent in the rest of the country will also be continued.

Based on a proposal from the Financial Supervisory Authority of Norway, a new provision has been established concerning the restructuring of debt that provides greater leeway for helping customers with debt problems through so-called restart loans. For such loans, the requirements regarding debt ratio and capacity to cope with a 5 per cent rise in interest rates will not apply. Otherwise, it has been clarified that the requirements for mortgages will also apply to mortgages for sole proprietorships. Furthermore, the provisions for a loan-to-value ratio (section 7), additional collateral (section 8), refinancing (section 10) and the flexibility quota (section 12) will also apply to mortgages for legal people. In other words, the requirement for instalment payments for a loan-to-value ratio above 60 per cent (section 9) will no longer apply to mortgages for legal persons.

Sparebanken Øst still believes that lending practices should be the Banks' own responsibility and that responsibility for lending practices should be returned to the Banks in full when the level of risk decreases. Therefore, it is positive that the regulations are time-limited and that they will be evaluated in autumn 2022.

In the Bank's view, there is significant uncertainty relating to the framework conditions and future capital adequacy requirements for banks which calculate capital requirements using the standard method.

As at 31.12.20, the system risk buffer requirement increased by 1.5 per cent from 3 to 4.5 per cent, and a floor for the risk weighting of real property loans was introduced. In the case of banks that do not use IRB methods and are not essential to the system, the current requirements for 3 per cent will continue to apply until 31.12.22. The Ministry of Finance's increase to systemic risk buffers is directly connected to the capital reliefs provided for in Pillar 1 as a result of the introduction of CRR/CRD IV, which took effect on 31.12.19, in which the Basel I floor for IRB banks was abolished and an 'SME discount' was introduced for lending to small and medium enterprises. For Sparebanken Øst, this will mean an increase in capital requirements as at 31.12.22.

The countercyclical capital buffer requirement stands at 1 per cent after being reduced on 13.03.20 by 1.5 per cent from 2.5 per cent in connection with the Covid-19 pandemic. There is reason to assume that the authorities will consider increasing the countercyclical buffer once the economy normalises. Norges Bank has indicated that it expects to issue advice to increase buffer requirements again during 2021. The deadline for notification before any increase comes into force is 1 year.

In December, the Ministry of Finance asked the Financial Supervisory Authority of Norway to evaluate its establishment of the Pillar 2 capital requirements, underscoring the importance of transparency and their systematic structuring. They also announced that further regulation of the framework may be required for this process.

Hokksund, 31.12.20
Drammen, 04.03.21

Øivind Andersson Chair	Cecilie Hagby Deputy Chair	Elly Therese Thoresen Board member
Jorund Rønning Indrelid Board member	Arne K. Stokke Board member	Richard Tandberg Olsen Deputy board member
Ole-Martin Solberg Employee representative	Sissel Album Fjeld Employee representative	Pål Strand CEO

CORPORATE GOVERNANCE

Savings banks are self-owned foundations. The Norwegian Code of Practice for Corporate Governance was drawn up by the Norwegian Corporate Governance Board (NUES) for limited companies owned by shareholders with shares listed on a regulated market in Norway. The standard applies to savings bank in so far as it is 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 is elected from among the equity certificate holders, employees, depositors, and municipal nominees from Drammen, Nedre Eiker and Øvre Eiker. Each member of the Board of Trustees has one vote. The purpose of the NUES Code of Practice is to ensure that companies listed on regulated markets in Norway practise corporate governance that clarifies the division of roles between shareholders, the Board, and day-to-day management beyond that stipulated by law. In a savings bank there is also a need to clarify roles in relation to employees, customers, and municipally appointed trustees. This is addressed through Sparebanken Øst's articles of association.

The Board of Directors (the Board) and executive management team of Sparebanken Øst annually assess the corporate governance principles and how they are practised and complied with in the organisation. Sparebanken Øst first submits a report on the corporate governance principles and practice in accordance with section 3-3b of the Accounting Act. This is followed by a report with comments on each section of the Norwegian Code of Practice. The review is based on the latest revised version of the Code of Practice of 17.10.18.

REPORT ON CORPORATE GOVERNANCE

The description below describes 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 on the corporate governance recommendations and regulations to which Sparebanken Øst is subject or follows
Savings banks must be licensed and are subject to extensive regulations governing the savings bank's activities. The Financial Supervision Act and Financial Institutions Act, and associated Regulations, play a central role in this context. These regulations define, to a very great extent, what is regarded as good corporate governance in financial institutions. Savings banks are subject to the supervision of the Financial Supervisory Authority of Norway. Sparebanken Øst also complies with the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES) in so far as this is appropriate. Deviations may be necessary in order to safeguard all stakeholders in the savings bank. The Code of Practice is available at www.nues.no. Any deviations from the Code of Practice are commented on.

4. Description of the main elements of the savings bank's internal control and risk management systems relating to the financial reporting process
See the section on 'Risk management and internal control' below.

5. Provisions in the articles of association that fully or partly extend or waive provisions in chapter 5 of the Public Limited Companies Act
Sparebanken Øst is governed by the Financial Institutions Act and its articles of association comply with this.

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

See the sections entitled ‘Board of Trustees’, ‘Nomination committees’, ‘Board of Directors: composition and independence’ and ‘Work of the Board of Directors’ below.

7. Provisions of the articles of association governing the appointment and replacement of members of the Board of Directors
See the section ‘Board of directors: composition and independence’ below.

8. Provisions of the articles of association and delegation of authority entitling the Board of Directors to make decisions to buy back or issue own shares or own equity certificates
See the section on ‘Company capital and dividends’ below.

CORPORATE GOVERNANCE

Implementation and reporting on corporate governance
The corporate governance of Sparebanken Øst contributes to safeguarding the interests of employees, depositors, equity certificate holders and other external stakeholders in Sparebanken Øst. Corporate governance is the overall responsibility of the Board of Directors (the Board) and must ensure that bodies and functions comply with the regulations and that the business activities are managed in an effective and purposeful manner over time.

The management of Sparebanken Øst is based on the adopted vision, company mission, objectives, strategies, and core values. See the section on ‘Strategy, objectives and risk profile’ in the 2020 annual report, including the Bank’s code of conduct adopted by the Board. The introduction to the rules states:

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

The standard of ethics in Sparebanken Øst is the employee’s responsibility. It is of course also the responsibility of the executive management team and elected representatives. Via their conduct, managers determine how high these standards are set, although managers alone cannot ensure a high standard of ethics. Everyone contributes to determining the standard of ethics in the Bank. This is our shared challenge.

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

The management is addressed by the savings bank’s elected bodies and functions that have been assigned responsibilities. Solid expertise in the savings bank’s core activities and an appropriate organisation based on retail and business market activities, financial operations, IT operations and special commitments, respectively, provide the basis for effective and target-oriented operations in Sparebanken Øst. Sparebanken Øst also has sound in-house legal expertise. The framework for corporate governance in savings banks is laid down in a comprehensive body of legislation and Regulations. The body of regulations consists of special regulations for financial institutions that are in a number of areas significantly more comprehensive than general corporate statutory regulations and recommendations directed at limited liability companies in general. The special regulations pertain to supervisory requirements, licences, the nature of the business, equity and dividends, composition and responsibility of governing 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), meaning that any deviations from NUES are commented on. In this respect we take into account the fact that savings banks are self-governing institutions and that the governance structure and composition of the governing bodies differ significantly from those in limited liability companies. Presentations, quarterly reports, statutes, etc., are available on www.oest.no under “About Sparebanken Øst”.

THE BUSINESS

Sparebanken Øst’s overall activities are presented in the articles of association. Sparebanken Øst’s purpose is to perform the usual, natural transactions and services that a savings bank can perform in accordance with the applicable legislation and its licences at any given time.

The savings bank can own stakes in other financial institutions, as well as in companies that run activities with a natural connection to banking and financing activities, in accordance with the provisions of the Financial Institutions Act and other Acts in effect at any given time. The savings 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 savings bank’s claims. The savings bank’s activities are executed within the framework specified in the concession for running a savings bank, and according to the provisions of the Financial Institutions Act, and other Acts and Regulations applying to savings banks.

Sparebanken Øst must be development-oriented, with a local anchoring, as well as sound, far-sighted and credible. Sparebanken Øst’s corporate social responsibility is anchored in statutes and guidelines. The savings bank’s overall strategy clearly states that Sparebanken Øst is to be community-oriented and have a high standard of ethics. The savings bank must be a contributor to value creation and sustainable development, both through the Group’s ordinary operations and the Bank’s social dividend, especially in the municipalities of Øvre Eiker, Nedre Eiker, and Drammen. The Board of Trustees is the savings bank’s supreme body. The composition of the Board of Trustees is specified in the articles of association and clearly demonstrates local corporate social responsibility since it is composed of representatives elected by depositors, municipalities, employees, and equity certificate holders.

For a further description of the activities, please see the Board of Directors’ Report for 2020.

EQUITY AND DIVIDENDS

Company capital
The Board continuously assesses the capital structure in the light of the company’s mission, strategy and desired risk profile. The minimum requirement for equity for savings banks is stipulated in section 14-1 of the Financial Institutions Act. The requirements concerning a capital conservation buffer, systemic risk buffer and countercyclical capital buffer are governed by section 14-3 of the Financial Institutions Act. The Group’s CET1 capital ratio target is set at 14.75 per cent. 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 savings bank’s capital adequacy, reference is made to the savings bank’s pillar 3 reporting on risk management, risk exposure and solidity conditions, which is published on the savings bank’s website. The Financial Supervisory Authority of Norway supervises the savings bank in order to ensure it is operating with financial strength commensurate with its actual level of risk. The dividend policy is summarised in the Board of Directors’ Report. The Board of Trustees has granted the Board of Directors authorisation to acquire and/or pledge security in its own equity capital certificates. The authorisation is valid for 18 months from 26.03.20 and is subject to annual review. The Financial Supervisory Authority of Norway has approved the authorisation. For practical reasons, the savings bank deviates from the NUES recommendation that such authorisations apply for 1 year.

Capital increases
The Board of Trustees has not granted the Board of Directors a general authorisation to increase the savings bank's capital. If the savings bank requires increased capital this will be considered as a separate matter at a meeting of the Board of Trustees. Decisions to increase the equity share capital must be approved by the Financial Supervisory Authority of Norway, cf. section 10-4 (3) of the Financial Institutions Act.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment
Sparebanken Øst has one class of equity certificate. The savings bank's equity certificates are listed on the Oslo Stock Exchange in line with the rules laid down by the financial legislation. All equity certificate holders have the same rights. In 2020, no transactions took place between Sparebanken Øst and equity certificate holders and their close associates other than loans, deposits and payment transfers, as well as salaries/fees to employees and elected representatives who are equity certificate holders.

Preferential rights
The equity certificate holders' preferential rights in the event of capital increases are stipulated in section 10-10 (3) of the Financial Institutions Act. This states that in the event of an increase in equity share capital, equity certificate holders have a preferential right to subscribe to new equity certificates on a pro rata basis according to their existing ownership of equity certificates issued by the institution. Section 10-5 of the Public Limited Liability Companies Act concerning setting aside preferential rights applies correspondingly.

FREELY NEGOTIABLE SHARES

The savings bank's equity certificates are freely negotiable on the Oslo Stock Exchange. No restrictions on ownership apply other than the applicable rules in the Financial Institutions Act concerning ownership restrictions and licensing obligations and the rules in the articles of association concerning board approval for purchases of equity certificates that apply to equity certificate holders in Sparebanken Øst.

BOARD OF TRUSTEES

The Board of Trustees shall ensure that the savings bank acts in line with its purpose in accordance with laws, its articles of association and decisions adopted by the Board of Trustees. The Board of Trustees adopts the financial statements and approves the remuneration of the savings bank's elected representatives, including the Board of Directors, nomination committee and elected auditor. The Board of Trustees appoints the nomination committee from among the members of the Board of Trustees. Pursuant to the articles of association, the following matters shall be considered by the ordinary Board of Trustees:

- election of the Board of Trustees' chair and deputy chair;
- approval of the annual financial statements and annual report, including the allocation of profit/distribution of dividends;
- other matters that pursuant to law or the articles of association fall under the purview of the Board of Trustees.

Composition
The composition of the Board of Trustees is stated in the articles of association. The articles of association were last amended on 29.01.20. Amendments resulting from new articles of association appear in brackets.

In new articles of association, references to the municipalities of Øvre Eiker, Nedre Eiker and Drammen mean as they were geographically defined on 01.01.19.

Local corporate social responsibility is exercised via the composition of the Board of Trustees, which is made up of representatives elected by depositors, municipalities (the public sector), employees, and equity certificate holders. The Board of Trustees consists of a total of 32 members with 23 deputy members. Eight members are elected by depositors with three from Øvre Eiker, two from Nedre Eiker, and three from Drammen. Four members are elected by the municipalities: one member from Øvre Eiker, two members from Nedre Eiker and one member from Drammen. Eight members are elected by the employees, and 12 members are elected by the equity certificate holders. The members of the Board of Trustees are elected for terms of 4 years. The members of the Board of Trustees are elected in accordance with the Financial Institutions Act and the savings bank's articles of association. This entails that the position is personal and meetings may not be attended by proxy. NUES's recommendation on the use of proxies at general meetings thus does not apply to equity certificate holders in Sparebanken Øst. In 2020, the chair of the Board of Trustees was May-Britt Andersen and the deputy chair was Lars M. Lunde.

Meetings

The Board of Trustees holds one fixed meeting every year. In addition, meetings of the Board of Trustees are convened as deemed necessary by the chair of the Board of Trustees. The Board of Trustees held three meetings in 2020. The Board convenes Board of Trustees' meetings with at least 21 days' notice, cf. section 8-3 (1) of the Financial Institutions Act. Both the savings bank's auditor and the Board of Directors are invited to Board of Trustees' meetings. The Board of Trustees' meetings are chaired by the chair of the Board of Trustees, cf. the articles of association and the Financial Institutions Act, and thus comply with the recommendation for the independent chairing of meetings. The savings bank adheres to NUES in all aspects related to case documents, reminders, elections and the publication of protocols of the minutes of the meetings of the Board of Trustees.

NOMINATION COMMITTEE

The savings 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 recommendations of a nomination committee. There are three nomination committees in Sparebanken Øst:

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

The employees' representatives on the Board of Directors and the Board of Trustees are elected by and from among the employees, in accordance with Regulation no. 9386 of 23.12.77. 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 ensure that the relationship between the nomination committees and the person elected takes account of independence and impartiality. It is also emphasised that the various nomination committees maintain their independence from the Board of Sparebanken Øst. The various nomination committees must also ensure that access to the required expertise is available with regard to the tasks faced by the nomination committee.

The nomination committee for the Board of Trustees and the Board of Directors is elected by and from among the members of the Board of Trustees. The composition of the nomination committee is detailed in the savings bank's articles of association. NUES's recommendations in this respect are followed insofar as they comply with the articles of association. The recommendations of the nomination committee with regard to the Board of Trustees are described in accordance with NUES. Separate instructions have been prepared for the nomination committees, most recently adopted by the Board of Trustees at the meeting on 30.03.17. In 2020 the nomination committee for the Board of Trustees and Board of Directors had the following members:

Tom R. Svendsen, chair
Nina Paulsen Viland
Jon Aas
Thor S. Syvaldsen (from 27.03.20)
Bent Inge Bye (up to and including 26.03.20)
Ann Kristin Plomås, employee
Siren Coward, employee

The savings bank fulfils the requirement that a majority of the members of the nomination committee are independent of the Board of Directors and other executive personnel. The savings bank's articles of association require that all members of the nomination committee be members of the Board of Trustees. NUES's recommendation that at least one member should not be a member of the Board of representatives (Board of Trustees) or the Board of Directors, is therefore not relevant.

In 2020, the nomination committee held separate meetings with both the chair of the Board and Sparebanken Øst's CEO.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Composition of the Board of Directors
The Board of Directors consists of six external members and two representatives of the employees with voting rights. The CEO and deputy CEO are required to attend meetings, but do not hold voting rights.

The composition of the Board of Directors and the Board members' backgrounds and participation in board meetings in 2020 are covered in the Board of Directors' Report for 2020. Detailed information concerning each board member can be found (in Norwegian) onwww.oest.no/Om Sparebanken Øst/Styret og ledelse.

The CEO and Deputy CEO attended 31 and 30 of the 31 board meetings, respectively.

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 elected for 2 years at a time. The Board of Trustees nominates the chair and deputy chair. The expertise and work experience of the Board members are presented to the Board of Trustees in connection with the election 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 savings bank's significant business relations and the savings bank's day-to-day management. None of the savings bank's executive personnel are members of the Board of Directors. The composition of the Board of Directors is diverse. Its expertise and abilities provide a basis for performing the necessary work of the Board. The instructions for the Board of Directors state that the Board shall act as a single unit. However, each individual board member is responsible for the decisions made and transactions undertaken by the Board.

Board members' holdings of own equity certificates
Board members who hold equity certificates in Sparebanken Øst as at 31.12.20 are listed in note 53.

THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board
The Board of Directors oversees the savings bank's business in accordance with the Acts, Regulations, articles of association and further instructions issued by the Board of Trustees.

The Board is responsible for the administration of the savings bank. The Board shall ensure that the operations are properly organised, which includes ensuring compliance with the requirements concerning the organisation of the savings bank and the establishment of proper management and control systems.

The Board shall establish plans and budgets for the savings bank's operations. The Board shall also establish guidelines for the savings bank's operations, including rules for the duty of confidentiality that applies to information about the savings bank and its operations.

The Board shall keep abreast of the savings bank's financial position and obligations, and ensure that its operations, accounts and asset management are subject to satisfactory controls. The Board shall meet the auditor at least once a year, and otherwise as needed, without the CEO or other members of the day-to-day executive management team being present.

The Board shall supervise the day-to-day management of the savings bank and all other aspects of its operations. The Board shall lay down instructions for the day-to-day management of the savings bank and ensure that the CEO regularly briefs the Board on the savings bank's operations, status and financial performance.

The Board shall initiate the investigations it deems necessary to discharge its duties.

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

Duty of confidentiality
All elected representatives in Sparebanken Øst are subject to the same rules of secrecy, ethics, and impartiality as the rest of the savings bank's employees. Independence between the savings bank's different management and control bodies is a central criterion for the responsible management of the organisation. Among the elected representatives in Sparebanken Øst there exist – according to the Board of Directors' assessment – no close personal relationships that could influence the individual elected representative's independence and judgement.

Conflicts of Interest and impartiality
Sparebanken Øst's code of conduct stipulates that board members and employees have a duty to state whether they have, directly or indirectly, significant interests in agreements entered into by the Sparebanken Øst Group or in matters to be discussed by the Board.

Instructions for the Board of Directors

The Board's duties and responsibilities are stipulated in the Financial Institutions Act and the articles of association. The Board of Directors has drawn up its own separate set of instructions, which are subject to regular review. The instructions were last revised on 12.02.20. These instructions specify the responsibilities of the Board of Directors, the cases the Board of Directors will consider, and the rules which apply to the consideration of cases. The Board of Directors determines the instructions for the CEO, who is responsible for the day-to-day operations and management of the savings bank. The instructions for the Board of Directors and instructions for the CEO stipulate the division of responsibilities and tasks between the Board of Directors and the CEO.

Financial reporting

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

Annual plan

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

Committees of the Board of Directors

Remuneration committee

Pursuant to section 15-1 ff. of the Financial Institutions Act and section 15-1 ff. of the Regulations on financial institutions,

the savings bank has established a remuneration committee. The purpose of the remuneration committee is to prepare guidelines for the Board of Directors for the remuneration of executive personnel. They must also ensure that the company at all times has and practices guidelines and a framework for the remuneration scheme that are in accordance with the rules for the remuneration schemes of financial institutions, securities companies, and securities funds' management companies. The committee executes its duties according to the guidelines determined by the Board of Directors. The chair of the committee is appointed by the Board of Directors. Its members are nominated by the Board of Directors. In 2020, the remuneration committee comprised the following members:

Cecilie Hagby, chair
Øivind Andersson
Jorund Rønning Indrelid
Sissel Album Fjeld, employee representative

Kristin W. Myhre, Chief HR Officer, has served as the committee's secretary. The Board of Directors has approved the remuneration guidelines for Sparebanken Øst.

Audit and risk committee

In accordance with sections 8-18 and 13-4(6) of the Financial Institutions Act, the savings bank has established an audit committee and a risk committee in line with the guidelines described by the Act. The members are elected by the Board of Directors and serve for 1 year at a time. The chair of the committee is appointed by the Board of Directors. The main duties of the audit and risk committee is to prepare the Board of Directors' follow-up work on financial statements and reporting, to monitor systems for risk management, internal control and the work of the internal audit, and to assess and monitor the auditor's independence. The audit and risk committee must also prepare for and advise the Board of Directors in relation to the savings 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 savings bank's pricing of products towards customers fully reflects the risk borne by the savings bank. The committee executes its duties according to the instructions determined by the Board of Directors. The audit and risk committee held eight meetings in 2020. In 2020, the audit and risk committee comprised the following members:

Cecilie Hagby, chair
Arne K. Stokke
Morten A. Yttreeide, chair (up to and including 26.03.20)
Eivind W. Christiansen (from 28.04.20, up to and including 29.06.20)
Richard Tandberg Olsen (from 25.08.20)
Elly Therese Thoresen (from 25.08.20)

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management must support the Group's development and achievement of objectives and must ensure financial stability and responsible business operations. This must be achieved via a risk profile that is characterised by a strong risk culture and a high awareness of risk management.

In order to ensure an effective and appropriate process for risk management and internal control, the Group has used the COSO model as a basis[1]. This is a recognised framework for risk management and internal control. The basis of the model is that risk management and internal control apply to all parts of the organisation, and that an overall perspective is applied. Risk management and internal control cover both strategic and operative conditions, with particular focus on the quality of external reporting and compliance with Acts and Regulations. This is called comprehensive risk management. Sparebanken Øst uses the term comprehensive risk management, which it defines as follows:

"Holistic risk management is the culture, characteristics and practices that organisations integrate with strategy and that they use when strategy is put into practice. The objective is to manage risk when assets are created, preserved and realised."

The model is based on the following components:

Internal environment
The employees' attitude to risk is determined by the internal environment. This also includes the risk management philosophy and willingness to take risk, integrity, ethical values, and environment in which they operate.

Establishment of objectives
Objectives have to be determined before the executive management team can identify potential events that could affect their attainment. Comprehensive risk management ensures that the team has a process in place for establishing objectives and that the objectives chosen support and correspond with the organisation's purpose and reflect its willingness to take risk.

[1] The Committee of Sponsoring Organisations of the Treadway Commission (COSO) has given content to the concepts through an internationally recognised framework and used legislation in the financial area, etc.

Identification of events

Internal and external events that affect the organisation's target attainment must be identified and one distinguishes between risks and opportunities. Opportunities are channelled back the executive management team's processes for determining strategies or objectives.

Risk assessment
Risks are analysed and probabilities and consequences are assessed to decide how they should be managed. Both inherent and residual risks are assessed.

Risk management
The executive management team selects forms of risk management – avoiding, accepting, reducing or sharing risk – and develops an action plan to ensure correspondence with the organisation's risk tolerance.

Control activities
Guidelines and routines are established and implemented in order to ensure that the risk management is executed effectively.

Information and communication
Relevant information is identified, processed and communicated in a form and a time perspective that makes it possible for employees to fulfil their responsibilities. Effective communication also takes place in a broader sense, both vertically and horizontally in the organisation.

Follow-up
The comprehensive risk management process is followed up and changed as needed. The follow-up is performed on an ongoing basis through management activities, independent evaluations, or both.

Roles and responsibilities
Organisation and control functions are in line with applicable legislation. The provisions concerning comprehensive risk management are found in the Financial Institutions Act, section 13-5, Prudent operation, good business practice. I
section 13-5 (1) states that a financial institution must be prudently organised and operated. The institution shall have a clear organisation structure and distribution of responsibilities as well as clear and appropriate governance and control arrangements. The institution shall have appropriate policies and procedures for identifying, managing, monitoring and reporting risk to which the institution is, or may become, exposed. A clear organisation with clearly defined areas of responsibility and authorisations is a key element in good risk management and internal control.

The Board of Trustees
The Board of Trustees is the Bank's supreme body. The Board of Trustees shall ensure that the savings bank acts in line with its purpose in accordance with laws, its articles of association and decisions adopted by the Board of Trustees. Pursuant to the articles of association, the following matters shall be considered by the ordinary Board of Trustees:

- Election of the Board of Trustees' chair and deputy chair.
- Approval of the annual financial statements and annual report, including the allocation of profit/distribution of dividends.
- Other matters that pursuant to law or the articles of association fall under the purview of the Board of trustee, including the election of board members.

Board of directors
The Board must establish goals, strategies and a risk profile for the Group, as well as overarching guidelines for the enterprise. The Board must establish principles for comprehensive risk management for the Group as a whole and within each business area. The Board must also ensure that comprehensive risk management is established and performed in compliance with Acts, Regulations, articles of association,

instructions from the Financial Supervisory Authority of Norway, and guidelines issued by the Board to the executive management team.

The Board shall ensure that the Group is properly organised, including ensuring that responsibilities are clearly allocated and duties divided as necessary. Each year, the Board must evaluate its work and its expertise in relation to the Bank's comprehensive risk management.

The Board must ensure that guidelines for planning and management are communicated and implemented throughout the Group and ensure efficient follow-up. The Board is responsible for ensuring that capital planning and managing capital requirements are part of the Group's overall risk management. The Board shall determine risk tolerance and the necessary capital requirements, capital plan with contingency plans, and capital goals.

Remuneration committee

Pursuant to section 15-1 ff. of the Financial Institutions Act and section 15-1 ff. of the Regulations on financial institutions,
the savings bank has established a remuneration committee. The purpose of the remuneration committee is to prepare guidelines for the Board of Directors for the remuneration of executive personnel. It must also ensure that the company always has and practises guidelines and a framework for the remuneration scheme that are in accordance with section 15-1 ff. of the Financial Institutions Act and section 15-1 ff. of the Regulations on financial institutions and financial groups. Information about remuneration is given in note 29 in the Group's annual report.

The Board's audit and risk committee

The audit and risk committee is a preparatory and advisory committee to the Board of Directors and shall:

- Prepare the Board of Directors' follow up on the financial reporting process.
- Monitor the internal control and risk management systems and the institution's internal audit function.
- Issue a statement regarding the election of auditor.
- Maintain ongoing contact with the Group's elected auditor on the audit of the annual accounts.
- Assess and monitor the auditor's independence and objectivity, including in particular the extent to which non-audit services that have been delivered by the auditor may have a bearing on the auditor's independence and objectivity.
- Prepare the Board's assessment of risk and total capital requirements.
- Maintain regular contact with the risk management function and receive relevant reports from the institution's control functions.
- Review the institution's risk strategies at least annually.
- Monitor compliance with the institution's risk strategies.
- Assess whether the pricing of the institution's products takes account of the institution's business model and risk strategy.

Chief Executive Officer

The CEO bears responsibility for and shall formulate and ensure that:

- Proper comprehensive risk management has been established in accordance with guidelines set by the Board.
- Comprehensive risk management is being properly documented, performed and monitored.
- The duty to report to the Board complies with Acts, Regulations, the articles of association, and the Group's adopted principles for this.
- The risk management systems are implemented, followed up and documented in accordance with Acts, Regulations, strategies/policies, and routines.
- The risk management process is appropriate and effective.

The CEO shall ensure that the Group is properly organised, including ensuring that responsibilities are clearly allocated and duties divided as necessary. The CEO is responsible for ensuring that processes concerning the assessment of risks and total capital requirements (ICAAP) are carried out.

Business area managers

Business area managers, including directors and middle managers, have a responsibility to:

- Establish and perform proper risk management within their areas, including assessing risks and establishing the necessary line controls.
- Ensure compliance with the applicable regulations.
- Report on comprehensive risk management, including reporting material breaches/significant events.

Employees

Employees have a responsibility to:

- Possess enough expertise about their areas of responsibility and duties to satisfactorily assess their own work.
- Perform their work within the approved instructions, limits and authorisations, and with the right quality.
- Report material breaches/significant events to their supervisor.

Comprehensive risk management shall form part of the ongoing follow-up between the manager and the employee. The employee's role in this must be highlighted and followed up.

Risk Management and Compliance

Risk Management and Compliance will:

- Sit in the "driver's seat" when policy and strategies are being formulated in key risk areas.
- Be involved in the assessments of risks associated with new and significant changes in products, services and other activities, including outsourcing.
- Be involved in the preparation of risk tolerance, risk strategies and a general framework for risk-taking.
- Lead the work on ICAAP and perform stress tests and prognoses on an independent basis.
- Act as an independent environment that challenges the operational departments in the Group.
- Contribute to the development of the Group's framework for comprehensive risk management and internal control, including risk policy/strategies, methods, models, and systems, in accordance with recognised principles.
- Ensure that the risk management systems are implemented, applied, complied with, and documented in accordance with Acts, Regulations, strategy/policy and routines, and that the risk management process is appropriate and effective.
- Coordinate annual management confirmations in accordance with the CRR/CRD IV Regulations.
- Monitor the Group's risk status and development in relation to approved strategic risk targets and business strategies.
- Receive or prepare periodic and adequate information to safeguard and follow up reporting to the CEO.
- Ensure that effective systems and processes for compliance with applicable regulations are created, identify changes in Acts/Regulations, industry standards and internal guidelines, and ensure that these are implemented in the Group.
- Test, assess and provide advice on internal control.
- Participate in meetings of the Board's audit and risk committee and internal risk committee.

Internal audit

Internal audit shall:

- Report to the Board of Directors, be entitled to attend board meetings, and report on risk management and internal control a minimum of once per year.

- Provide objective advice to the Board and executive management team regarding the Group's risk management and the development of and compliance with controls, as well as compliance with established routines, procedures and guidelines.
- Have adequate expertise and experience, methods, and tools to ensure that all areas of high and critical risk are covered.
- Implement planned internal controls.

External audit

The external auditor provides the executive management team and Board of Directors with independent and objective opinions that can help the Bank achieve its objectives, not just for financial reporting but also within other categories. In connection with the annual financial audit, the auditor presents his/her opinion of the degree to which the financial statements provide a fair picture of the organisation's financial position according to IFRS and thus contributes to the organisation's objectives for financial reporting. The auditor can also contribute by providing useful information to the executive management team with regard to its risk management activities. Such information includes audit findings, analytical information, and recommendations concerning the measures necessary to achieve established objectives, and findings that the auditor makes regarding deficiencies in risk management and controls with recommendations for improvements.

Investigator

In line with section 11-14 of the Financial Institutions Act, Ernst & Young AS has been appointed the independent investigator for Sparebanken Øst Boligkreditt AS. An investigator conducts independent quarterly controls of, e.g., statutory registers and the asset coverage balance between the cover pool and issued covered bonds. The investigator reports annually to the Financial Supervisory Authority of Norway.

The Financial Supervisory Authority of Norway

The Financial Supervisory Authority of Norway is an independent government agency that builds on Acts and resolutions by the Storting, government and Ministry of Finance, and international standards for financial supervision. The authority's supervision of institutions and markets shall contribute to financial stability and orderly market conditions, and to ensuring that users can trust that financial agreements and services are followed up in accordance with their purpose. In addition to the preventive work, the authority must be able to contribute to resolving problems that could arise. The Financial Supervisory Authority of Norway bases its work on a belief that Norwegian organisations should have competitive terms and conditions that, overall, are on a par with operations in other EEA countries.

Other bodies and control points

The Bank's balance sheet steering committee holds regular meetings to discuss the status of and measures relating to the liquidity situation. The balance sheet steering committee meets with the CEO, deputy CEO, CFO, risk controller and finance manager.

The **risk committee** assesses risk exposure and conducts risk reporting. The committee also assesses capital requirements and handles the risk reporting to the Board. The committee's members are the credit manager for the business market, a lawyer, the credit manager for the retail market, the CFO, the head of the Recovery Department, the head of information security, the heads of the Risk Management Department and Compliance Department, and other controllers. The committee's conclusions and comments are recorded in the minutes.

Anti-Money Laundering Officer is responsible for monitoring compliance with the regulations, checking the establishment of new customer relationships and internal training. The Bank's Deputy CEO Kjell Engen is the **Anti-Money Laundering Officer.**

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors, Board of Trustees and nomination committee is determined by the Board of Trustees. The remuneration shall reflect the workloads and responsibilities that rest on each elected representative, and details can be found in the notes to the annual financial statements. Remuneration is not dependent on the savings bank's results and consists of a specified amount. There are no result-based or variable remuneration schemes for the savings bank's elected representatives. The remuneration of the Board of Directors is listed in note 29 to the annual financial statements. No board member, besides the employee representatives, has carried out tasks for Sparebanken Øst other than their duties as a board member in 2020.

REMUNERATION OF EXECUTIVE PERSONNEL

In accordance with applicable legislation, sections 15-1 to 15-6 of the Financial Institutions Act, the Board sets the required guidelines for the remuneration of managerial staff. The remuneration of executive personnel is listed in note 29 to the annual financial statements. Fixed salaries account for the main income of all employees of Sparebanken Øst. The Board of Directors determines the remuneration of the CEO. The CEO determines the remuneration of the executive management. There is no agreement concerning variable remuneration, or option or bonus agreements. The executive management are part of the profit sharing scheme approved by the Board of Directors. The Board of Directors can decide to grant a one-off supplement to the CEO and deputy CEO.

INFORMATION AND COMMUNICATION

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

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

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

TAKE-OVERS

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

AUDITOR

Auditing at Sparebanken Øst is undertaken according to acknowledged auditing principles, with due consideration of planning, implementation, and reporting. Ernst & Young is the savings bank's external auditor. At least once a year the external auditor attends a meeting of the audit and risk committee, as well as board meetings and reviews its assessments of the savings bank's risks. The external auditor always attends the Board meeting at which the annual financial statements are presented and the accounts meeting of the audit and risk committee, and reviews its assessment of significant conditions for the savings bank. The external auditor also attends other board meetings if necessary. Pursuant to section 8-6 (3) of the Financial Institutions Act, the Board is required to meet with the auditor at least once a quarter without the executive management team present, unless otherwise is stipulated in the instructions for the Board of Directors. In its instructions, the Board has stipulated that the Board shall meet at least once a year and otherwise as needed with the auditor without day-to-day management present. The external auditor is invited to all meetings of the Board of Trustees. See also note 32 to the annual financial statements in connection with the remuneration of the auditor, including the distribution of remuneration.

2021 FINANCIAL CALENDAR

	Publication
• Preliminary results 2020 (Q4 2020)	12.02.21
• Annual Financial Statements 2020	04.03.21
• Meeting of the Board of Trustees	25.03.21
• Ex. dividend date*	26.03.21
• Dividend payout*	09.04.21
• Q1 2021	12.05.21
• Q2 2021	15.07.21
• Q3 2021	27.10.21

* The Board of Directors has recommended a dividend of up to NOK 4.50 for 2020, where NOK 3.50 is payable based on the Board of Trustees decision on 25.03.21 and the Board of Trustees has given the Board of Directors special authorisation to make a decision on paying a dividend of up to NOK 1.00 at the earliest on 01.10.21 and by no later than the annual meeting of the Board of Trustees in 2022.

INVESTOR CONTACTS

CEO Pål Strand	Deputy CEO Kjell Engen	Sparebanken Øst
916 24 428	957 75 003	Bragernes Torg 2, Drammen
paal.strand@oest.no	kjell.engen@oest.no	PO Box 67, 3301 Hokksund
		post@oest.no
		www.oest.no

STATEMENT PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the annual financial statements for the period from 01.01.2020 - 31.12.2020 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 parent company's assets, liabilities, financial position and profit or loss as a whole and that the information in the Board of Directors' Report gives a true and fair view of the development, profit or loss and financial position of the group and parent company, together with a description of the principal risks and uncertainties faced by the group.

Hokksund, 31.12.2020
Drammen, 04.03.2021

THE BOARD OF DIRECTORS OF SPAREBANKEN ØST

Øivind Andersson Chair	Cecilie Hagby Deputy Chair	Elly Therese Thoresen Board member
Jorund Rønning Indrelid Board member	Arne K. Stokke Board member	Richard Tandberg Olsen Board member
Ole-Martin Solberg Employee representative	Sissel Album Fjeld Employee representative	Pål Strand CEO

INCOME STATEMENT

Group 2020	Group 2019	Figures in NOK millions	Notes	Parent bank 2020	Parent bank 2019
992,9	1.161,4	Interest income from assets valued at amortised cost	23,24	399,5	569,0
128,6	129,5	Interest income from assets valued at fair value	23,24	205,5	195,2
489,3	649,1	Interest costs and similar costs	23,24,49	287,5	388,1
632,1	**641,7**	**NET INTEREST AND CREDIT COMMISSION INCOME**		**317,5**	**376,2**
78,0	89,9	Commission income and income from banking services	26	99,4	111,3
42,9	44,8	Commission costs and costs for banking services	26	20,1	20,6
11,8	28,9	Dividend	25	174,6	136,8
136,3	-9,5	Net value adjustment and gain/loss on financial instruments	27	143,9	-5,2
29,3	15,3	Other operating income	28	7,2	7,7
167,4	162,6	Personnel expenses	29,46	146,2	140,4
57,4	53,6	Administration costs	31	45,3	42,8
27,3	25,7	Depreciation/write-downs/value adjustments on non-financial assets	31,37	26,7	25,0
43,9	35,9	Other operating costs	31,32	33,7	28,6
548,7	**443,7**	**PROFIT BEFORE LOSSES**		**470,5**	**369,2**
15,1	18,9	Losses on loans, unused credit and guarantees	12	3,4	4,9
533,6	**424,8**	**PROFIT BEFORE TAX**		**467,1**	**364,4**
80,4	95,5	Tax	33	32,2	56,8
453,1	**329,3**	**PROFIT FOR THE YEAR**		**434,9**	**307,6**
15,9	17,9	Hybrid capital owners’ share of the result		15,9	17,9
437,2	311,5	Equity certificate holders’ and primary capital share of profits		419,0	289,7
453,1	**329,3**	**PROFIT FOR THE YEAR**		**434,9**	**307,6**
6,62	4,87	Earnings per equity certificate	52	6,34	4,54
6,62	4,87	Diluted earnings per equity certificate	52	6,34	4,54

STATEMENT OF COMPREHENSIVE INCOME

Group 2020	Group 2019	Figures in NOK millions	Notes	Parent bank 2020	Parent bank 2019
453,1	**329,3**	**PROFIT FOR THE YEAR**		**434,9**	**307,6**
		Items that will not be reclassified to the income statement			
-2,4	4,1	Actuarial gains and losses on defined-benefit plans	46	-2,5	3,7
0,6	-1,0	Tax related to items that cannot be reclassified	33,46	0,6	-0,9
		Items that may later be reclassified to the income statement			
0,0	0,0	Lending at fair value	27	0,2	-0,2
0,0	0,0	Tax related to items that may be reclassified	27,33	0,0	0,0
451,4	**332,4**	**STATEMENT OF COMPREHENSIVE INCOME**		**433,1**	**310,3**

BALANCE SHEET

Group 31.12.20	Group 31.12.19	Figures in NOK millions	Notes	Parent bank 31.12.20	Parent bank 31.12.19
		ASSETS			
409,4	302,5	Cash and receivables from central banks	18	409,4	302,5
13,4	15,9	Loans to and receivables from financial institutions	14,18	2.232,8	2.273,2
35.443,8	34.225,3	Loans to and receivables from customers	9,10,11,12,13,18	16.436,7	16.982,8
6.790,2	6.755,1	Certificates and bonds	18,21,34	7.217,0	7.197,6
811,0	629,6	Shares and units	18,21,35	811,0	629,6
374,1	174,7	Financial derivatives	18,19,20,21	200,9	57,2
0,0	0,0	Ownership interests in group companies	36	1.560,0	1.321,0
0,0	0,0	Deferred tax asset	33	7,7	6,8
11,9	59,0	Investment properties	37	0,0	0,0
145,1	137,7	Tangible fixed assets	37	88,8	89,6
44,1	49,5	Lease rights	37	77,1	84,8
14,9	23,9	Other assets		8,5	10,2
11,7	12,6	Prepaid non-accrued costs and income earned, but not received	38	14,6	9,1
44.069,7	**42.385,8**	**TOTAL ASSETS**		**29.064,5**	**28.964,4**
		LIABILITIES AND EQUITY			
601,0	300,6	Liabilities to financial institutions	18,39,43	1.470,7	620,2
14.845,1	14.791,7	Deposits from and liabilities to customers	18,40	14.921,2	14.879,5
17,9	35,3	Financial derivatives	18,19,20,21	17,9	35,3
23.111,0	22.261,7	Securities issued	18,41,43	7.755,8	8.959,6
87,0	99,1	Tax payable	33	38,2	61,1
414,8	199,8	Other liabilities	44	290,3	117,6
43,0	33,6	Accruals and deferred income		34,0	25,5
62,9	67,4	Provisions for accrued costs and liabilities	45,46	61,3	65,5
0,0	5,0	Deferred tax liability	33	0,0	0,0
44,9	49,9	Lease liabilities		78,4	85,5
400,1	400,4	Subordinated loan capital	18,42,43	400,1	400,4
39.627,7	**38.244,3**	**TOTAL LIABILITIES**		**25.068,0**	**25.250,2**
595,1	595,1	Paid-up equity	52	595,1	595,1
351,7	352,4	Hybrid capital	51	351,7	352,4
3.495,1	3.194,0	Retained earnings		3.049,7	2.766,8
4.442,0	**4.141,5**	**TOTAL EQUITY**	6	**3.996,5**	**3.714,3**
44.069,7	**42.385,8**	**TOTAL LIABILITIES AND EQUITY**		**29.064,5**	**28.964,4**

Hokksund, 31.12.2020
Drammen, 04.03.2021

Øivind Andersson
Chair

Cecilie Hagby
Deputy Chair

Elly Therese Thoresen
Board member

Jorund Rønning Indrelid
Board member

Arne K. Sokke
Board member

Richard Tandberg Olsen
Deputy member

Ole-Martin Solberg
Employee

Sissel Album Fjeld
Employee representative

Pål Strand
CEO

CHANGES IN EQUITY - GROUP

(Amounts in NOK million) 2020	Total equity	Paid-up equity: Equity certificates	Paid-up equity: Share premium reserve	Hybrid capital: Additional Tier 1 capital	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Endowment fund	Retained earnings: Fund for unrealised gains	Retained earnings: Other equity
Equity as at 31.12.2019	**4.141,5**	**207,3**	**387,8**	**352,4**	**405,7**	**2.045,5**	**38,1**	**277,5**	**427,2**
Ordinary result	453,1	0,0	0,0	15,9	82,2	179,5	0,0	157,3	18,3
Actuarial gains and losses on defined-benefit plans	-1,8	0,0	0,0	0,0	-0,6	-1,3	0,0	0,0	0,1
Comprehensive income	**451,4**	**0,0**	**0,0**	**15,9**	**81,6**	**178,3**	**0,0**	**157,3**	**18,4**
Dividend to equity certificate holders 2019 - adopted	-74,6	0,0	0,0	0,0	-74,6	0,0	0,0	0,0	0,0
Dividend to social capital 2019 - adopted	-59,7	0,0	0,0	0,0	0,0	-59,7	0,0	0,0	0,0
Interest paid on hybrid capital	-16,6	0,0	0,0	-16,6	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	0,0								
Issue of hybrid capital	0,0								
Equity as at 31.12.2020	**4.442,0**	**207,3**	**387,8**	**351,7**	**412,7**	**2.164,1**	**38,1**	**434,7**	**445,6**

The year's proposed dividend for equity certificate holders of NOK 93.3 million is held as part of the equalisation fund, and the year's proposed grants for good causes from the social capital of NOK 25.9 million is held as part of the primary capital until they are finally adopted by the board of trustees. See also Note 52 – Equity Certificates.

2019	Total equity	Paid-up equity: Equity certificates	Paid-up equity: Share premium reserve	Hybrid capital: Additional Tier 1 capital	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Endowment fund	Retained earnings: Fund for unrealised gains	Retained earnings: Other equity
Equity as at 31.12.2018	**3.944,2**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**405,3**
Implementation effect of IFRS 9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reclassification of additional Tier 1 capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2018	**3.944,2**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**405,3**
Ordinary result	329,3	0,0	0,0	17,9	96,0	199,9	0,0	-6,2	21,7
Actuarial gains and losses on defined-benefit plans	3,0	0,0	0,0	0,0	0,9	1,9	0,0	0,0	0,3
Comprehensive income	**332,4**	**0,0**	**0,0**	**17,9**	**96,9**	**201,8**	**0,0**	**-6,2**	**22,0**
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0
Dividend to social capital 2018 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0
Interest paid on hybrid capital	-15,9	0,0	0,0	-15,9	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2019	**4.141,5**	**207,3**	**387,8**	**352,4**	**405,7**	**2.045,5**	**38,1**	**277,5**	**427,2**

The year's proposed dividend for equity certificate holders of NOK 74.6 million is held as part of the equalisation fund, and the year's proposed grants for good causes from the social capital of NOK 59.7 million is held as part of the primary capital until they are finally adopted by the board of trustees.

CHANGES IN EQUITY - PARENT BANK

(Amounts in NOK million) 2020	Total equity	Paid-up equity: Equity certificates	Paid-up equity: Share premium reserve	Hybrid capital: Additional Tier 1 capital	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Endowment fund	Retained earnings: Fund for unrealised gains	Retained earnings: Fair value adjustment comprehensive income as reclass.
Equity as at 31.12.2019	**3.714,3**	**207,3**	**387,8**	**352,4**	**405,7**	**2.045,5**	**38,1**	**277,5**	**0,0**
Implementeringseffekt IFRS 9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reklassifisering av fondsobligasjon	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Omarbeidet egenkapital pr. 01.01.2018	**3.539,1**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**0,0**
Ordinary result	434,9	0,0	0,0	15,9	82,2	179,5	0,0	157,3	0,0
Change in lending at fair value through comprehensive inc	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Endringer i virkelig verdi aksjer over totalres.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plans	-1,9	0,0	0,0	0,0	-0,6	-1,3	0,0	0,0	0,0
Comprehensive income	**433,1**	**0,0**	**0,0**	**15,9**	**81,6**	**178,3**	**0,0**	**157,3**	**0,1**
Dividend to equity certificate holders 2019 - adopted	-74,6	0,0	0,0	0,0	-74,6	0,0	0,0	0,0	0,0
Dividend to social capital 2019 - adopted	-59,7	0,0	0,0	0,0	0,0	-59,7	0,0	0,0	0,0
Interest paid on hybrid capital	-16,6	0,0	0,0	-16,6	0,0	0,0	0,0	0,0	0,0
Skatteeffekt på hybridkapital ført direkte mot EK	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2020	**3.996,5**	**207,3**	**387,8**	**351,7**	**412,6**	**2.164,1**	**38,1**	**434,7**	**0,2**

The year's proposed dividend for equity certificate holders of NOK 93.3 million is held as part of the equalisation fund, and the year's proposed grants for good causes from the social capital of NOK 25.9 million is held as part of the primary capital until they are finally adopted by the board of trustees. See also Note 52, Equity Certificates.

2019	Total equity	Paid-up equity: Equity certificates	Paid-up equity: Share premium reserve	Hybrid capital: Additional Tier 1 capital	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Endowment fund	Retained earnings: Fund for unrealised gains	Retained earnings: Fair value adjustment comprehensive income as reclass.
Equity as at 31.12.2018	**3.539,1**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**0,2**
Implementation effect of IFRS 9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reclassification of additional Tier 1 capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Restated equity as at 01.01.2018	**3.539,1**	**207,3**	**387,8**	**350,5**	**404,1**	**1.867,5**	**38,1**	**283,6**	**0,2**
Ordinary result	307,6	0,0	0,0	17,9	96,0	199,9	0,0	-6,2	0,0
Change in lending at fair value through comprehensive inc	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1
Changes in financial assets at fair value through OCI	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains and losses on defined-benefit plans	2,8	0,0	0,0	0,0	0,9	1,9	0,0	0,0	0,0
Comprehensive income	**310,3**	**0,0**	**0,0**	**17,9**	**96,9**	**201,8**	**0,0**	**-6,2**	**-0,1**
Dividend to equity certificate holders 2018 - adopted	-95,4	0,0	0,0	0,0	-95,4	0,0	0,0	0,0	0,0
Dividend to social capital 2018 - adopted	-23,8	0,0	0,0	0,0	0,0	-23,8	0,0	0,0	0,0
Interest paid on hybrid capital	-15,9	0,0	0,0	-15,9	0,0	0,0	0,0	0,0	0,0
Tax effect on hybrid capital taken directly to equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Redemption of hybrid capital	-150,0	0,0	0,0	-150,0	0,0	0,0	0,0	0,0	0,0
Issue of hybrid capital	150,0	0,0	0,0	150,0	0,0	0,0	0,0	0,0	0,0
Endringer gavefondet	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2019	**3.714,3**	**207,3**	**387,8**	**352,4**	**405,7**	**2.045,5**	**38,1**	**277,5**	**0,0**

The year's proposed dividend for equity certificate holders of NOK 74.6 million is held as part of the equalisation fund, and the year's proposed grants for good causes from the social capital of NOK 59.7 million is held as part of the primary capital until they are finally adopted by the board of trustees.

CASH FLOW STATEMENT

Group 2020	Group 2019	Figures in NOK millions	Note	Parent bank 2020	Parent bank 2019
		Operating activities			
533,6	424,8	Profit before tax		467,1	364,4
		Adjusted for:			
-10,0	-9,2	Change in net interest income earned and accrued interest costs		7,1	-7,5
0,0	0,0	Net payment/disbursement of loans to financial institutions		37,7	-111,9
-1.247,1	924,4	Net receipts/payments of loans to customers		531,0	2.738,1
-41,6	-1.581,7	Change in certificates and bonds		-29,1	-2.182,1
-161,5	-4,5	Value adjustment, shares and units		-161,5	-4,5
31,6	-17,6	Change in other operating assets	50	16,9	-13,4
0,0	0,1	Net receipt/disbursement of borrowing to financial institutions		550,2	79,2
53,7	-107,0	Net receipts/disbursement of deposits from customers		41,8	-93,8
153,9	-71,1	Change in other operating liabilities		108,4	-70,6
42,3	34,0	Non-cash items included in profit before tax	50	30,0	25,1
-20,2	-0,1	Net gains from investing activities		-0,4	-0,1
9,6	6,8	Net losses from financing activities		1,3	0,9
0,0	0,0	Other changes		0,0	0,0
-99,5	-86,2	Taxes paid for the period		-61,0	-47,8
-755,3	-487,3	**Net cash flow from operating activities**	**A**	1.539,6	676,1
		Investing activities			
-33,5	-19,0	Payments on purchases of tangible fixed assets		-13,7	-17,6
72,1	0,3	Proceeds from sales of tangible fixed assets		0,8	0,1
-19,9	-18,3	Payments on purchases of financial investments		-19,9	-18,3
0,0	0,0	Proceeds from sales of financial investments		0,0	0,0
0,0	0,0	Payment concerning investments in subsidiaries		-240,0	-80,0
18,7	-37,0	**Net cash flow from investing activities**	**B**	-272,8	-115,8
		Financing activities			
300,0	0,0	Net incoming/outgoing payments for loans to/from financial institutions		300,0	0,0
-4.364,9	-3.609,9	Payments on repayment of securities		-1.371,2	-2.192,4
4.997,1	3.951,7	Proceeds on issuance of securities		0,0	1.449,7
-74,6	-95,4	Payment of dividend		-74,6	-95,4
0,0	-150,5	Payment disbursed for repayment of hybrid capital		0,0	-150,4
0,0	150,0	Payment received for issue of hybrid capital		0,0	150,0
-16,6	-15,9	Interest paid on hybrid capital		-16,6	-15,9
840,9	230,0	**Net cash flow from financing activities**	**C**	-1.162,5	-854,5
104,4	-294,3	Net change in cash and cash equivalents	**A+B+C**	104,2	-294,3
318,3	612,6	Cash and cash equivalents as at 01.01.		318,3	612,6
422,7	**318,3**	**Cash and cash equivalents as at 31.12.**	50	**422,5**	**318,3**

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

Group 2020	Group 2019	Additional information for operating activities concerning interest and dividend ii	Parent bank 2020	Parent bank 2019
1.147,5	1271,7	Interest payments received	628,9	749,8
523,5	636,9	Interest payments made	303,5	379,9
11,8	28,9	Dividends received	174,6	136,8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Sparebanken Øst is an equity certificate savings bank listed on the Oslo Stock Exchange. The Bank's head office is at Bragernes Torg 2, Drammen. The Bank's business address is Stasjonsgt. 14, N-3300 Hokksund. Sparebanken Øst is non-aligned and has been operating savings bank activities without interruption since 1843.

At the end of 2020, the Bank also had branches in the municipalities of Øvre Eiker, Lier, Asker, Bærum, Oslo, Fredrikstad, Ullensaker, Lillestrøm, Horten, Tønsberg, Kongsberg, Ringerike, Holmestrand, Larvik and Modum. The Sparebanken Øst Group consists of the parent bank and the wholly owned subsidiaries Sparebanken Øst Boligkreditt AS, AS Financiering, Øst Inkasso AS, Øst Prosjekt AS with its subsidiaries Slagenveien 16 AS, Borreveien 44 AS and Jon Smørs Vei 7 AS, and Sparebanken Øst Eiendom AS with its subsidiaries Hawø Eiendom AS and Stasjonsgata 14 AS.

Sparebanken Øst provides services within the areas of financing, savings and investment, money-transfer services, and insurance.

The annual financial statements for 2020 were reviewed and approved by the Board of Directors of Sparebanken Øst on 04.03.21.

NOTE 2 – ACCOUNTING POLICIES

1. GENERAL INFORMATION

Sparebanken Øst's consolidated financial statements and the parent company's financial statements are prepared in accordance with current international accounting standards, International Financial Reporting Standards (IFRS), approved by the EU.

The basic principles of historical cost accounting are applied, with the exception of financial assets and liabilities measured at fair value. Where the Group uses hedge accounting, the value of the hedged object is adjusted for value adjustments associated with hedged risk. Interest-bearing balance sheet items include earned/accrued interest.

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

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

2. AMENDMENTS TO ACCOUNTING POLICIES

The accounting policies applied are generally unchanged from the policies applied to the 2019 annual financial statements, with the exception of the changes in IFRS that were implemented in the Group in 2020. The changes relevant to the Bank which came into effect for the 2020 financial statements, and the effect of this on the annual financial statements, are listed below.

Changes to IAS 1 and IAS 8
The IASB has published changes to the definition of materiality to make it simpler to carry out materiality assessments in order to determine which information should be included in the financial statements. The new definition resulted in changes to IAS 1 and IAS 8, and also ensures that the term materiality is consistent throughout the IFRS framework. The changes came into force on 01.01.20. The changes have not resulted in material changes to the information presented in the financial statements.

Amendments to IFRS 3's definition of a business
The amendments will help companies assess whether an acquisition constitutes a business or a group of assets. The amendments must be applied to transactions where the acquisition date is on or after the start of the first accounting period beginning on or after 01.01.20. The changes had no impact on the Group in 2020.

3. CONSOLIDATION

The consolidated financial statements cover the parent bank and all subsidiaries.

A company is deemed to be controlled by the Group when the Group is exposed to or has rights to variable returns from its involvement in the company in question and is able to influence this return via its control of the company. Each investment is subject to assessment.

The consolidated financial statements cover the wholly owned subsidiaries Sparebanken Øst Boligkreditt AS, AS Financiering, Øst Inkasso AS, Øst Prosjekt AS with its subsidiaries Borreveien 44 AS, Slagenveien 16 AS and Jon Smørs Vei 7 AS, og Sparebanken Øst Eiendom AS with its subsidiaries Hawø Eiendom AS and Stasjonsgata 14 AS.

Companies acquired or divested during the year are included in the consolidated financial statements from the time the Group takes control until such control ceases. The takeover method is used for recognising mergers. Subsidiaries are consolidated from the date the Group gains control. When control of a company is taken over, all identifiable assets and commitments are stated at fair value. Goodwill is recognised as a positive difference between the acquisition price and the book values in 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 on the balance sheet at cost price minus any accumulated write-downs.

When preparing the consolidated financial statements, internal transactions, internal gains, and outstanding balances between companies within the Group are eliminated.

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

3.1 Ownership interests in subsidiaries and associated companies

If the Group holds the majority of the voting rights in a company, the company is presumed to be a subsidiary in the Group. In order to support this, and if the Group does not hold the majority of the voting rights, the Group assesses all relevant factors and circumstances, in order to evaluate whether the Group holds control of the company in which it invests. This includes assessing the ownership interest, voting rights, ownership structure and relative strength, as well as options controlled by the Group and shareholder agreements or other agreements. The Group re-assesses whether it controls or does not control a company when facts and circumstances indicate changes in one or several of the control elements. See also Note 36 - Ownership Interests in Group Companies.

In the parent company’s financial statements, investments in subsidiaries are recognised using the cost method.

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

4. CURRENCY

The financial statements are presented in NOK, which is the functional currency for all companies in the Group.

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

5. INCOME

5.1 Interest income and costs

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

If a financial asset or a group of similar assets are written down as a result of a credit loss, interest income is are recognised through profit or loss using the interest rate at which future cash flows are discounted to calculate such impairment.

Recognition of interest as income according to the effective 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 through profit or loss.

5.2 Commission income and costs

Commission income and costs are recognised through profit or loss at the time the service is carried out. Fees related to interest-bearing instruments are not recognised as commission, rather they are included in the calculation of the effective interest rate and are recognised through profit or loss accordingly.

5.3 Other operating income

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

5.4 Dividends received

Dividends received in equity instruments are recognised in the results once the Group’s right to receive payment has been determined, and included in the accounting line ‘Dividends’.

6. FINANCIAL INSTRUMENTS

6.1 Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to receive the cash flow are transferred and when the risk and earning potential have essentially been 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

The Group's financial instruments covered by IFRS 9 are classified on initial recognition in one of the following categories:

Financial assets:

- Amortised cost
- Fair value with value adjustments through profit or loss

Financial liabilities:

- Amortised cost
- Fair value with value adjustments through profit or loss

6.3 Measurement

6.3.1 Initial recognition of financial instruments

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

6.3.2 Subsequent measurement

Measurement at fair value

In principle, observable market rates must be the basis on which a financial instrument at fair value is estimated. Where observable market rates do not exist and the fair value cannot be derived directly or indirectly from observable inputs in the market, other valuation methods 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 changes in fair value are recognised directly in the income statement.

Measurement at amortised cost

Financial instruments that are not measured at fair value are measured at amortised cost. Instruments that are measured at amortised cost comprise interest and liabilities and are held in a business model whose purpose is to receive interest payments and liabilities. Income/costs are calculated by the effective interest rate method, whereby the effective interest rate is determined by discounting contractual cash flows within the expected term. Amortised cost is the present value of cash flows discounted by the effective interest rate.

6.3.3 Takeover of assets

Assets that are taken over in connection with follow-up on non-performing commitments are valued at fair value at the time of takeover.

6.3.4 Hedge accounting

The Group uses fair value hedging of fixed-rate borrowing and foreign currency borrowing. For fair value hedging the hedged instrument is recognised at fair value and the value of the security is adjusted in accordance with the value adjustment linked to the hedged risk. Hedge accounting is described in further detail under 6.4.5.

6.4 More on financial instruments

6.4.1 Loans and receivables

The Group's loans and receivables, except for fixed-rate loans, are measured at amortised cost. The classification is based on the Group's business model, where the purpose is to hold the instruments to receive contractual cash flows. Arrangement fees are capitalised and recognised as income over the expected maturity of the loan. Upon subsequent measurement loans are measured at amortised cost using the effective interest rate approach. Interest income on loans and receivables measured at amortised cost is included in 'Interest income from assets valued at amortised cost' in the income statement.

The period's loan loss provisions on loans and receivables are recognised through profit or loss under 'Losses on loans, unused credit facilities and guarantees'. Interest income on loans and receivables with loan loss provisions in Stage 3 is calculated according to the effective interest rate method based on the amortised value of the loan and is included in "Interest income from assets valued at amortised cost".

Model-calculated expected credit loss
Expected credit loss (ECL) is calculated regardless of whether there is objective evidence of impairment on the balance sheet date. Loans and receivables are presented on the balance sheet on a net basis after loan loss provisions. Measurement of expected credit loss is described in further detail under 6.4.7.

Non-performing commitments
A non-performing commitment is defined as a payment over 90 days past due, where the overdue sum is greater than NOK 1,000.

A commitment will also be considered non-performing if the Group:
- Has written down the commitment due to impaired creditworthiness.
- Changes the terms and conditions as a result of payment issues, and it is assumed that this reduces the value of the cash flow by a not insignificant amount.
- Assumes that debt negotiations will be initiated, bankruptcy occurs, or the counterparty enters into public administration.
- Disposes of a receivable at a lower price and the lower price is not insignificant.
- Assumes that the commitment will not be fulfilled for other reasons.

Non-performing commitments are assigned to Stage 3.

Individually assessed loan loss provisions
Non-performing commitments are written down for credit losses on a case-by-case basis (individually) if there is objective evidence of impairment. Objective evidence is considered to exist 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.

Estimates of any credit loss are based on the size of expected future cash flows from sale of collateral etc., when the cash flows are expected to be paid and the discount rate. The size of the loss is a direct function of the difference between the book value and the present value of the discounted future cash flows, discounted by the loan's effective interest rate. In the event of several probable outcomes, the probability-weighted present value of discounted future cash flows is assumed.

Declaring losses
Losses are not ascertained until composition or bankruptcy has been declared by the debtor, when execution has not been successful, there is a legal judgement or in cases where the Bank has cancelled the loan or parts of it, or in other cases where it is most likely that the losses are final. Established losses that are covered by previous provisions are recognised against those provisions. Established losses for which no individual previous loan loss provisions have been made, as well as over and under-coverage in relation to previous individual loan loss provisions, are recognised through profit or loss.

6.4.2 Fixed-rate loans, certificates, and bonds

Fixed-rate interest loans are recognised and measured at fair value through profit and loss to avoid accounting discrepancies when interest-bearing derivatives are used to reduce interest rate risk. The Group's holding of certificates, bonds, etc., comprises the Group's liquidity portfolio, which is managed and measured at fair value. The Group's holding of certificates and bonds is classified at fair value with value adjustments through profit or loss. Interest income on fixed-rate loans, certificates and bonds is recognised in 'Interest income from assets valued at fair value' in the income statement. The value adjustment and realised gains and losses are recognised in 'Net value adjustment and gain/loss on financial instruments' in the income statement.

6.4.3 Equity instruments

The Group's holding of equity instruments is measured at fair value with value adjustment through profit or loss. The value adjustment and realised gain and loss are recognised in 'Net value adjustment and gain/loss on financial instruments' in the income statement. Dividends received are recognised in the income statement once the Group's right to receive payment has been determined, and included in the accounting line 'Dividends'.

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 or loss. The derivative is recognised as an asset if the fair value is positive and as a liability if the fair value is negative. Accrued interest from financial derivatives, where hedge accounting is applied, is presented on the same line in the income statement as interest on the hedging object. The value adjustment and realised gains/losses on financial derivatives are recognised in the income statement under 'Net value adjustment and gain/loss on financial instruments'.

6.4.5 Hedge accounting
The Group mainly makes use of financial derivatives to reduce interest and/or currency risks.

The Group employs fair value hedging for fixed-rate borrowing and currency borrowing. In a fair value hedge the company seeks to hedge against exposure to changes in the value of recognised assets or liabilities. Bond debt at fixed interest rates constitutes an interest risk. Bond debt in foreign currency constitutes both an interest and a currency risk. Hedge accounting is applied to financial derivatives used to hedge the fair value of recognised liabilities where the criteria are met. Changes in the fair value of financial derivatives classified as and meeting the requirements of fair value hedging are recognised in the income statement together with any change in the fair value of the hedged liability which can be ascribed to the hedged risk. Interest rate swaps and combined interest rate and currency swaps (basic swaps) are the hedging instruments used by the Group. The value adjustment on hedged instruments and items is posted to “Net value adjustments and profit/loss on financial instruments”. Any ineffective portion of the hedging is recognised. If the hedging relationship is interrupted or adequate hedging efficiency cannot be verified, the value adjustment linked to the hedging object is amortised over the remaining maturity.

When the hedging is established, the relationship between the hedging object and hedging instrument is formally documented, including the risk that is hedged, the hedging objective and strategy, and the method that will be used to assess the effectiveness of hedging. The hedging is assessed and documented quarterly, including the effectiveness of hedging. The Group predominantly uses one-to-one hedging, meaning for example that the nominal amount and principal, terms, repricing dates, dates of receipt and payment of interest and principal, as well as the basis for measuring interest rates, are the same for the hedging instrument and the security.

6.4.6 Borrowing and other financial liabilities
The Group measures financial liabilities, apart from derivatives, at amortised cost. Financial liabilities are measured at amortised cost where the differences between the amount received less transaction costs and the redemption value are accrued over the loan term, using the effective interest method. Interest costs and amortisation effects on instruments are posted to ‘Interest costs and similar costs’ in the income statement. Holdings of own bonds are posted as reductions of liabilities. In the case of buybacks, the difference between the book value and the remuneration paid is recognised in the income statement under ‘Net value adjustment and gain/loss on financial instruments’.

6.4.7 Measurement of expected credit loss (ECL)
Expected credit loss is calculated for financial assets which are debt instruments measured at amortised cost or at fair value with value adjustments through comprehensive income. The Group calculates expected credit loss for total commitments consisting of lending, unused credit and guarantees. Expected credit loss is calculated per engagement. The Group breaks down commitments into three stages when calculating expected credit loss. See note 12 for model-calculated loss costs and loan loss provisions per stage and note 9 for commitment totals per risk class and distribution per stage.

Stage 1: Commitments that do not have a substantial increase in credit risk, after initial recognition, measured on the basis of the change in risk class, are included in Stage 1. For commitments in Stage 1, an expected 12-month loss is calculated on the basis of the commitment’s exposure.

Stage 2: Commitments with a substantial increase in credit risk, after initial recognition, measured on the basis of the change in risk class, including commitments with payments over 30 days past due, are included in Stage 2. For commitments in Stage 2, an expected lifetime loss is calculated on the basis of the commitment’s exposure and expected duration. Commitments with reduced payments are assigned to Stage 2 if they have not already been assigned to Stage 2 or Stage 3. If the credit risk is deemed to have significantly increased due to events that have occurred but that were not caught by the Bank’s risk classification system, commitments are assigned to Stage 2 if they have not already been assigned to Stage 2 or Stage 3.

Stage 3: Non-performing commitments, i.e. commitments with further increases in credit risk, are included in Stage 3. The provisions for this stage consist of both individually assessed loan loss provisions and model-calculated expected credit loss. For commitments for which there is no individual loss assessment, expected credit loss is calculated on the basis of the commitment’s exposure, the segment parameter for expected credit loss, and expected duration.

Principle for the calculation of expected credit loss: Based on the Group’s risk classification system, a probability of default is assigned per risk class for the purpose of being able to calculate the expected credit loss. The Group’s commitments are classified in segments based on the product, security, and other criteria, so each segment contains loans with virtually the same risk profile. A loss given default (LGD) figure is determined for each segment. An expected commitment exposure is also determined. For repayment loans, the basis is an expected repayment plan. For credit lines and guarantees, the basis is an exposure at default (EAD). Expected credit loss (ECL) is calculated by multiplying probability of default (PD) x loss given default (LGD) x exposure at default (EAD). When calculating expected credit loss, probability-weighted calculations are made based on an analysis of alternative outcomes of observed credit losses and projected trends, including macroeconomic developments.

Original risk class: The risk class to which a commitment is assigned on processing the loan application provides the basis for measuring substantial increases in credit risk.

Probability of default: The Group has a risk classification based on 11 categories from A to K. An expected probability of default in the first 12 months is assigned to each risk class in order to calculate the expected credit loss in Stage 1. The expected probability of default during the term of the commitment, used to calculate the expected credit loss in Stage 2, is derived from the probability of default in the first 12 months. Risk classes J and K, which constitute the risk classes for non-performing commitments, are considered to have a 100 per cent probability of default.

Loss given default: The loss given default must reflect the degree of uncovered losses given the cash flow from the customer and any realisation of the collateral for non-performing commitments. The loss ratio is assessed overall per segment and per product. Assessments of the realisation value of collateral reflect short and medium-term expectations.

Exposure at default: An expected repayment profile is determined per segment for repayment loans based on analyses of average maturity in the segments. For commitments with a credit limit, a determination is made of how much of the credit limit is expected to have been drawn at the time of default. The exposure at default is determined for guarantees.

Rules concerning a significant increase in credit risk: The rules concerning a significant increase in credit risk are based on the risk class and changes in the risk classification. The rules are presented as a matrix table, based on the original risk class and current risk class. As a general principle, an increase by two risk classes entails a substantial increase in credit risk and transfer from Stage 1 to Stage 2. For commitments with the lowest risk classes, a significant increase in credit risk that would lead to Stage 2 is when the change in risk classes increases to at least risk class E. Non-performing commitments are assigned to Stage 3. The company does not use the exemption for loans with low credit risk.

Reversal from Stage 2 and from Stage 3: When the criteria for a significant increase in credit risk (Stage 2) are no longer present, the commitment is transferred to Stage 1 after 1 month. In the case of non-performing retail commitments in Stage 3, a clean bill of health may be issued in exceptional circumstances. In the event of a clean bill of health, the cause of the default must have ceased and the financial situation must have improved, and a new assessment and risk classification of the customer must take place. Consideration is given to reversing non-performing business commitments when the cause of the non-performance has ceased and the commitment has been serviced every month for at least the last 6 months. A new commitment review and risk classification of the customer are conducted.

Macroeconomic scenarios and probability weighting: When calculating an expected credit loss, this is done on the basis of the model parameters for the anticipated scenario. When assessing the macroeconomic situation and potential macroeconomic developments, two further scenarios are determined - one optimistic and the other pessimistic. On the basis of the anticipated scenario, a factor is set for how much the expected credit loss is expected to change in the optimistic and pessimistic scenarios, respectively. The three scenarios are weighted in terms of probability and constituted the model-calculated expected credit loss. Factors and the probability of the scenarios are set based on the Group's internal assessments, which include the expected development in key macroeconomic indicators, including economic growth (GDP), house prices, interest rate levels and unemployment, as well as observed credit losses. The factor and probability of the scenarios is set individually for each segment in the Group.

6.4.8 Change in lending at fair value through comprehensive income – parent bank

The parent bank has a practice whereby it transfers loans to its subsidiary Sparebanken Øst Boligkreditt AS, which involves a business model in which the parent bank both 'receives contractual cash flows' and 'sells loans'. The share of loans to customers identified as transferable to Sparebanken Øst Boligkreditt AS is measured in the parent bank at fair value with value adjustment through comprehensive income. Interest income on the loans is included in 'Interest income from assets valued at fair value' in the ordinary income statement. Expected credit loss on the loans is included in the loss on loans, unused credits and guarantees in the ordinary income statement. Value adjustments for loans resulting from fair value measurement are included in the 'Loans at fair value' through comprehensive income. Upon divestment, accumulated gains, or losses on the loans, which were previously recognised in comprehensive income, are reversed, and gains and losses are recognised under 'Net value adjustment and gain/loss on financial instruments'.

7. TANGIBLE FIXED ASSETS AND INVESTMENT PROPERTIES

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

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

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

Buildings	10-100 years
Machines/fixtures and fittings/means of transport	2-10 years

The depreciation period, method and residual value are assessed annually.

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

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

A write-down is considered when there are indications of impairment of value. If the book value of an operating asset is higher than the recovery amount, it is written down through profit or loss. The recoverable amount is the higher of net sales price and the discounted cash flow from continued use. The net sales price is the amount that can be achieved on sale to an independent third party, less sales costs. The recoverable amount is determined separately for all properties. If this is not possible, the recoverable amount is determined together with the unit the asset falls under.

8. LEASES

When the Group enters into a contract it assesses whether the contract is a lease or contains a lease. A contract is or contains a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for payment.

The Group as lessee

On the date a lease starts, the Group recognises a lease liability and a corresponding right-of-use asset for all of its leases, with the exception of: Short-term leases (lease period of 12 months or less) and low value assets. When one of the exceptions is applied, related rent payments are recognised in ‘Other operating costs’ in the income statement.

The lease liability is recognised at the present value of the rent payments for the right to use the underlying asset in the lease period. In subsequent periods, the lease liability is measured by increasing the book value to reflect the interest on the lease liability and reducing the book value of payments of the lease liability. The value of the lease liability is adjusted for any reassessments or changes to the lease, or to reflect adjustments in rent payments due to changes in indices or rates. The lease liabilities are presented as ‘Lease liabilities’ on the balance sheet. The Group does not include variable rent payments in lease liabilities. Variable rent payments are included in ‘Other operating costs’ in the income statement.

The right-of-use asset is recognised at its acquisition cost. In subsequent periods, the asset is amortised over the shorter of the lease period and remaining usage period. As for tangible fixed assets, assessments are made regarding write-downs when there are indications of an impairment in value. Right-of-use assets are presented as ‘lease rights’ on the balance sheet.

The interest effect of discounting lease liabilities is included in the line ‘Interest costs and similar costs’ in the income statement. The amortisation cost of the asset is included in the line ‘Depreciation/write-downs/value adjustments on non-financial assets’ in the income statement.

The Group as lessor

Financial leases are presented as ‘Loans to and receivables from customers’ on the balance sheet and are recognised at amortised cost. Rent paid in advance is activated and recognised as income over the maturity period and posted as current liabilities in the accounts.

9. UNCERTAIN COMMITMENTS

The Group issues financial guarantees as part of its ordinary business. See also note 47. Assessment of loan loss provisions on guarantees issued by the Bank together with assessment of losses on lending. See also note 12. The same principles are used to assess whether there has been a reduction in value. Provisions are made for other uncertain commitments if in all likelihood the commitment will materialise, and the financial consequences can be reliably estimated.

10. CONTINGENT LIABILITIES AND ASSETS

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

11. PENSIONS

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

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

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

Pension liabilities are estimated annually by an independent actuary whereby the linear accrual method is applied. The pension liability is estimated as the present 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 costs at the time that the plan is changed.

The pension costs are based on requirements determined at the start of the period. The annual net pension cost consists of the present value of the annual pension accrued, interest costs on the net pension liability and accrued employer's payroll tax. The net pension costs for the period are posted to 'Personnel expenses' in the income statement.

The actuarial calculations are based on several actuarial assumptions, see note 46. 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 comprehensive income.

The assessment of pension liabilities is described in Note 3 – 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 savings. The Group has no further commitments in terms of the work performed, once the annual contribution is paid. There are no provisions for pension liabilities for such schemes. Defined-contribution pension schemes are recognised directly as costs and are included under 'Personnel expenses' in the income statement.

12. INCOME TAX

The annual income tax in the income statement consists of the tax payable for the income year, any surplus/deficit on allocated tax payable for the previous year, withholding tax, and recognised deferred tax. These are recognised as income or costs in the income statement as income tax with the exception of tax payable and deferred tax on transactions which are recognised directly in comprehensive income or under equity.

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

Deferred tax assets are entered as assets on the balance sheet to the extent it is expected that the Group will have sufficient taxable profit in later periods to utilise the deferred tax assets. Deferred tax assets and deferred tax liabilities are calculated in accordance with the tax rate expected to apply to temporary differences when they are reversed, based on applicable legislation at the time of reporting. Deferred tax assets and deferred tax liabilities are not discounted.
Deferred tax on transactions recognised in comprehensive income or equity is recognised as the underlying transaction, either in comprehensive income or in equity. In comprehensive income this is shown as the tax effect. Tax payable is entered directly on the balance sheet to the extent that the tax items relate to equity transactions.

Wealth tax is not regarded as income tax as per IAS 12 and is recognised on the line 'Other operating costs'.

13. SEGMENTS

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

14. CASH FLOW STATEMENT

Cash flow statements show the cash flows grouped according to types and employment area. Cash and cash equivalents include cash, deposits with central banks, treasury bills and loans to and receivables from financial institutions relating to the placement of funds. An indirect method for the preparation of cash flow setup has been used.

15. EQUITY

15.1 Earnings per equity certificate

Earnings per equity certificate is calculated as the equity certificate holders' share of the profit for the period divided by the weighted average number of equity certificates during the period.

15.2 Dividends

Dividends on equity certificates and provisions for grants for good causes are recognised in the annual financial statements as equity until they are adopted by the Bank's Board of Trustees.

15.3 Hybrid capital

Hybrid capital consists of additional Tier 1 capital that does not meet the definition of financial liabilities under IAS 32. Accrued interest on additional Tier 1 capital accrues to the hybrid capital. Interest paid on additional Tier 1 capital is recognised as a payment from hybrid capital at the time of payment.

16. EVENTS AFTER THE BALANCE SHEET DATE

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

17. FUTURE AMENDMENTS TO ACCOUNTING POLICIES

Standards and interpretations adopted at the time of the presentation of the annual 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 on the date they enter into force, provided that the EU approves the changes before the presentation of the consolidated financial statements.

Interest rate benchmarks reform (IBOR reform)

IASB has made changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the ongoing reform of interbank offered rates (IBOR) and other benchmark rates. The changes were introduced with effect from 01.01.21. The changes were made to offset the potential effects of the IBOR reform for specific hedge accounting requirements. When an old benchmark rate is replaced by an alternative benchmark rate due to the reform, companies are required to provide additional information to investors about the affected hedging relationships and the impact on the financial accounts. The Group uses hedge accounting for fixed-rate borrowing. The IBOR reform is not expected to have a material effect on hedging efficiency, the market value of the hedging instruments, or the fair value of hedged interest rate risk in the hedging objects. The hedging relationships are expected to be continued.

NOTE 3 – ASSESSMENTS AND USE OF ESTIMATES

Due to the uncertainties associated with business activities, many accounting items cannot be accurately measured, but only estimated. The executive management team has exercised judgement in the application of the accounting policies 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 the executive management team's assessments and best estimates may differ significantly from actual results.

Estimates are particularly used in the consolidated financial statements in relation to measurement of the following items:

- Losses on loans, unused credit and guarantees
- Fair value of financial instruments
- Net pension liabilities

3.1 Losses on loans, unused credit and guarantees

3.1.1 Model-calculated expected credit loss

Using a model to calculate expected credit loss requires the exercise of judgement and a degree of uncertainty is therefore associated with model-calculated expected credit loss estimates. The management team has used its discretion when determining the parameters included in the calculation. An expected credit loss model uses a significant number of parameters. The parameters to which the model is most sensitive and that are associated with the most uncertainty are probability of default, loss given default and the probability weighting of the scenarios. Please see note 12 for quantitative information and sensitivity analyses for model-calculated expected credit loss.

3.1.2 Individually assessed loss provisions
Loans are written down for credit losses on a case by case (individual) basis if there is objective evidence that such a credit loss has occurred. Objective evidence is considered to exist in cases of major financial problems faced by the debtor, payment default or other material breach of contract, the granting of deferral of payments or new credit to pay due amounts, agreed changes in interest rates or other terms and conditions as a consequence of problems faced by the debtor, debt negotiations with the debtor, other financial restructuring or bankruptcy proceedings. Estimates of any credit loss are based on the size of expected future cash flows from sale 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. In the event of several probable outcomes, the probability-weighted present value of discounted future cash flows is assumed. 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. Individually assessed loan loss provisions are included in expected credit loss Stage 3. See also note 12.

3.2 Fair value of financial instruments
In principle, observable market rates must be used as the basis for measuring financial instruments at fair value. Other valuation methods are used wherever observable market rates do not exist and the fair value cannot be derived directly or indirectly from observable market input. 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. See also note 21 for information about the valuation of financial instruments at fair value.

3.3 Net pension liability
The Group's defined-contribution pension liabilities are calculated by an external actuary. The calculations are based on standardised assumptions concerning death and disability and other demographic assumptions drawn up by Finance Norway (FNO). A number of economic assumptions are also used as the calculation basis, including the expected return on pension funds, the discount rate, annual payroll growth, the change in G (the National Insurance Scheme's basic amount) and the regulation of pensions.

The discount interest rate is based on the rate of interest on covered bonds in the Norwegian market since the market for covered bonds in Norway is regarded as satisfying the requirements for corporate bonds of high quality with a deep market. The discount rate is adjusted by a premium to arrive at an interest rate that reflects the estimated time of payment. The expected return on the pension funds is set as the discount rate in accordance with IAS 19. Pension funds are mostly invested in liquid assets valued at fair value on the balance sheet date. The other economic assumptions are based on the expected long-term change in the parameters. A far higher risk is assessed to be associated with estimated gross pension liabilities than with estimated pension funds. See also note 46 for further information.

NOTE 4 – OPERATIONAL SEGMENTS

Segment reporting is based on the Bank's internal reporting format, in which the parent bank and the mortgage credit company are split into the retail market, the business market and the financial market. There are also other subsidiaries, as well as a non-reportable segment with items that are not allocated to other segments. Almost all the Group's income is earned in Norway. For the geographical distribution of loans to customers, see note 10.

For the purpose of management the Bank is organised into five operational segments based on products and services, as follows: The retail 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 is tasked with managing properties belonging to the Sparebanken Øst Group. Income from the retail market, business market and AS Financiering mainly comprises net interest income, while income from Sparebanken Øst Eiendom AS consists of income from real estate. Income taxes are managed on a group basis and not allocated to operating segments, except for subsidiaries that are reported as separate operating segments.

Interest rates are reported on a net basis since the majority of segment income is derived from interest income on loans. The executive management team primarily bases its work on net interest income and not gross interest income and costs. Transactions between operational segments are based on arm's length pricing equivalent to transactions with third parties. No single customer accounts for more than 10 per cent of the Bank's total income in 2020 and 2019.

Income Statement

2020	Retail market	Corporate market	Finance	AS Financiering	Spareban ken Øst Eiendom	Unallocat ed	Eliminations	Group
Net interest and commission income	351.0	134.4	-33.4	137.5	-0.4	39.4	3.6	632.1
Other operating income	54.9	7.9	-13.4	-20.9	25.2	167.0	-8.1	212.6
Operating costs	54.5	19.3	0.0	34.7	3.4	189.8	-5.7	296.0
Profit/loss before losses	**351.4**	**123.0**	**-46.7**	**81.8**	**21.4**	**16.5**	**1.2**	**548.7**
Losses on loans, unused credit and guarantees	0.4	3.6	0.0	11.1	0.0	0.0	0.0	15.1
Profit/loss before income tax	**351.0**	**119.4**	**-46.7**	**70.7**	**21.4**	**16.5**	**1.2**	**533.6**
Income tax	0.0	0.0	0.0	17.8	0.4	62.2	0.1	80.4
Profit/loss after tax	**351.0**	**119.4**	**-46.7**	**53.0**	**21.1**	**-45.7**	**1.1**	**453.1**

Income Statement

2019	Retail market	Corporate market	Finance	AS Financiering	Spareban ken Øst Eiendom	Unallocat ed	Eliminations	Group
Net interest and commission income	349.2	137.7	-27.3	119.4	-1.9	65.1	-0.4	641.7
Other operating income	61.4	9.4	-12.7	-22.9	10.1	43.7	-9.1	79.8
Operating costs	59.5	19.6	0.0	31.7	6.3	166.8	-6.2	277.8
Profit/loss before losses	**351.0**	**127.5**	**-40.0**	**64.7**	**1.9**	**-58.1**	**-3.3**	**443.7**
Losses on loans, unused credit and guarantees	-0.6	6.0	0.0	13.5	0.0	0.0	0.0	18.9
Profit/loss before income tax	**351.6**	**121.5**	**-40.0**	**51.2**	**1.9**	**-58.1**	**-3.3**	**424.8**
Income tax	0.0	0.0	0.0	13.0	0.4	82.0	0.1	95.5
Profit/loss after tax	**351.6**	**121.5**	**-40.0**	**38.3**	**1.4**	**-140,1**	**-3.4**	**329.3**

Balance sheet

2020	Retail market	Corporat e market	Finance	AS Financiering	Spareban ken Øst Eiendom	Unallocate d	Eliminations	Group
Loans to and receivables from customers	27,874.8	4,931.5	8.0	2,188.7	0.0	465.6	-24.7	35,443.8
Other assets	4.9	0.0	7,673.3	45.7	105.6	3,817.5	-3,021.2	8,625.9
Total assets	**27,879.7**	**4,931.5**	**7,681.3**	**2,234.4**	**105.6**	**4,283.1**	**-3,045.9**	**44,069.7**
Deposits from and liabilities to customers	9,500.2	3,519.9	1,734.7	0.0	0.0	149.1	-58.8	14,845.1
Other liabilities/offsetting	18,379.5	1,411.6	5,946.5	1,810.6	33.8	-168.8	-2,630.8	24,782.6
Equity	0.0	0.0	0.0	423.8	71.8	4,302.8	-356.4	4,442.0
Total liabilities and equity	**27,879.7**	**4,931.5**	**7,681.3**	**2,234.4**	**105.6**	**4,283.1**	**-3,045.9**	**44,069.7**
Year's investments	**0.0**	**0.0**	**0.0**	**10.4**	**1.2**	**21.9**	**0.0**	**33.5**

Balance sheet

2019	Retail market	Corporat e market	Finance	AS Financiering	Spareban ken Øst Eiendom	Unallocate d	Eliminations	Group
Loans to and receivables from customers	26,714.5	4,964.9	1.1	2,102.9	0.0	505.7	-63.8	34,225.3
Other assets	4.8	0.0	7,548.8	47.5	174.1	3,179.6	-2,794.3	8,160.5
Total assets	**26,719.3**	**4,964.9**	**7,549.9**	**2,150.4**	**174.1**	**3,685.3**	**-2,858.1**	**42,385.8**
Deposits from and liabilities to customers	9,429.3	3,530.8	1,741.2	0.0	0.0	158.8	-68.4	14,791.7
Other liabilities/offsetting	17,290.0	1,434.2	5,808.7	1,781.4	87.7	-476.2	-2,473.2	23,452.6
Equity	0.0	0.0	0.0	369.0	8.64	4,002.6	-316.5	4,141.5
Total liabilities and equity	**26,719.3**	**4,964.9**	**7,549.9**	**2,150.4**	**174.1**	**3,685.3**	**-2,858.1**	**42,385.8**
Year's investments	**0.0**	**0.0**	**0.0**	**0.9**	**0.2**	**17.9**	**0.0**	**19.0**

NOTE 5 – FINANCIAL RISK MANAGEMENT

Credit risk, market risk and liquidity risk are considered financial risks. Concentration risk is also discussed. Risks are reported quarterly to the executive management team and board. The reporting describes the current status in relation to various set limits for risk, both internal and statutory.

Credit risk
Credit risk is regarded as the risk of loss due to customers and other counterparties failing to meet their repayment obligations and any pledged collateral not covering the Bank's outstanding debt.

Measuring risk when lending to customers takes place by classifying the risk customers represent and is an integral part of the credit process.
Pricing of credit is to be based on the risk of the individual commitment.

The Bank's credit strategy describes the Bank's overall extension of credit in the retail and business markets. On a day-to-day basis, the credit strategy is implemented via credit manuals, limits, and the approved hierarchy for authorisations. Everyone authorised to grant credit has a responsibility to comply with the Bank's adopted credit policy.

A central credit unit has been established in the retail market. This has been given authorisation to grant loans and credit facilities in line with the Bank's credit strategy, approved instructions, and the credit manual for the retail market, within the limits specified by the authorisation.

A board approved decision-making hierarchy has been established in the business market. The decision-making level required for the individual case is based on a combination of the customer's risk class and the amount in question. The Bank's board is the supreme decision-making level, and smaller commitments are entered into in accordance with the adopted limits and personal mandates of the Business Market 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. The adopted strategy and the investment policy specify the risk tolerance, allocation to asset classes, limits, and mandates. Credit losses must be close to zero. Furthermore, a significant proportion of the portfolio must be suitable to act as collateral for lending from Norges Bank. When investing funds in certificates and bonds, the risk is assessed on the basis of the paper's liquidity, issuer's rating, and other counterparty-specific factors. Interest-bearing securities are booked at market value so that changes in value are continuously reflected in the financial statements.

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

Counterparty risk on derivatives and off balance sheet items (guarantees, loan approvals, etc.) also entail credit risk in that contracts may produce a loss if the counterparty goes bankrupt or is unable to fulfil its payment obligations. Derivative contracts are only entered into with financial institutions that have a minimum official rating of A- (A3) or better. The counterparty risk is mitigated by the Bank having entered into ISDA agreements that give the parties the right to offset in the event of non-performance. Additional agreements have also been entered into concerning the provision of security (CSA). Please see note 20 for details about offsetting financial instruments.

Concentration risk
Concentration risk arises from low diversification with respect to counterparty risk for associated customer groups, geographical areas, sectors and products. This is managed in Sparebanken Øst by setting limits for exposure to industries and sectors, and commitment size.

Out of the Group's ordinary lending activities as at 31.12.20, 85.8 per cent of gross lending involved retail customers. A small proportion of lending to business customers contributes to a low concentration risk.

The Group's loan portfolio to retail customers and businesses is primarily spread across the central Eastern Norway region. The Bank is not regarded as being particularly exposed to individual business customers (cornerstone industries) or one-sided financial growth in the region. The Bank's location in Eastern Norway provides close proximity to a large market area. The business customer lending portfolio includes a variety of industries. Exposure to property and property development accounts for a relatively large proportion. Sales and the operation of real estate account for 64.5 per cent of the business portfolio. Measured as a portion of the total lending portfolio in the Group, exposure to sales and the operation of real estate is nonetheless no more than 9.1 per cent. Property is a cyclical industry that is particularly vulnerable in periods of economic downturn. The commitments are, however, regarded as well secured, often with additional collateral.

Sparebanken Øst has set limits for the levels of concentration that indicate that the greatest exposure must not exceed 10 per cent of the business portfolio, the three largest exposures no more than 20 per cent, and the ten largest no more than 40 per cent. In its lending operations as at 31.12.20, apart from commitments with its own subsidiaries (AS Financiering and Sparebanken Øst Boligkreditt AS), the Bank had no exposure to external customers exceeding 10 per cent of its primary capital. As at 31.12.20, loans to the Group’s largest loan customer represented 0.7 per cent of gross lending. The Group’s ten largest borrowers represented 4.2 per cent of gross lending, and the Group’s 20 largest borrowers represented 6.0 per cent of gross lending.

Market risk
Market risk is the risk of incurring losses on open positions in financial instruments due to changes in observable market variables such as interest rates, currencies, and securities markets.

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 spreads for interest-bearing securities (credit spread risk), exchange rates (currency risk) and share prices (equities risk).

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

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

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

Currency risk
Currency risk is the risk of loss of value due to exchange rate fluctuations. Such risk is reduced by matching asset and liability positions with each other on the balance sheet or by using currency derivatives. Rolling swaps are used for assets where debtors are able to repay before the final due date. Where the final due date may not be deviated from, the positions are secured by basis swaps. Limits for currency exposure have been set.

Equities risk
The Group has a holding of equities for mainly strategic purposes. Equities risk is the risk of losses due to changes in the prices of equities. A 10 per cent drop in the value of equities would have a negative impact of NOK -79.8 million on the ordinary profit after tax. By comparison, a 10 per cent drop in the value of equities in 2019 would have had a negative impact of NOK -61.8 million on the ordinary profit after tax. See note 35 for specification of the Group’s shares and equity certificates.

Risk mitigation measures
The Bank uses guarantees, derivatives and financial hedging to reduce risk exposure due to changes in interest rate levels, exchange rates and credit risks. Please see the descriptions of each individual risk area.

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

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

Liquidity risk
Liquidity risk is the risk of the Bank not being in a position to meet its ongoing liabilities as they fall due or having to obtain necessary funding at a higher cost. The overall strategy dictates that Sparebanken Øst must practise a conservative liquidity risk policy. This involves a long-term and proactive approach to future liquidity needs and managing liquidity through investments in assets with low liquidity risk and credit risk. Limits have been established which govern the composition of the balance sheet with regard to the degree of long-term funding and the horizon for survival in a situation with no access to new liquidity. The Bank maintains liquidity reserves in the form of cash, drawing rights 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, current funding sources include the Norwegian certificate and bond market, including the market for covered bonds.

Deposits are a key source of funding for the Banks. Following the financial crisis, the competition for deposits has intensified, particularly from the new consumer banks. Adjustments to the range of products available to our customers have so far provided stable deposits. In particular, Topprente.no has helped ensure the necessary competitiveness for the Bank with regard to its deposit coverage ratio. Topprente.no is a self-service concept which provides an opportunity to offer customers competitive deposit terms. As at 31.12.20, deposits from customers amounted to 41.9 per cent of the Group's net lending, compared with 43.3 per cent as at 31.12.19.

It is primarily major institutional investors which invest in the Banks' issued securities. In order to ensure liquidity in the securities, it is desirable that the bond issues 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. Covered bonds provide security for investors in the form of preferential rights to low-risk mortgages. In principle, the largest bond loans are covered bonds.

The balance sheet steering committee addresses market events and agrees measures related to the liquidity situation in accordance with the adopted strategy on an ongoing basis. A recovery plan has also been drawn up that defines monitoring and action plans for liquidity crises.

Long-term capital management

Sparebanken Øst's long-term capital management 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. The Bank is adapting to the new capital adequacy rules and closely monitors the development in the market's capital expectations beyond the regulatory requirements.

The Group's current CET1 capital ratio target is set at 14.75 per cent. The applicable Pillar 2 requirement for Sparebanken Øst is 1.8 per cent, although with a minimum requirement of NOK 360 million. The requirement came into effect on 30.06.20. Given the current level of the countercyclical buffer of 1 per cent, this entails a total CET1 capital requirement of at least 12.8 per cent. The Group's CET1 capital ratio was 17.96 per cent as at 31.12.20. This capital level provides capacity for growth, room to manoeuvre in relation to regulatory requirements, competitiveness in bond markets and an opportunity for a return on equity in line with the adopted objective.

Growth and planned growth in lending and other assets will therefore always take into consideration the need for buffer capital above the minimum requirements. Otherwise, there is a heavy focus on maintaining the prudent management of commercial operations so that the Group can achieve good results and satisfactory returns on invested capital. This will ensure the Bank remains attractive to investors and help to ensure the Group access to capital when required to strengthen its equity share capital.

NOTE 6 – CAPITAL ADEQUACY

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		CET1 capital		
4,090.2	3,789.1	Book equity	3,644.8	3,361.9
		Deduction items in CET1 capital		
-8.4	-8.0	Additional value adjustments (prudent valuation requirement) (AVA)	-10.2	-8.6
-119.2	-134.3	Dividends*	-119.2	-134.3
-223.1	-149.3	Goodwill in the valuation of significant investments	-223.1	-149.3
-32.5	-26.3	Intangible assets	-22.3	-25.2
0.0	0.0	Deferred tax	0.0	0.0
0.0	0.0	CET1 capital instruments in other financial institutions (not significant)	0.0	0.0
0.0	0.0	CET1 capital instruments in other financial institutions (significant)	0.0	0.0
-31.0	-30.8	Other deductions from CET1 capital	-31.0	-30.8
3,676.2	**3,440.3**	**Total CET1 capital**	**3,239.0**	**3,013.6**
		Other Tier 1 capital		
350.0	350.0	Additional Tier 1 capital	350.0	350.0
		Deductions from other Tier 1 capital		
0.0	0.0	Other Tier 1 capital instruments in other financial institutions (not significant)	0.0	0.0
0.0	0.0	Other Tier 1 capital instruments in other financial institutions (significant)	0.0	0.0
350.0	**350.0**	**Total other Tier 1 capital**	**350.0**	**350.0**
4,026.2	**3,790.3**	**Total Tier 1 capital**	**3,589.0**	**3,363.6**
		Tier 2 capital		
400.0	400.0	Subordinated loans	400.0	400.0
		Deductions from Tier 2 capital		
0.0	0.0	Tier 2 capital instruments in other financial institutions (not significant)	0.0	0.0
-56.6	-57.3	Tier 2 capital instruments in other financial institutions (significant)	-56.6	-57.3
343.4	**342.7**	**Total Tier 2 capital**	**343.4**	**342.7**
4,369.6	**4,132.9**	**Net primary capital**	**3,932.4**	**3,706.3**
		Calculation basis		
0.0	0.0	Governments and central banks	0.0	0.0
86.3	127.5	Local and regional authorities	86.3	127.5
0.0	0.0	Publicly owned companies	0.0	0.0
0.0	0.0	Multilateral development banks	0.0	0.0
46.0	42.8	Institutions	989.8	984.7
435.4	528.8	Companies	474.1	589.2
1,696.0	1,703.3	Mass market accounts	127.8	177.4
14,233.5	14,059.2	Accounts secured against property	8,008.2	8,454.2
187.4	194.4	Accounts due	37.3	59.2
654.5	0.0	High-risk commitments	654.5	0.0
476.5	481.8	Covered bonds	2,049.4	1,851.5
0.0	0.0	Shares in securities fund	0.0	0.0
921.6	664.2	Equity positions	2,526.6	2,030.4
241.4	243.0	Other exposures	208.4	169.7
0.0	0.0	Securitisation	0.0	0.0
18,978.6	**18,044.9**	**Calculation basis for credit and counterparty risk**	**15,162.5**	**14,443.7**
0.0	**0.0**	**Calculation basis for currency risk**	**0.0**	**0.0**
1,444.9	**1,363.1**	**Calculation basis for operational risk**	**994.5**	**935.1**
48.0	**42.4**	**Calculation basis for impaired counterparty credit valuation adjustment (CVA)**	**27.5**	**17.4**
20,471.4	**19,450.3**	**Total calculation basis**	**16,184.4**	**15,396.2**
17.96%	17.69%	CET1 capital ratio*	20.01%	19.57%
19.67%	19.49%	Tier 1 capital ratio*	22.18%	21.85%
21.34%	21.25%	Capital adequacy*	24.30%	24.07%

Group 2020	Group 2019	Buffers	Parent bank 2020	Parent bank 2019
511.8	486.3	Capital conservation buffer	404.6	384.9
204.7	486.3	Countercyclical buffer	161.8	384.9
614.1	583.5	Systemic risk buffer	485.5	461.9
0.0	0.0	Buffer for systemically important banks	0.0	0.0
1,330.6	**1,556.0**	**Total buffer requirements**	**1,052.0**	**1,231.7**
2,731.9	**2,565.0**	**Available buffer capital**	**2,510.7**	**2,320.8**
9.03%	8.81%	Leverage ratio	7.64%	7.49%

* The Board of Directors' proposed dividends for 2020 of up to NOK 93.3 million (up to NOK 4.50 per equity certificate) for equity certificate holders and of up to NOK 25.9 million for good causes were deducted in the capital adequacy calculations as at 31.12.20.

The Bank uses the standardised approach to calculate the minimum primary capital adequacy requirement for credit risk. Operational risk is calculated using the basic indicator approach. The capital charge for credit value adjustment (CVA) is calculated using the standardised approach. Commitment amounts for derivatives are calculated using the market value approach.

The Bank's primary capital must satisfy the minimum capital adequacy ratio requirements at all times, with the addition of a buffer equivalent to the company's accepted risk tolerance.

See also the Group's Pillar III document, which is available on Sparebanken Øst's website.

NOTE 7 – CREDIT RISK

Maximum credit risk

Maximum credit risk is represented as the book value of the financial assets, including derivatives, on 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 book values is shown below.

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Liabilities		
763.9	478.6	Loan pledges	722.1	391.6
2,249.3	1,737.1	Overdraft facilities	3,973.3	3,590.5
90.6	87.3	Guarantees to customers	90.6	87.3
0.0	0.0	Guarantee for all covered bond liabilities in the mortgage credit company*	15,172.0	13,150.0
3,103.8	**2,303.0**	**Total liabilities**	**19,958.1**	**17,219.3**

* The parent bank has issued a guarantee for all covered bond commitments in the mortgage credit company in connection the rating process for Sparebanken Øst Boligkreditt AS.

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

Credit risk

Sparebanken Øst's credit strategy provides the basis for the credit activities in the Bank. The scope, target figures, procedures and guidelines have been established for both the retail and business markets to help ensure that all elements associated with credit assessments are adequately described and known. These must also ensure that portfolios are properly followed up and that any changes relating to the assessed risk for the individual commitment can be identified at an early stage and monitored closely. Developments in individual commitments and portfolios are continuously followed up on through various administrative reports. Target figures and frameworks adopted by the Board are followed up on and reported to the Board on quarterly basis.

Debt-servicing capacity is central to any credit assessment in either the retail or the business markets. Normally, credit must not be provided if it is unlikely that the customer will be able to service the debt even when adequate security is provided. The basis for the assessment of a customer's capacity to service the debt is current and future cash flows measured against the customer's cost obligations at any time. Cash flow is based on the salary income or business income of the customer(s) being financed. Besides this, the extent to which the Bank will be able to cover the commitments by realising the security in the event of any future default, reduction of cash flows, or other negative market changes, is also assessed. Sparebanken Øst generally has very low exposure to unsecured loans/credit facilities.

Routines for the periodic follow-up of commitments have been established in the business market. These ensure the Bank updated assessments at least once a year for the majority of the portfolio. In addition to the customary credit assessment, financial clauses in credit agreements are also used to reduce risk and ensure the follow-up and management of individual commitments. It is the total exposure to the individual customer that is taken into consideration when assessing the effect the security pledged has for the credit risk.

Chapter 11-II of the Financial Institutions Act governs the activities of Sparebanken Øst Boligkreditt AS and sets strict criteria concerning which loans may be included in the security pledged as collateral for covered bonds. These are more stringent regulations than for ordinary home mortgages 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 BY CLASS OF FINANCIAL ASSETS

Sparebanken Øst's underlying credit quality relating to loans and advances to customers is shown by the portfolio's risk classification. The risk classification of customers is an integral and mandatory element of the credit process in both the retail and business markets. The credit strategy stipulates the limits for the minimum proportion of portfolios within the various risk classes. The development in the portfolio distribution in the risk classes must be followed up on through continuous monitoring and reporting.

The risk classification models prioritise key figures linked to ability and willingness to pay. The credit portfolio is classified into 11 risk classes. The commitments in the two worst classes represent identified default commitments. The combination of commitment size and risk classification is crucial in building up the Bank's authorisation structure in the business market. The authorisations are also linked to the level of position.

The Group is constantly seeking to improve its internal risk classification models in order to ensure that the models always have high explanatory power based on the key drivers in the various customer segments. The Group is working on a project aimed at replacing the current risk classification model with a credit score model. Agreements have been entered into with external actors concerning the delivery of credit score models that are being implemented in the Group's credit systems. The score models replace the risk classification models that were used before.

In the case of financial investments in certificates and bonds, the risk is assessed based on rating and counterparty-specific factors. Ratings from credit rating agencies are preferred. Where such ratings are not available, scores from Norwegian brokers as well as internal assessments are used.

Ratings from credit rating agencies and scores from brokers 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 deemed low risk, BBB is deemed medium risk and BB–C is deemed higher risk.

Group as at 31.12.20

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Loans						
Loans to and receivables from financial institutions	13.4	0.0	0.0	0.0	0.0	13.4
Loans to and receivables from customers						
- Financial leases	0.0	16.8	3.7	0.0	0.0	20.4
- Overdraft facilities and operating credits	4,897.5	61.1	12.0	1.0	0.9	4,972.4
- Building loans	322.9	30.6	1.8	0.0	0.0	355.3
- Repayment loans	26,334.8	2,287.2	1,357.0	110.2	6.4	30,095.6
Total loans	**31,568.6**	**2,395.7**	**1,374.4**	**111.2**	**7.3**	**35,457.2**
Financial investments						
Listed government bonds	0.0	0.0	0.0	0.0	0.0	0.0
Listed other bonds	4,152.0	56.7	0.0	0.0	0.0	4,208.7
Unlisted bonds	2,581.0	0.1	0.4	0.0	0.0	2,581.5
Total financial investments	**6,733.1**	**56.7**	**0.4**	**0.0**	**0.0**	**6,790.2**

Group as at 31.12.19

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Loans						
Loans to and receivables from financial institutions	15.9	0.0	0.0	0.0	0.0	15.9
Loans to and receivables from customers						
- Financial leases	0.0	20.5	6.2	0.3	0.0	27.0
- Overdraft facilities and operating credits	2,747.4	57.0	10.9	0.7	0.3	2,816.4
- Building loans	228.5	10.2	3.9	0.0	0.0	242.6
- Repayment loans	27,325.0	2,281.2	1,393.0	130.5	9.6	31,139.3
Total loans	**30,316.9**	**2,369.0**	**1,413.9**	**131.5**	**10.0**	**34,241.2**
Financial investments						
Listed government bonds	0.0	0.0	0.0	0.0	0.0	0.0
Listed other bonds	6,146.1	57.4	0.0	0.0	0.0	6,203.6
Unlisted bonds	551.1	0.0	0.4	0.0	0.0	551.5
Total financial investments	**6,697.2**	**57.4**	**0.4**	**0.0**	**0.0**	**6,755.1**

Parent bank as at 31.12.20

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Loans						
Loans to and receivables from financial institutions	2,232.8	0.0	0.0	0.0	0.0	2,232.8
Loans to and receivables from customers						
- Financial leases	0.0	0.0	0.0	0.0	0.0	0.0
- Overdraft facilities and operating credits	2,377.9	32.3	8.0	1.0	0.9	2,420.0
- Building loans	322.9	30.6	1.8	0.0	0.0	355.3
- Repayment loans	12,440.4	1,112.5	77.9	24.2	6.4	13,661.4
Total loans	**17,373.9**	**1,175.5**	**87.7**	**25.1**	**7.3**	**18,669.5**
Financial investments						
Listed government bonds	0.0	0.0	0.0	0.0	0.0	0.0
Listed other bonds	4,630.1	56.7	0.0	0.0	0.0	4,686.8
Unlisted bonds	2,529.8	0.1	0.4	0.0	0.0	2,530.3
Total financial investments	**7,159.9**	**56.7**	**0.4**	**0.0**	**0.0**	**7,217.0**

Parent bank as at 31.12.19

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Loans						
Loans to and receivables from financial institutions	2,273.2	0.0	0.0	0.0	0.0	2,273.2
Loans to and receivables from customers						
- Financial leases	0.0	0.0	0.0	0.0	0.0	0.0
- Overdraft facilities and operating credits	1,039.7	27.2	6.6	0.7	0.3	1,074.5
- Building loans	228.5	10.2	3.9	0.0	0.0	242.6
- Repayment loans	14,352.1	1,184.7	82.8	36.4	9.6	15,665.7
Total loans	**17,893.6**	**1,222.1**	**93.3**	**37.1**	**9.9**	**19,256.0**
Financial investments						
Listed government bonds	0.0	0.0	0.0	0.0	0.0	0.0
Listed other bonds	6,588.7	57.4	0.0	0.0	0.0	6,646.2
Unlisted bonds	551.1	0.0	0.4	0.0	0.0	551.5
Total financial investments	**7,139.8**	**57.4**	**0.4**	**0.0**	**0.0**	**7,197.6**

NOTE 9 - CREDIT RISK BY RISK CLASS

In its credit strategy the Board has determined overall limits related to the maximum exposure per customer/group, industry exposure, risk class, concentration risk and requirements for the acceptance of new customers. The target figures and limits adopted by the Board, as described in the credit strategy, are followed up via the quarterly risk reports.

A risk classification based on 11 categories from A to K is used in both the retail and business markets. Risk class A represents the lowest risk and risk class I represents the highest risk for non-default customers. Risk classes J and K consist of commitments for which objective evidence of a default/loss exists and the commitments are subject to special monitoring in the Bank's Recovery Department.

The consolidated figures show a summary of the parent bank, Sparebanken Øst AS, and AS Financiering. AS Financiering's business mainly consists of financing for used cars.

Credit risk by risk class 2020 – Group

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	15,958.8	12.9	1,558.0	17,529.6	46.2	17,503.2	1.0	26.4	0.0	0.0	0.0
B	6,549.6	10.6	306.2	6,866.4	18.1	6,851.8	1.6	14.6	0.0	0.0	0.0
C	4,888.7	24.4	176.8	5,089.9	13.4	5,070.2	2.8	19.7	0.0	0.0	0.0
D	4,175.8	29.8	171.5	4,377.1	11.5	4,360.7	5.3	16.4	0.0	0.0	0.0
E	1,146.1	10.6	29.2	1,186.0	3.1	979.8	2.4	206.2	1.6	0.0	0.0
F	1,256.7	1.2	5.2	1,263.2	3.3	1,145.8	2.5	117.4	1.0	0.0	0.0
G	917.6	0.4	2.9	920.9	2.4	788.2	4.6	132.7	2.0	0.0	0.0
H	446.7	0.0	0.4	447.1	1.2	225.2	2.9	221.9	5.3	0.0	0.0
I	27.3	0.0	0.1	27.4	0.1	6.5	0.3	20.9	2.2	0.0	0.0
J	25.6	0.5	0.0	26.1	0.1	0.0	0.0	0.0	0.0	26.1	0.0
K	174.8	0.5	0.0	175.3	0.5	0.0	0.0	0.0	0.0	175.3	89.6
U	0.2	0.0	0.0	0.2	0.0	0.2	0.1	0.0	0.0	0.0	0.0
Total	**35,567.9**	**91.0**	**2,250.2**	**37,909.1**	**100.0**	**36,931.5**	**23.4**	**776.2**	**12.3**	**201.4**	**89.6**

* Stage 3 provisions include individually assessed loss write-downs of NOK 89.3 million.

Credit risk by risk class 2019 – Group

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	14,084.5	8.3	1,159.2	15,252.0	42.2	15,238.8	0.8	13.2	0.0	0.0	0.0
B	5,674.1	14.0	219.2	5,907.3	16.3	5,899.7	1.2	7.6	0.0	0.0	0.0
C	5,661.1	12.7	156.7	5,830.5	16.1	5,795.0	2.7	35.5	0.0	0.0	0.0
D	4,890.3	39.8	184.1	5,114.2	14.1	5,086.5	5.1	27.7	0.0	0.0	0.0
E	1,163.8	11.0	14.2	1,189.0	3.3	1,009.8	2.0	179.2	0.9	0.0	0.0
F	1,211.0	1.1	2.1	1,214.2	3.4	1,117.1	2.5	97.1	0.4	0.0	0.0
G	1,099.7	0.0	1.7	1,101.4	3.0	879.8	3.0	221.6	1.4	0.0	0.0
H	301.1	0.2	0.1	301.3	0.8	104.5	1.7	196.9	5.6	0.0	0.0
I	26.3	0.0	0.1	26.4	0.1	18.6	0.8	7.8	0.5	0.0	0.0
J	58.1	0.0	0.2	58.3	0.2	0.0	0.0	0.0	0.0	58.3	3.1
K	157.1	0.5	0.0	157.5	0.4	0.0	0.0	0.0	0.0	157.5	80.9
U	10.2	0.0	0.0	10.2	0.0	10.1	0.0	0.1	0.0	0.0	0.0
Total	**34,337.2**	**87.6**	**1,737.5**	**36,162.3**	**100.0**	**35,159.8**	**19.8**	**786.7**	**9.0**	**215.9**	**84.0**

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

Retail customers - parent bank and mortgage credit company
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 and follow-up of the retail customer portfolio. The risk classification is based on a weighted calculation of the following parameters: level of debt, capacity to service the debt, debt-servicing history, and credit score, obtained from an external credit information provider. Retail customers' risk is classified when new loan applications are assessed or as a result of quarterly reclassification based on reminder statistics for the past 12 months.

The Bank's organisation of the approval process within the retail market is based on centralised decision-making units.

Credit risk by risk class 2020 – person in parent bank and mortgage credit company

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	15,537.0	1.7	1,536.2	17,074.9	56.4	17,048.5	1.0	26.4	0.0	0.0	0.0
B	5,798.5	0.6	263.2	6,062.3	20.0	6,048.7	1.2	13.6	0.0	0.0	0.0
C	3,964.5	0.5	124.2	4,089.2	13.5	4,069.5	1.7	19.7	0.0	0.0	0.0
D	2,316.2	0.4	62.3	2,378.9	7.9	2,362.7	1.6	16.2	0.0	0.0	0.0
E	312.3	0.0	6.2	318.5	1.1	275.0	0.3	43.5	0.2	0.0	0.0
F	173.1	0.0	2.3	175.4	0.6	132.2	0.2	43.2	0.2	0.0	0.0
G	94.8	0.0	0.3	95.1	0.3	80.6	0.4	14.5	0.4	0.0	0.0
H	30.6	0.0	0.1	30.7	0.1	13.7	0.2	17.0	0.5	0.0	0.0
I	17.6	0.0	0.1	17.7	0.1	6.5	0.3	11.2	0.8	0.0	0.0
J	16.8	0.0	0.0	16.8	0.1	0.0	0.0	0.0	0.0	16.8	0.0
K	5.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	5.0	3.8
U	0.2	0.0	0.0	0.2	0.0	0.2	0.1	0.0	0.0	0.0	0.0
Total	**28,266.5**	**3.2**	**1,995.0**	**30,264.7**	**100.0**	**30,037.6**	**7.0**	**205.3**	**2.1**	**21.9**	**3.8**

* Stage 3 provisions include individually assessed loss write-downs of NOK 3.5 million.

Credit risk by risk class 2019 – person in parent bank and mortgage credit company

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	13,720.3	1.0	1,126.7	14,848.0	51.7	14,834.9	0.7	13.2	0.0	0.0	0.0
B	5,125.5	0.7	179.1	5,305.3	18.5	5,297.7	0.9	7.6	0.0	0.0	0.0
C	4,739.3	0.6	115.0	4,854.9	16.9	4,831.8	1.8	23.1	0.0	0.0	0.0
D	2,859.2	0.4	62.0	2,921.6	10.2	2,895.1	1.8	26.5	0.0	0.0	0.0
E	370.5	0.0	4.1	374.6	1.3	340.2	0.3	34.4	0.1	0.0	0.0
F	198.0	0.0	1.5	199.5	0.7	149.9	0.2	49.7	0.2	0.0	0.0
G	106.6	0.0	0.1	106.7	0.4	100.3	0.5	6.5	0.1	0.0	0.0
H	47.6	0.0	0.1	47.6	0.2	20.9	0.3	26.8	0.9	0.0	0.0
I	22.8	0.0	0.1	22.8	0.1	15.2	0.5	7.7	0.5	0.0	0.0
J	35.0	0.0	0.0	35.0	0.1	0.0	0.0	0.0	0.0	35.0	0.0
K	14.5	0.0	0.0	14.5	0.1	0.0	0.0	0.0	0.0	14.5	4.2
U	9.9	0.0	0.0	9.9	0.0	9.9	0.0	0.0	0.0	0.0	0.0
Total	**27,249.1**	**2.8**	**1,488.7**	**28,740.6**	**100.0**	**28,495.8**	**7.2**	**195.3**	**1.8**	**49.5**	**4.2**

* Stage 3 provisions include individually assessed loss write-downs of NOK 3.7 million.

Business customers – parent bank

The risk classification is included as an integral part of the credit process in the business market and, together with commitment size, it determines the decision-making level and provides guidance with regard to pricing. The risk classification is key in terms of managing and controlling the portfolio on an ongoing basis. The risk classification is based on a weighted calculation of various parameters, in which the financial key figures have a high weighting. Business customers undergo risk classification in the event of new application assessments and/or through annual renewals, or in the event of special incidents that require a review of the commitment. In addition, quarterly reclassification is carried out based on reminder statistics in the last 12 months.

Credit risk by risk class 2020 – business

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	421.8	11.2	21.7	454.8	8.4	454.8	0.1	0.0	0.0	0.0	0.0
B	751.1	10.0	43.0	804.1	14.8	803.1	0.4	1.0	0.0	0.0	0.0
C	924.3	23.9	119.7	1,067.9	19.7	1,067.9	1.1	0.0	0.0	0.0	0.0
D	1,859.7	29.4	109.1	1,998.3	36.8	1,998.0	3.7	0.3	0.0	0.0	0.0
E	833.8	10.6	23.0	867.5	16.0	704.8	2.1	162.7	1.5	0.0	0.0
F	172.7	1.2	3.0	176.9	3.3	125.2	0.6	51.7	0.7	0.0	0.0
G	25.6	0.4	2.6	28.5	0.5	14.9	0.2	13.6	0.6	0.0	0.0
H	6.2	0.0	0.2	6.4	0.1	6.1	0.3	0.3	0.0	0.0	0.0
I	9.7	0.0	0.0	9.7	0.2	0.0	0.0	9.7	1.4	0.0	0.0
J	8.7	0.5	0.0	9.2	0.2	0.0	0.0	0.0	0.0	9.2	0.0
K	0.3	0.5	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.8
U	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**5,013.8**	**87.8**	**322.3**	**5,423.9**	**100.0**	**5,174.7**	**8.4**	**239.2**	**4.2**	**10.0**	**0.8**

* Stage 3 provisions include individually assessed loss write-downs of NOK 0.7 million.

Credit risk by risk class 2019 – business

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	pr… Sta…
A	364.2	7.3	32.4	404.0	7.6	404.0	0.0	0.0	0.0	0.0	
B	548.6	13.3	40.1	602.0	11.3	602.0	0.2	0.0	0.0	0.0	
C	986.2	12.1	63.5	1,061.8	20.0	1,049.3	0.9	12.5	0.0	0.0	
D	2,031.1	39.4	122.1	2,192.5	41.3	2,191.4	3.3	1.1	0.0	0.0	
E	793.3	11.0	10.1	814.4	15.3	669.6	1.6	144.8	0.8	0.0	
F	198.7	1.1	0.6	200.4	3.8	178.9	0.7	21.5	0.2	0.0	
G	11.7	0.0	1.6	13.3	0.3	4.1	0.0	9.3	0.2	0.0	
H	8.7	0.2	0.0	8.8	0.2	8.6	0.3	0.2	0.0	0.0	
I	3.5	0.0	0.0	3.5	0.1	3.4	0.3	0.1	0.0	0.0	
J	11.5	0.0	0.2	11.7	0.2	0.0	0.0	0.0	0.0	11.7	
K	1.6	0.5	0.0	2.1	0.0	0.0	0.0	0.0	0.0	2.1	
U	0.2	0.0	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	
Total	**4,959.4**	**84.8**	**270.5**	**5,314.7**	**100.0**	**5,111.5**	**7.5**	**189.5**	**1.3**	**13.8**	

* Stage 3 provisions include individually assessed loss write-downs of NOK 0.6 million.

AS Financiering

Risk classification is an integral element of the credit process for the approval and overall management of the portfolio. Initial risk classification is based on credit scores from external credit providers. The portfolio is reclassified on a quarterly basis based on updated credit scores as well as service history.

Credit risk by risk class 2020 – AS Financiering

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
F	910.9	0.0	0.0	910.9	39.8	888.3	1.6	22.6	0.1	0.0	0.0
G	797.3	0.0	0.0	797.3	34.9	692.7	3.9	104.6	1.1	0.0	0.0
H	410.0	0.0	0.0	410.0	17.9	205.4	2.4	204.6	4.8	0.0	0.0
I	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
J	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
K	169.5	0.0	0.0	169.5	7.4	0.0	0.0	0.0	0.0	169.5	85.1
U	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2,287.6**	**0.0**	**0.0**	**2,287.6**	**100.0**	**1,786.3**	**7.9**	**331.8**	**5.9**	**169.5**	**85.1**

* Stage 3 provisions include individually assessed loss write-downs of NOK 85.1 million.

Credit risk by risk class 2019 – AS Financiering

	Gross lending	Gross guarantee liabilities	Overdraft facility	Commit-ments	%	Commitment Stage 1	Loss provision Stage 1	Commit-ments Stage 2	Loss provision Stage 2	Commitment Stage 3	Loss provision Stage 3*
A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
F	814.3	0.0	0.0	814.3	37.1	788.3	1.6	26.0	0.1	0.0	0.0
G	981.4	0.0	0.0	981.4	44.7	775.5	2.5	205.9	1.1	0.0	0.0
H	244.9	0.0	0.0	244.9	11.2	74.9	1.1	169.9	4.7	0.0	0.0
I	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
J	11.6	0.0	0.0	11.6	0.5	0.0	0.0	0.0	0.0	11.6	3.1
K	141.0	0.0	0.0	141.0	6.4	0.0	0.0	0.0	0.0	141.0	76.1
U	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Total	**2,193.1**	**0.0**	**0.0**	**2,193.1**	**100.0**	**1,638.7**	**5.2**	**401.9**	**5.9**	**152.6**	**79.2**

* Stage 3 provisions include individually assessed loss write-downs of NOK 79.2 million.

Collateral in relation to loans to customers

Maximum exposure to credit risk	Group 31.12.20	Group 31.12.19	Parent bank 31.12.20	Parent bank 31.12.19
Gross loans to customers incl. unused overdraft facilities and guarantees for customers	37,909.1	36,162.3	17,691.2	17,885.5

Nature and quality of the objects used as collateral
The Group's lending portfolio is primarily secured by real estate. Where a commitment is secured by real estate, 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. In the business market, the security's cash flow will provide a guide as to the estimated market value. The estimated market values for all types of security, including operationally dependent security, will be conservative. The principles for valuing all underlying collateral objects are described in the Bank's guidelines.

Commitments with individual assessed loan loss provisions in Stage 3
In the case of commitments in the Group with individually assessed loan loss provisions, the sum of gross commitments totals NOK 173.5 million (NOK 164.5 million in 2019) and the associated individually assessed loan loss provisions NOK 89.3 million (NOK 83.4 million in 2019). For commitments in the parent bank, the corresponding sum of gross commitments totals NOK 4.1 million (NOK 11.9 million in 2019) and the associated individually assessed loan loss provisions NOK 4.2 million (NOK 4.3 million in 2019). The commitments in the parent bank and the mortgage credit company are largely secured by collateral in real estate. AS Financiering has an estimated 44.9 per cent (45.6 per cent in 2019) collateral cover for loans that have individually been written down in Stage 3.

Commitments without loan loss provisions in Stage 3
In the case of individual assessments, where the measured present value of the collateral indicates that no loss will be incurred by the Group, no loan loss provisions are made for commitments. The sum of all non-performing commitments without loss provisions in the Group totals NOK 26.1 million (NOK 47.1 million in 2019). The estimated fair value of the collateral amounts to NOK 57.3 million (NOK 84.6 million in 2019). In the parent bank, the commitments total NOK 24.5 million (NOK 26.0 million in 2019) and value of collateral NOK 53.6 million (NOK 51.5 million in 2019). The vast majority of the objects used as collateral are real estate. The following table shows the loan to value (LTV) ratio for the collateral.

Group 2020		Group 2019		Non-performing commitments without loan loss provisions as a percentage of assessed value of collateral	Parent bank 2020		Parent bank 2019	
NOK millions	Per cent	NOK millions	Per cent		NOK millions	Per cent	NOK millions	Per cent
6.1	23.4%	5.8	12.3%	Less than 50%	4.5	18.4%	1.1	4.2%
13.4	51.6%	21.9	46.5%	50% to 70%	13.4	55.0%	16.7	64.1%
2.9	11.1%	19.4	41.3%	70% to 85%	2.9	11.8%	8.3	31.7%
3.1	12.0%	0.0	0.0%	85% to 100%	3.1	12.8%	0.0	0.0%
0.0	0.0%	0.0	0.0%	More than 100%	0.0	0.0%	0.0	0.0%
0.5	1.9%	0.0	0.0%	Unsecured	0.5	2.0%	0.0	0.0%
26.1	**100.0%**	**47.1**	**100.0%**	**Total**	**24.5**	**100.0%**	**26.0**	**100.0%**

NOTE 10 - DISTRIBUTION OF LOANS AND GUARANTEES FOR CUSTOMERS BY SECTOR, INDUSTRY AND GEOGRAPHY

Distribution by sector and industry – Group

	Gross loans		Guarantees		Potential exposure for overdraft facilities	
	2020	2019	2020	2019	2020	2019
Salaried employees	30,497.6	29,349.3	3.2	2.8	1,981.5	1,488.6
Agriculture, forestry and fishing	104.7	97.0	0.4	0.4	13.3	12.5
Industry, mining, power and water	65.2	80.7	2.5	7.6	13.7	17.6
Building and construction	436.3	417.5	50.3	29.3	116.0	42.1
Wholesale and retail trade, hotels and restaurants	119.1	133.2	8.5	8.5	23.8	26.6
Transport and communications	40.2	34.2	5.4	5.2	5.8	4.9
Business financial services	214.8	131.0	0.0	0.1	4.6	5.3
Other service industries	808.1	788.5	3.6	3.0	29.5	15.7
Real estate sales and operation	3,245.5	3,264.0	17.0	30.7	61.9	124.2
Abroad	36.1	42.0	0.0	0.0	0.0	0.0
Total	**35,567.9**	**34,337.2**	**91.0**	**87.6**	**2,250.2**	**1,737.5**

Distribution by sector and industry – parent bank

	Gross loans		Guarantees		Potential exposure for overdraft facilities	
	2020	2019	2020	2019	2020	2019
Salaried employees	11,607.5	12,045.5	3.2	2.8	819.3	532.7
Agriculture, forestry and fishing	104.5	95.8	0.4	0.4	13.3	12.5
Industry, mining, power and water	59.0	78.6	2.5	7.6	13.7	17.6
Building and construction	388.7	397.1	50.3	29.3	111.4	40.4
Wholesale and retail trade, hotels and restaurants	94.0	119.1	8.5	8.5	23.8	26.6
Transport and communications	6.6	21.3	5.4	5.2	4.7	4.4
Business financial services	197.3	125.3	0.0	0.1	3.8	25.9
Other service industries	715.0	774.5	3.6	3.0	25.7	14.8
Real estate sales and operation	3,264.3	3,321.4	17.0	30.7	127.5	122.8
Abroad	20.0	21.4	0.0	0.0	0.0	0.0
Total	**16,456.9**	**17,000.0**	**91.0**	**87.6**	**1,143.3**	**797.9**

Geographical distribution

Group Gross loans		Group Guarantees			Parent bank Gross loans		Parent bank Guarantees	
2020	2019	2020	2019		2020	2019	2020	2019
7,598.9	8,137.1	26.6	36.0	Drammen	3,842.6	4,973.3	26.6	36.0
2,075.5	2,126.6	9.4	9.2	Øvre Eiker	1,110.1	1,295.4	9.4	9.2
5,275.9	4,843.6	16.3	15.6	Asker/Bærum	2,542.7	2,492.0	16.3	15.6
6,927.2	7,123.7	5.7	5.8	Rest of Viken	2,731.3	3,063.1	5.7	5.8
7,617.5	6,656.6	9.4	18.4	Oslo	4,074.6	3,312.7	9.4	18.4
3,043.1	3,019.7	23.5	2.6	Vestfold/Telemark	1,207.1	1,455.7	23.5	2.6
2,993,7	2,387.9	0.1	0.0	Rest of Norway	928.5	386.4	0.1	0.0
36.1	42.0	0.0	0.0	Abroad	20.0	21.4	0.0	0.0
35,567.9	**34,337.2**	**91.0**	**87.6**	**Total**	**16,456.9**	**17,000.0**	**91.0**	**87.6**

NOTE 11 – LOANS TO AND RECEIVABLES FROM CUSTOMERS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
20.5	27.5	Financial leases	0.0	0.0
4,955.9	2,753.6	Overdraft facilities and operating credits	2,421.8	1,075.6
356.4	243.2	Building loans	356.4	243.2
30,235.1	31,313.0	Repayment loans	13,678.8	15,681.3
35,567.9	**34,337.2**	**Gross loans to and receivables from customers**	**16,456.9**	**17,000.0**
124.1	111.9	Loan loss provisions on loans	20.2	17.2
35,443.8	**34,225.3**	**Net loans to and receivables from customers**	**16,436.7**	**16,982.8**

NOTE 12 - LOSSES ON LOANS, UNUSED CREDIT AND GUARANTEE CUSTOMERS

Loss costs

	Group 31.12.20	Group 31.12.19	Parent bank 31.12.20	Parent bank 31.12.19
Change in model-calculated expected credit loss, Stage 1	3.6	0.9	0.4	0.7
Change in model-calculated expected credit loss, Stage 2	3.3	1.0	3.3	0.0
Change in model-calculated expected credit loss, Stage 3	-0.3	-1.6	-0.3	-1.6
Increase in existing individual loan loss provisions	6.1	8.7	0.0	0.0
New individual loan loss provisions	10.1	16.3	0.1	3.7
Established losses covered by previous individual loan loss provisions	6.0	9.3	0.1	3.9
Reversals of previous individual loan loss provisions	-10.3	-14.7	-0.1	-3.3
Established losses not covered by previous individual loan loss provisions	1.0	4.0	0.1	0.9
Recovery of previously identified losses	-4.6	-5.6	-0.2	-0.3
Amortisation costs for the period	0.0	0.7	0.0	0.7
Losses on loans, unused credit and guarantees	**15.1**	**18.9**	**3.4**	**4.9**
- of which losses on unused credit and guarantees	0.4	0.1	0.4	0.0

Loss cost in group

	Retail 2020	Retail 2019	Business 2020	Business 2019	ASF 2020	ASF 2019
Change in model-calculated expected credit loss, Stage 1	-0.2	-1.1	1.1	2.0	2.8	0.0
Change in model-calculated expected credit loss, Stage 2	0.4	0.7	2.9	-0.2	0.0	0.6
Change in model-calculated expected credit loss, Stage 3	-0.2	-0.6	0.0	-1.1	0.0	0.0
Increase in existing individual loan loss provisions	0.0	0.0	0.0	0.0	6.1	8.7
New individual loan loss provisions	0.0	3.5	0.1	0.3	10.0	12.6
Established losses covered by previous individual loan loss provisions	0.0	3.9	0.1	0.0	5.9	5.4
Reversals of previous individual write-downs	-0.1	-3.3	0.0	0.0	-10.2	-11.5
Established losses not covered by previous individual loan loss provisions	0.1	0.7	0.0	0.2	0.9	3.0
Recovery of previously identified losses	0.0	-0.1	-0.2	-0.2	-4.4	-5.4
Amortisation costs for the period	0.0	0.7	0.0	0.0	0.0	0.0
Losses on loans, unused credit and guarantees	**0.0**	**4.4**	**4.0**	**1.0**	**11.1**	**13.5**
- of which losses on unused credit and guarantees	0.1	0.0	0.3	0.1	0.0	0.0

Changes in loan loss provisions – Group

Change in loan loss provisions 2020	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.20	**19.8**	**9.0**	**84.0**	**112.8**
Transferred to Stage 1	3.2	-2.7	-0.5	0.0
Transferred to Stage 2	-1.1	2.4	-1.3	0.0
Transferred to Stage 3	-0.1	-0.7	0.7	0.0
Net change	-3.4	2.4	10.2	9.1
New losses	10.0	1.3	1.3	12.5
Deducted losses	-7.8	-1.9	-4.9	-14.6
Change in risk model/parameters	2.9	2.6	0.1	5.5
Closing balance as at 31.12.20	**23.4**	**12.3**	**89.6**	**125.3**
- of which losses on unused credit and guarantees	0.8	0.2	0.3	1.2
Model-calculated loan loss provisions	23.4	12.3	0.3	36.0
Individual loan loss provisions	0.0	0.0	89.3	89.3

Change in loan loss provisions 2019	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.19	**18.9**	**8.0**	**75.3**	**102.1**
Transferred to Stage 1	3.7	-2.0	-1.7	0.0
Transferred to Stage 2	-0.9	2.1	-1.2	0.0
Transferred to Stage 3	-0.1	-0.6	0.7	0.0
Net change	-4.4	2.3	15.5	13.5
New losses	8.9	1.1	1.9	11.9
Deducted losses	-7.1	-2.1	-6.6	-15.8
Change in risk model/parameters	0.8	0.2	0.0	1.1
Closing balance as at 31.12.19	**19.8**	**9.0**	**84.0**	**112.8**
- of which losses on unused credit and guarantees	0.5	0.1	0.3	0.8

Model-calculated loan loss provisions	19.8	9.0	0.6	29.4
Individual loan loss provisions	0.0	0.0	83.4	83.4

Changes in gross lending – Group

Change in gross lending, by Stage 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.20	**32,919.1**	**780.7**	**215.3**	**33,915.1**
Transferred to Stage 1	238.1	-234.8	-3.4	0.0
Transferred to Stage 2	-410.8	420.6	-9.8	0.0
Transferred to Stage 3	-25.0	-37.8	62.7	0.0
Net change	-690.2	-97.5	-28.1	-815.8
New loans	19,352.8	146.1	6.6	19,505.5
Deducted lending	-17,137.0	-216.0	-43.0	-17,396.1
Closing balance as at 31.12.20	**34,247.1**	**761.3**	**200.4**	**35,208.8**
- of which loans with forbearance	0.0	64.9	0.8	65.7

The table above does not include fixed-rate loans at fair value.

Change in gross lending, by Stage 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.19	**33,933.1**	**688.2**	**260.5**	**34,881.8**
Transferred to Stage 1	198.5	-174.6	-23.9	0.0
Transferred to Stage 2	-416.6	446.6	-30.0	0.0
Transferred to Stage 3	-33.1	-34.7	67.8	0.0
Net change	296.6	-108.7	-34.4	153.5
New loans	17,379.0	164.7	33.9	17,577.6
Deducted lending	-18,438.5	-200.8	-58.5	-18,697.9
Closing balance as at 31.12.19	**32,919.1**	**780.7**	**215.3**	**33,915.1**
- of which loans with forbearance	0.0	49.5	4.4	53.9

The table above does not include fixed-rate loans at fair value.

Changes in loan loss provisions – person in parent bank and mortgage credit company

Change in loan loss provisions 2020	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.20	**7.2**	**1.8**	**4.2**	**13.1**
Transferred to Stage 1	0.2	-0.2	0.0	0.0
Transferred to Stage 2	-0.1	0.1	0.0	0.0
Transferred to Stage 3	0.0	-0.1	0.1	0.0
Net change	-0.2	0.5	-0.5	-0.3
New losses	3.0	0.2	0.0	3.2
Deducted losses	-3.4	-0.6	0.0	-4.0
Change in risk model/parameters	0.3	0.5	0.0	0.9
Closing balance as at 31.12.20	**7.0**	**2.1**	**3.8**	**12.9**
- of which losses on unused credit and guarantees	0.3	0.0	0.0	0.3
Model-calculated loan loss provisions	7.0	2.1	0.3	9.4
Individual loan loss provisions	0.0	0.0	3.5	3.5

Change in loan loss provisions 2019	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.19	**8.3**	**1.1**	**4.5**	**13.9**
Transferred to Stage 1	0.3	-0.2	-0.1	0.0
Transferred to Stage 2	0.0	0.1	0.0	0.0
Transferred to Stage 3	0.0	0.0	0.0	0.0
Net change	-0.5	1.1	0.2	0.8
New losses	2.4	0.1	0.0	2.4
Deducted losses	-3.3	-0.3	-0.5	-4.1
Change in risk model/parameters	0.0	0.0	0.0	0.0

Closing balance as at 31.12.19	**7.2**	**1.8**	**4.2**	**13.1**
- of which losses on unused credit and guarantees	0.2	0.0	0.0	0.2
Model-calculated loan loss provisions	7.2	1.8	0.5	9.4
Individual loan loss provisions	0.0	0.0	3.7	3.7

Changes in gross lending – person in parent bank and mortgage credit company

Change in gross lending, by Stage 2020	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.20	**26,587.2**	**194.5**	**50.7**	**26,832.4**
Transferred to Stage 1	33.1	-32.2	-1.0	0.0
Transferred to Stage 2	-64.8	66.5	-1.6	0.0
Transferred to Stage 3	-6.8	-2.8	9.7	0.0
Net change	-463.2	-9.9	-7.6	-480.6
New loans	16,738.6	79.1	0.0	16,817.7
Deducted lending	-15,108.4	-93.7	-28.5	-15,230.6
Closing balance as at 31.12.20	**27,715.6**	**201.5**	**21.7**	**27,938.8**
- of which loans with forbearance	0.0	52.0	0.0	52.0

The table above does not include fixed-rate loans at fair value.

Change in gross lending, by Stage 2019	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.19	**27,724.7**	**166.9**	**101.5**	**27,993.1**
Transferred to Stage 1	58.2	-42.2	-16.0	0.0
Transferred to Stage 2	-74.8	94.6	-19.8	0.0
Transferred to Stage 3	-2.0	-2.6	4.5	0.0
Net change	667.0	-4.3	-6.3	656.4
New loans	14,858.0	67.0	26.0	14,951.0
Deducted lending	-16,643.9	-85.0	-39.2	-16,768.1
Closing balance as at 31.12.19	**26,587.2**	**194.5**	**50.7**	**26,832.4**
- of which loans with forbearance	0.0	36.6	4.1	40.7

The table above does not include fixed-rate loans at fair value.

Changes in loan loss provisions – business

Change in loan loss provisions 2020	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.20	**7.5**	**1.3**	**0.6**	**9.4**
Transferred to Stage 1	0.3	-0.3	0.0	0.0
Transferred to Stage 2	-0.2	0.2	0.0	0.0
Transferred to Stage 3	0.0	0.0	0.0	0.0
Net change	-1.3	1.8	0.1	0.6
New losses	3.1	0.2	0.0	3.2
Deducted losses	-2.4	-0.3	0.0	-2.7
Change in risk model/parameters	1.6	1.4	0.0	3.0
Closing balance as at 31.12.20	**8.5**	**4.2**	**0.8**	**13.5**
- of which losses on unused credit and guarantees	0.5	0.2	0.3	0.9
Model-calculated loan loss provisions	8.5	4.2	0.0	12.8
Individual loan loss provisions	0.0	0.0	0.7	0.7

Change in loan loss provisions 2019	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.19	**5.5**	**1.5**	**1.4**	**8.4**
Transferred to Stage 1	1.4	-0.6	-0.9	0.0
Transferred to Stage 2	-0.1	0.1	0.0	0.0
Transferred to Stage 3	0.0	0.0	0.0	0.0
Net change	-1.9	0.5	0.3	-1.1
New losses	3.3	0.2	0.0	3.5
Deducted losses	-1.6	-0.6	-0.2	-2.4

Change in risk model/parameters	0.8	0.2	0.0	1.0
Closing balance as at 31.12.19	**7.5**	**1.3**	**0.6**	**9.4**
- of which losses on unused credit and guarantees	0.3	0.1	0.3	0.6
Model-calculated loan loss provisions	7.5	1.3	0.1	8.8
Individual loan loss provisions	0.0	0.0	0.6	0.6

Changes in gross lending – business

Change in gross lending, by Stage 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.20	**4,693.2**	**184.4**	**12.0**	**4,889.5**
Transferred to Stage 1	36.9	-36.9	0.0	0.0
Transferred to Stage 2	-134.1	136.0	-1.9	0.0
Transferred to Stage 3	-0.3	0.0	0.3	0.0
Net change	31.7	-14.5	0.8	17.9
New loans	1,756.0	3.3	0.0	1,759.3
Deducted lending	-1,638.2	-44.3	-2.0	-1,684.4
Closing balance as at 31.12.20	**4,745.1**	**228.0**	**9.2**	**4,982.3**
- of which loans with forbearance	0.0	9.6	0.0	9.6

The table above does not include fixed-rate loans at fair value.

Change in gross lending, by Stage 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.19	**4,659.1**	**143.8**	**18.3**	**4,821.2**
Transferred to Stage 1	58.7	-54.9	-3.9	0.0
Transferred to Stage 2	-105.2	107.1	-1.9	0.0
Transferred to Stage 3	-7.1	0.0	7.1	0.0
Net change	-155.7	-11.4	-0.1	-167,2
New loans	1,699.7	39.7	0.0	1,739.4
Deducted lending	-1,456.4	-39.9	-7.5	-1,503.9
Closing balance as at 31.12.19	**4,693.2**	**184.4**	**12.0**	**4,889.5**
- of which loans with forbearance	0.0	8.0	0.0	8.0

The table above does not include fixed-rate loans at fair value.

Changes in loan loss provisions – AS Financiering

Change in loan loss provisions 2020	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.20	**5.2**	**5.9**	**79.2**	**90.3**
Transferred to Stage 1	2.7	-2.1	-0.5	0.0
Transferred to Stage 2	-0.8	2.1	-1.2	0.0
Transferred to Stage 3	-0.1	-0.6	0.7	0.0
Net change	-1.9	0.1	10.6	8.8
New losses	3.2	0.9	1.3	5.3
Deducted losses	-1.2	-1.0	-4.9	-7.1
Change in risk model/parameters	0.9	0.7	0.0	1.6
Closing balance as at 31.12.20	**7.9**	**5.9**	**85.1**	**98.9**
- of which losses on unused credit and guarantees	0.0	0.0	0.0	0.0
Model-calculated loan loss provisions	7.9	5.9	0.0	13.8
Individual loan loss provisions	0.0	0.0	85.1	85.1

Change in loan loss provisions 2019	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.19	**5.2**	**5.4**	**69.3**	**79.9**
Transferred to Stage 1	1.9	-1.2	-0.8	0.0
Transferred to Stage 2	-0.8	1.9	-1.2	0.0
Transferred to Stage 3	-0.1	-0.6	0.7	0.0
Net change	-2.5	0.7	14.6	12.8
New losses	2.6	0.8	1.9	5.2
Deducted losses	-1.2	-1.1	-5.4	-7.6
Change in risk model/parameters	0.0	0.0	0.0	0.0
Closing balance as at 31.12.19	**5.2**	**5.9**	**79.2**	**90.3**
- of which losses on unused credit and guarantees	0.0	0.0	0.0	0.0
Model-calculated loan loss provisions	5.2	5.9	0.0	11.1
Individual loan loss provisions	0.0	0.0	79.2	79.2

Changes in gross lending – AS Financiering

Change in gross lending, by Stage 2020	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.20	**1,638.7**	**401.9**	**152.6**	**2,193.1**
Transferred to Stage 1	168.1	-165.7	-2.4	0.0
Transferred to Stage 2	-211.9	218.1	-6.3	0.0
Transferred to Stage 3	-17.8	-35.0	52.8	0.0
Net change	-258.7	-73.1	-21.3	-353.1
New loans	858.2	63.6	6.6	928.5
Deducted lending	-390.4	-78.1	-12.5	-481.0
Closing balance as at 31.12.20	**1,786.3**	**331.8**	**169.5**	**2,287.6**
- of which loans with forbearance	0.0	3.3	0.8	4.0

The table above does not include fixed-rate loans at fair value.

Change in gross lending, by Stage 2019	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.19	**1,549.3**	**377.5**	**140.7**	**2,067.5**
Transferred to Stage 1	81.5	-77.5	-4.0	0.0
Transferred to Stage 2	-236.6	244.8	-8.2	0.0
Transferred to Stage 3	-24.0	-32.1	56.1	0.0
Net change	-214.7	-93.0	-28.1	-335.7
New loans	821.3	58.1	7.9	887.2
Deducted lending	-338.2	-75.9	-11.8	-425.9
Closing balance as at 31.12.19	**1,638.7**	**401.9**	**152.6**	**2,193.1**
- of which loans with forbearance	0.0	4.9	0.3	5.2

The table above does not include fixed-rate loans at fair value.

Changes in loan loss provisions – parent bank

Change in loan loss provisions 2020	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.20	**11.1**	**2.1**	**4.8**	**17.9**
Transferred to Stage 1	0.4	-0.4	0.0	0.0
Transferred to Stage 2	-0.2	0.2	0.0	0.0
Transferred to Stage 3	0.0	-0.1	0.1	0.0
Net change	-1.2	2.1	-0.4	0.4
New losses	4.4	0.3	0.0	4.7
Deducted losses	-4.4	-0.5	0.0	-5.0
Change in risk model/parameters	1.5	1.6	0.1	3.2
Closing balance as at 31.12.20	**11.4**	**5.3**	**4.5**	**21.3**
- of which losses on unused credit and guarantees	0.7	0.2	0.3	1.1
Model-calculated loan loss provisions	11.4	5.3	0.3	17.1
Individual loan loss provisions	0.0	0.0	4.2	4.2

Change in loan loss provisions 2019	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.19	**10.3**	**2.0**	**5.9**	**18.2**
Transferred to Stage 1	1.7	-0.7	-1.0	0.0
Transferred to Stage 2	-0.1	0.1	0.0	0.0
Transferred to Stage 3	0.0	0.0	0.0	0.0
Net change	-2.2	1.0	0.5	-0.7
New losses	4.4	0.2	0.0	4.6
Deducted losses	-3.8	-0.8	-0.7	-5.3
Change in risk model/parameters	0.8	0.2	0.0	1.1
Closing balance as at 31.12.19	**11.1**	**2.1**	**4.8**	**17.9**
- of which losses on unused credit and guarantees	0.4	0.1	0.3	0.7
Model-calculated loan loss provisions	11.1	2.1	0.6	13.7
Individual loan loss provisions	0.0	0.0	4.3	4.3

Changes in gross lending – parent bank

Change in gross lending, by Stage 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.20	**16,274.0**	**262.2**	**41.7**	**16,577.9**
Transferred to Stage 1	55.9	-55.9	0.0	0.0
Transferred to Stage 2	-160.4	162.3	-2.0	0.0
Transferred to Stage 3	-7.2	-2.8	10.0	0.0
Net change	-263.4	-15.6	-6.9	-285.9
New loans	8,027.0	40.9	0.0	8,067.8
Deducted lending	-8,169.5	-79.1	-13.5	-8,262.1
Closing balance as at 31.12.20	**15,756.5**	**311.9**	**29.3**	**16,097.8**
- of which loans with forbearance	0.0	15.3	0.0	15.3

The table above does not include fixed-rate loans at fair value.

Change in gross lending, by Stage 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.19	**19,047.3**	**219.1**	**100.7**	**19,367.2**
Transferred to Stage 1	96.4	-80.6	-15.8	0.0
Transferred to Stage 2	-149.5	160.3	-10.8	0.0
Transferred to Stage 3	-8.1	-0.3	8.4	0.0
Net change	-271.5	-8.5	0.4	-279.6
New loans	6,756.3	45.4	0.0	6,801.7
Deducted lending	-9,196.9	-73.3	-41.2	-9,3114
Closing balance as at 31.12.19	**16,274.0**	**262.2**	**41.7**	**16,577.9**
- of which loans with forbearance	0.0	18.7	4.1	22.8

The table above does not include fixed-rate loans at fair value.

Model-calculated expected credit loss

The major economic uncertainty that arose at the end of Q1 2020 as a result of the Covid-19 pandemic and the fall in oil prices was deemed to have significantly reduced as at the end of 2020. Despite improvements in the macroeconomic conditions, there remains widespread uncertainty pertaining to the long-term impact of the pandemic. The macroeconomic outlook remains somewhat weaker than the one that formed the basis for the preparation of the annual financial statements for 2019.

In connection with the end of Q1 2020, special evaluations and reviews of the Bank's portfolios, including non-performing commitments, were carried out. During subsequent quarters, further assessments of the portfolios were carried out which resulted in updated evaluations. This is in order to identify any significant increased risks relating to credit and loss in individual commitments, industries or segments on the balance sheet as a result of Covid-19 and the fall in oil prices. As part of these reviews, an assessment was made as to whether risks relating to credit and loss increased over the duration of each respective commitment. The reviews have looked past beyond the situation that has arisen - and that is assumed to be temporary - in terms of the lockdown of society as a result of Covid-19. The reviews have also examined the authorities' initiatives and aid packages. Measures to remedy immediate liquidity challenges among the Bank's customers, as in the rest of the financial industry, have been implemented using temporary interest-only periods.

The majority of Sparebanken Øst's loan portfolios are located in the central area of Eastern Norway, and the risk of losses in the portfolios is deemed not to have changed significantly. As far as collateral is concerned, the loan portfolios are well covered through security in real estate within reassuring loan-to-value ratios. Furthermore, the Bank does not have exposure to oil and oil related activities or fishing and aquaculture activities. In general terms, the Bank can also be said to have very little exposure to the accommodation/hospitality industry, import/export, industry and trading operations. On the basis of the reviews and evaluations, no special adjustment has been made to the levels of loan loss provisions and no changes have been made to the assumptions that underpin the model-calculated expected credit loss in the anticipated scenario in 2020.

The Bank received a higher number of requests from customers for interest-only periods as a result of the Covid-19 situation. The majority of requests were during the period from March to May 2020 and the Bank has only received a small proportion of requests for extensions to payment holidays. Where the cause and need have arisen as a result of the Covid-19 situation, temporary interest-only periods of up to 6 months have been granted. Individual assessments of the applications were conducted to establish whether such the need was temporary, or whether the measure was in reality an offer of forbearance necessitates a transfer to Stage 2 or Stage 3. The scope of temporary interest-only periods granted as at 31.12.20 amounts to around 0.3 per cent of lending in the retail portfolio (1.4 per cent as at 30.09.20, 4.4 per cent as at 30.06.20 and 3.6 per cent as at 31.03.20), 0.1 per cent of lending in the business portfolio (0.7 per cent as at 30.09.20, 9.0 per cent as at 30.06.20 and 10.2 per cent as at 31.03.20) and 0.1 per cent of lending in AS Financiering (0.1 per cent as at 30.09.20, 0.9 per cent as at 30.06.20 and 3.3 per cent as at 31.03.20).

Sensitivity analyses of model-calculated expected credit loss

Macroeconomic scenarios and probability weighting
The most important segments in the Group for which expected credit loss is calculated are commercial property, other business loans, mortgages and AS Financiering. When measuring model-calculated expected credit loss per segment, assessments are made of, among other things, the macro situation and expected economic developments, developments in non-performance and losses, developments in the segment's credit quality, and developments in house prices and prices in the commercial property market. Assessments require a high degree of judgment. The expected credit loss in an expected scenario is arrived at based on a normal economic situation over time and a factor set to 100 for all segments. Assessments are made in the optimistic and pessimistic scenarios based on the expected scenario. The expected credit losses in these scenarios compared with the expected scenario is expressed by an estimated factor. In a pessimistic scenario the factor is estimated at 200 for all commitments except commercial commitments, for which the factor is estimated at 300. In assessing a pessimistic scenario, assessments are made that reflect a realistically sharp, negative macroeconomic development, where non-performance increases and the value of collateral decreases such that the losses will increase and repayment plans will be affected by refinancing becoming more difficult. When assessing an optimistic scenario, the factor is estimated to be 80. The estimated factors for pessimistic and optimistic scenarios remain unchanged from 2019.

Given the ongoing uncertainty pertaining to the economic long-term impact, there is an increase in the estimate uncertainty compared with that used as the basis for the preparation of the annual financial statements for 2019. The pessimistic scenario's probability weight was increased from 15 to 30 per cent in 2020, while the expected scenario's was reduced correspondingly. The change resulted in NOK 4.2 million in increased loan loss provisions Q1 2020, of which NOK 4.1 million related to increased loan loss provisions for Stage 1 and Stage 2. The factors (effect) of the scenarios for all segments within the Group remain unchanged when compared with 31.12.20. The tables below show the expected credit loss in the various scenarios and the probability weight. Individually assessed loan loss provisions remain unchanged in the various scenarios.

31.12.20 – Group	**Probability weight**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Person in parent bank and mortgage credit company					
Optimistic scenario	0%	4.3	1.3	3.6	9.2
Expected scenario	70%	5.4	1.6	3.7	10.6
Pessimistic scenario	30%	10.8	3.4	4.0	18.2
Loan loss provisions (probability weighted)	**100%**	**7.0**	**2.1**	**3.8**	**12.9**
Business					
Optimistic scenario	0%	4.3	2.2	0.7	7.2
Expected scenario	70%	5.3	2.7	0.7	8.8
Pessimistic scenario	30%	15.9	7.8	0.8	24.5
Loan loss provisions (probability weighted)	**100%**	**8.5**	**4.2**	**0.8**	**13.5**
AS Financiering					
Optimistic scenario	0%	4.9	3.6	85.1	93.6
Expected scenario	70%	6.1	4.5	85.1	95.7
Pessimistic scenario	30%	12.2	9.1	85.1	106.4
Loan loss provisions (probability weighted)	**100%**	**7.9**	**5.9**	**85.1**	**98.9**
Total group					
Optimistic scenario	0%	13.4	7.1	89.4	109.9
Expected scenario	70%	16.8	8.9	89.5	115.1
Pessimistic scenario	30%	38.9	20.2	89.8	149.0
Total loan loss provisions (probability weighted)	**100%**	**23.4**	**12.3**	**89.6**	**125.3**

31.12.19 – Group	**Probability weight**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Person in parent bank and mortgage credit company					
Optimistic scenario	0%	5.0	1.2	4.0	10.2
Expected scenario	85%	6.2	1.5	4.1	11.8
Pessimistic scenario	15%	12.5	3.1	4.6	20.3
Loan loss provisions (probability weighted)	**100%**	**7.2**	**1.8**	**4.2**	**13.1**
Business					
Optimistic scenario	0%	4.6	0.8	0.6	6.0
Expected scenario	85%	5.7	1.0	0.6	7.4
Pessimistic scenario	15%	17.1	3.0	0.7	20.8
Loan loss provisions (probability weighted)	**100%**	**7.5**	**1.3**	**0.6**	**9.4**
AS Financiering					
Optimistic scenario	0%	3.6	4.1	79.2	86.9
Expected scenario	85%	4.5	5.2	79.2	88.8
Pessimistic scenario	15%	9.0	10.3	79.2	98.5
Loan loss provisions (probability weighted)	**100%**	**5.2**	**5.9**	**79.2**	**90.3**

Total group					
Optimistic scenario	0%	13.2	6.2	83.8	103.1
Expected scenario	85%	16.5	7.7	83.9	108.0
Pessimistic scenario	15%	38.7	16.4	84.5	139.6
Total loan loss provisions (probability weighted)	**100%**	**19.8**	**9.0**	**84.0**	**112.8**

31.12.20 – parent bank	**Probability weight**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Optimistic scenario	0%	6.0	2.8	4.4	13.2
Expected scenario	70%	7.6	3.5	4.4	15.5
Pessimistic scenario	30%	20.5	9.6	4.8	34.8
Loan loss provisions (probability weighted)	**100%**	**11.4**	**5.3**	**4.5**	**21.3**

31.12.19 – parent bank	**Probability weight**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Optimistic scenario	0%	7.1	1.3	4.6	13.1
Expected scenario	85%	8.9	1.7	4.7	15.3
Pessimistic scenario	15%	23.5	4.3	5.4	33.2
Loan loss provisions (probability weighted)	**100%**	**11.1**	**2.1**	**4.8**	**17.9**

Sensitivity to model parameters
A sensitivity analysis has been conducted based on the assumptions to which model-calculated expected credit loss is most sensitive, which are probability of default, loss given default and the probability weighting of the scenarios. The sensitivity analyses are based on the modelled expected loss and do not include commitments that have been individually loss-assessed.

The assumption used for the increase in probability of default is a deterioration in risk class per commitment that corresponds to almost a doubling of the assigned probability of default. An increase of 50 per cent is assumed for loss given default. The assumption used in setting pessimistic scenario's probability weight is that the probability will increase by 50 per cent and that the expected scenario will be reduced correspondingly.

31.12.20 – Group	Approximate doubling of probability of default (PD)	50 per cent increase in loss given default (LGD)	50 per cent increase in probability weight of pessimistic scenario
Business	2.9	6.4	2.4
Person in parent bank and mortgage credit company	0.7	4.7	1.1
AS Financiering	15.9	6.9	1.6
Total	**19.5**	**18.0**	**5.1**

31.12.19 – Group	Approximate doubling of probability of default (PD)	50 per cent increase in loss given default (LGD)	50 per cent increase in probability weight of pessimistic scenario
Business	1.2	4.4	1.0
Person in parent bank and mortgage credit company	0.8	4.7	0.6
AS Financiering	14.9	5.6	1.4
Total	**16.8**	**14.7**	**3.1**

31.12.20 – parent bank	Approximate doubling of probability of default (PD)	50 per cent increase in loss given default (LGD)	50 per cent increase in probability weight of pessimistic scenario
Business	2.9	6.3	2.3
Retail	0.3	2.2	0.6
Total	**3.2**	**8.5**	**2.9**

31.12.19 – parent bank	Approximate doubling of probability of default (PD)	50 per cent increase in loss given default (LGD)	50 per cent increase in probability weight of pessimistic scenario
Business	1.2	4.4	1.0
Retail	0.5	2.5	0.3
Total	**1.6**	**6.8**	**1.3**

Non-performing commitments, customers

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Payments over 90 days past due		
9.7	12.4	Business market	9.7	12.4
14.1	44.5	Retail market	12.5	23.4
169.5	152.6	AS Financiering	0.0	0.0
193.3	**209.5**	**Gross payment defaults**	**22.2**	**35.9**
89.6	83.7	Loan loss provisions	4.5	4.5
103.7	**125.8**	**Net payment defaults**	**17.7**	**31.4**
46%	40%	Provisions ratio	20%	13%
		Other non-performing commitments		
0.5	0.3	Business market	0.5	0.3
7.6	6.2	Retail market	7.6	6.2
0.0	0.0	AS Financiering	0.0	0.0
8.1	**6.5**	**Gross other non-performing commitments**	**8.1**	**6.5**
0.0	0.3	Loan loss provisions	0.0	0.3
8.1	**6.1**	**Net other non-performing commitments**	**8.1**	**6.1**
0%	5%	Provisions ratio	0%	5%
		Non-performing commitments		
10.2	12.7	Business market	10.2	12.7
21.7	50.7	Retail market	20.1	29.6
169.5	152.6	AS Financiering	0.0	0.0
201.4	**215.9**	**Gross non-performing commitments**	**30.3**	**42.3**
89.6	84.0	Loan loss provisions	4.5	4.8
111.8	**131.9**	**Net non-performing commitments**	**25.8**	**37.5**
44%	39%	Provisions ratio	15%	11%

NOTE 13 – LOANS AND RECEIVABLES FROM CUSTOMERS RELATED TO FINANCIAL LEASES

The Group has financial leases with customers. The leases are largely associated with the leasing of cars and other vehicles, industrial equipment and machinery. The Group has not assumed the risk relating to residual values.

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
0.0	2.6	Within 1 year	0.0	0.0
19.2	16.9	Between 1 to 5 years	0.0	0.0
5.4	8.8	After 5 years	0.0	0.0
24.5	**28.3**	**Gross receivables from financial leases**	**0.0**	**0.0**
5.6	2.3	Non-accrued income from financial leases	0.0	0.0
18.9	**26.0**	**Net receivables from financial leases**	**0.0**	**0.0**
0.0	2.5	Within 1 year	0.0	0.0
14.0	15.6	Between 1 to 5 years	0.0	0.0
4.9	7.9	After 5 years	0.0	0.0
18.9	**26.0**	**Net investments associated with financial leases**	**0.0**	**0.0**
0.0	0.4	Accumulated loan loss provisions for outstanding minimum lease amounts	0.0	0.0

NOTE 14 – LOANS TO AND RECEIVABLES FROM FINANCIAL INSTITUTIONS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
13.4	15.9	Loans to and receivables from financial institutions without agreed maturities or termination deadline	13.4	15.9
0.0	0.0	Loans to and receivables from financial institutions with agreed maturities or termination deadline	2,219.4	2,257.3
13.4	**15.9**	**Gross loans to and receivables from financial institutions**	**2,232.8**	**2,273.2**
0.0	0.0	Loan loss provisions on loans	0.0	0.0
13.4	**15.9**	**Net loans to and receivables from financial institutions**	**2,232.8**	**2,273.2**

No losses or non-performance was identified for loans to and receivables from financial institutions. The loans are to financial institutions domiciled in Norway.

NOTE 15 – INTEREST RATE RISK

Interest risk related to deposits from and loans to financial institutions, deposits from and loans to customers, and debt and investments in certificates and bonds, is managed using interest rate swaps and fixed-rate agreements (FRA). For borrowing or investments in other currencies, interest rate and currency swap agreements are generally entered into such that relevant market interest rates are Norwegian money market rates. The distribution of foreign currency in the tables is based on the instruments' underlying currency where the effect of hedging is included.

In reality, loans to retail customers at floating interest rates result in a 6-week fixed interest rate (section 50(3) of the Financial Contracts Act stipulates a minimum of 6 weeks' notice), while deposits from customers with a floating interest rate result in a 2-month fixed interest rate (section 18(2) of the Financial Contracts Act stipulates a minimum of two months' notice).

The net interest rate sensitivity of a parallel shift in the yield curve of 1 percentage point is shown below. The effect is calculated based on a permanent shift in the yield curve occurring on the measurement date, 31.12.20, amounting to 1 year's effect on the profit. The table shows that an immediate increase in interest rates of 1 percentage point will lead to higher net interest. Correspondingly, an immediate reduction in interest rates will give reduced net interest.

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

Interest rate sensitivity – Group as at 31.12.20

Currency	Increase in basis points	Sensitivity, profit	Sensitivity, equity	Reduction in basis points	Sensitivity, profit	Sensitivity, equity
NOK	+100	47.6	0.0	-100	-47.6	0.0
Total		**47.6**	**0.0**		**-47.6**	**0.0**

Interest rate sensitivity – Group as at 31.12.19

Currency	Increase in basis points	Sensitivity, profit	Sensitivity, equity	Reduction in basis points	Sensitivity, profit	Sensitivity, equity
NOK	+100	41.5	0.0	-100	-41.5	0.0
Total		**41.5**	**0.0**		**-41.5**	**0.0**

Time until expected rate change as at 31.12.20 – Group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables from central banks	NOK	391.4					17.4	408.7
	FCY						0.7	0.7
Net lending to financial institutions	NOK	13.4						13.4
Net lending to customers	NOK	4,955.7	30,153.2	71.1	196.8	24.6		35,401.4
Certificates and bonds	NOK	1,101.8	5,194.2		483.6	0.1		6,779.6
Financial derivatives	NOK						311.8	311.8
Accrued interest, not yet due	NOK						115.3	115.3
Other asset items	NOK						803.3	803.3
	FCY						57.8	57.8
Total		**6,462.2**	**35,347.4**	**71.1**	**680.4**	**24.6**	**1,306.4**	**43,892.1**
Liabilities								
Liabilities to financial institutions	NOK	300.0		299.8				599.8
Customer deposits	NOK	5,624.2	8,726.3	490.3				14,840.7
Financial derivatives	NOK						15.2	15.2
Securities issued	NOK	2,729.2	20,301.8					23,031.0
Subordinated loan capital	NOK		399.7					399.7
Accrued interest	NOK						88.7	88.7
Other liabilities	NOK						310.9	310.9
Total		**8,653.4**	**29,427.7**	**790.1**	**0.0**	**0.0**	**414.8**	**39,286.0**
Net interest rate exposure on balance sheet		**-2,191.2**	**5,919.6**	**-719.0**	**680.4**	**24.6**	**891.6**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	90.0	620.0	-50.0	-620.0	-40.0		
Net exposure		**-2,101.2**	**6,539.6**	**-769.0**	**60.4**	**-15.4**	**891.6**	

The table is based on book values excluding accrued interest. Securities issued where hedge accounting is used include the effect of hedging instruments.

Time until expected rate change as at 31.12.19 – Group

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables from central banks	NOK	281.9					20.0	301.9
	FCY						0.6	0.6
Net lending to financial institutions	NOK	15.9						15.9
Net lending to customers	NOK	4,867.0	28,913.4	12.7	346.3	26.9		34,166.4
Certificates and bonds	NOK	845.0	5,167.0	479.1	197.9	49.0		6,738.0
Financial derivatives	NOK						130.1	130.1
Accrued interest, not yet due	NOK						120.5	120.5
Other asset items	NOK						623.5	623.5
	FCY						55.5	55.5
Total		**6,010.0**	**34,080.4**	**491.8**	**544.2**	**75.9**	**950.2**	**42,152.5**
Liabilities								
Liabilities to financial institutions	NOK			299.8				299.8
Customer deposits	NOK	5,486.3	8,674.7	626.2				14,787.1
Financial derivatives	NOK						47.1	47.1
Securities issued	NOK	4,990.7	17,161.5					22,152.2
Subordinated loan capital	NOK		399.5					399.5
Accrued interest	NOK						103.9	103.9
Other liabilities	NOK						49.9	49.9
Total		**10,477.0**	**26,235.6**	**925.9**	**0.0**	**0.0**	**200.9**	**37,839.4**
Net interest rate exposure on balance sheet		**-4,467.0**	**7,844.8**	**-434.2**	**544.2**	**75.9**	**749.3**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	130.0	565.0	-155.0	-445.0	-95.0		
Net exposure		**-4,337.0**	**8,409.8**	**-589.2**	**99.2**	**-19.1**	**749.3**	

The table is based on book values excluding accrued interest. Securities issued where hedge accounting is used include the effect of hedging instruments.

Interest rate sensitivity – parent bank as at 31.12.20

Currency	Increase in basis points	Sensitivity, profit	Sensitivity, equity	Reduction in basis points	Sensitivity, profit	Sensitivity, equity
NOK	+100	24.6	0.0	-100	-24.6	0.0
Total		**24.6**	**0.0**		**-24.6**	**0.0**

Interest rate sensitivity – parent bank as at 31.12.19

Currency	Increase in basis points	Sensitivity, profit	Sensitivity, equity	Reduction in basis points	Sensitivity, profit	Sensitivity, equity
NOK	+100	24.8	0.0	-100	-24.8	0.0
Total		**24.8**	**0.0**		**-24.8**	**0.0**

Time until expected rate change as at 31.12.20 – parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables from central banks	NOK	391.4					17.4	408.7
	FCY						0.7	0.7
Net lending to financial institutions	NOK	2,187.6	45.0					2,232.6
Net lending to customers	NOK	4,798.5	11,334.0	71.1	196.8	24.6		16,424.9
Certificates and bonds	NOK	1,045.7	5,677.3		483.6	0.1		7,206.7
Financial derivatives	NOK						153.5	153.5
Accrued interest, not yet due	NOK						69.7	69.7
Other asset items	NOK						2,396.3	2,396.3
	FCY						57.8	57.8
Total		**8,423.1**	**17,056.3**	**71.1**	**680.4**	**24.6**	**2,695.4**	**28,950.9**
Liabilities								
Liabilities to financial institutions	NOK	868.6	0.6	299.8			300.6	1,469.6
Customer deposits	NOK	5,700.2	8,726.3	490.3				14,916.7
Financial derivatives	NOK						15.2	15.2
Securities issued	NOK	2,749.7	4,948.4					7,698.1
Subordinated loan capital	NOK		399.7					399.7
Accrued interest	NOK						66.5	66.5
Other liabilities	NOK						222.2	222.2
Total		**9,318.5**	**14,075.0**	**790.1**	**0.0**	**0.0**	**604.5**	**24,788.0**
Net exposure on balance sheet		**-895.3**	**2,981.3**	**-719.0**	**680.4**	**24.6**	**2,090.8**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	90.0	620.0	-50.0	-620.0	-40.0		
Net exposure		**-805.3**	**3,601.3**	**-769.0**	**60.4**	**-15.4**	**2,090.8**	

The table is based on book values excluding accrued interest. Securities issued where hedge accounting is used include the effect of hedging instruments.

Time until expected rate change as at 31.12.19 – parent bank

		Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without fixed interest rate	Total
Assets								
Cash and receivables from central banks	NOK	281.9					20.0	301.9
	FCY						0.6	0.6
Net lending to financial institutions	NOK	2,227.9	45.0					2,272.9
Net lending to customers	NOK	4,907.4	11,665.5	12.7	346.3	26.9		16,958.8
Certificates and bonds	NOK	1,440.5	5,011.1	479.1	197.9	49.0		7,177.6
Financial derivatives	NOK						30.8	30.8
Accrued interest, not yet due	NOK						70.8	70.8
Other asset items	NOK						1,979.8	1,979.8
	FCY						55.5	55.5
Total		**8,857.8**	**16,721.6**	**491.8**	**544.2**	**75.9**	**2,157.5**	**28,848.7**
Liabilities								
Liabilities to financial institutions	NOK	196.5	0.6	299.8			122.4	619.3
Customer deposits	NOK	5,574.1	8,674.7	626.2				14,874.9
Financial derivatives	NOK						47.1	47.1
Securities issued	NOK	2,818.2	6,075.3					8,893.5
Subordinated loan capital	NOK		399.5					399.5
Accrued interest	NOK						60.4	60.4
Other liabilities	NOK						85.5	85.5
Total		**8,588.8**	**15,150.1**	**925.9**	**0.0**	**0.0**	**315.5**	**24,980.4**
Net exposure on balance sheet		**268.9**	**1,571.4**	**-434.2**	**544.2**	**75.9**	**1,842.0**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	130.0	565.0	-155.0	-445.0	-95.0		
Net exposure		**398.9**	**2,136.4**	**-589.2**	**99.2**	**-19.1**	**1,842.0**	

The table is based on book values excluding accrued interest. Securities issued where hedge accounting is used include the effect of hedging instruments.

NOTE 16 – LIQUIDITY RISK

As long as the Bank's loan customers require long-term financing and the Bank's deposit customers are able in practice to withdraw their deposits at very short notice, the Bank will be exposed to some liquidity risk. In addition, Sparebanken Øst is dependent on financing a gap between deposits from customers and loans to the general public. Sparebanken Øst has a conservative liquidity strategy, and the liquidity risk at the end of 2020 was considered low.

The Bank has deliberately sought to reduce the Bank's liquidity risk by, among other things, distributing borrowing over the maximum possible number of sources/instruments and/or by balancing the maturity terms for capital acquisition and capital deployment. Essentially, banks use the Norwegian bond market as a source of funding. This increases its vulnerability somewhat and means the Bank seeks to have a long-term funding strategy, and wants a balanced relationship between long-term and short-term borrowing. The net stable funding ratio (NSFR) is used as a measure of the long-term sustainability of the funding. At the end of 2020, the Bank had an NSFR of 120.4 per cent.

The liquidity coverage ratio (LCR) amounted to 266.9 per cent as at 31.12.20, compared with 265.1 per cent year a year ago. The LCR is intended to ensure that the Banks have sufficient liquidity of very high quality to tolerate a period of 30 days with serious market instability. The Bank will satisfy the applicable LCR requirement set by the authorities at all times, both at a company and at a group level. The Bank's liquidity portfolio primarily consists of cash, securities issued by the Norwegian state, state guaranteed bonds, securities issued by Norwegian municipalities and covered bonds.

The Group's deposits measured as a percentage of net lending amounted to 41.9 per cent as at 31.12.20, compared with 43.2 per cent a year ago. Other funding in the market is mainly raised through senior unsecured bonds and covered bonds. Limits and targets have been adopted that are intended to ensure that the relationship between deposits and market funding is kept at a satisfactory level. The coming years will see a relatively high demand for refinancing and the Bank wishes to take account of uncertainty and will thus seek to refinance at an early stage.

Financial liabilities

The mortgage company's financial liabilities are shown below at nominal value. All liabilities are added to the category for first possible payment when a contractual payment date is provided. The principal of the liability including future interest payments is what is stated. Interest rates and currency rates are as at 31.12.20. Liabilities associated with derivatives are shown on a separate line, and related inflows from derivatives are shown under each table.

Maturity analysis of financial liabilities as at 31.12.20 – Group

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	No term	Total
Liabilities to financial institutions		301.7	2.9	11.6	305.8		621.9
Customer deposits	11,873.9	2,554.3	417.8				14,846.0
Securities issued	93.1	376.3	3,647.8	16,259.1	4,527.9		24,904.2
Other liabilities			503.0				503.0
Subordinated loan capital		1.8	5.4	411.0			418.3
Loan pledges	763.9						763.9
Unused credit	2,249.3						2,249.3
Guarantees						91.0	91.0
Financial liabilities excl. derivatives	**14,980.2**	**3,234.1**	**4,576.9**	**16,681.7**	**4,833.7**	**91.0**	**44,397.6**
Financial derivatives (outflows)	5.7	10.3	47.0	117.5	7.9		188.5
Financial liabilities	**14,985.9**	**3,244.3**	**4,624.0**	**16,799.2**	**4,841.7**	**91.1**	**44,586.1**
Financial derivatives (inflows)	18.5	27.4	73.0	0.0	16.7		135.6

Maturity analysis of financial liabilities as at 31.12.19 – Group

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	No term	Total
Liabilities to financial institutions			7.2	28.9	321.7		357.8
Customer deposits	11,203.9	2,943.9	654.7	1.0			14,803.5
Securities issued	36.5	126.2	3,726.4	18,268.3	2,608.7		24,766.0
Other liabilities			299.7				299.7
Subordinated loan capital		3.2	9.7	425.9			438.8
Loan pledges	478.6						478.6
Unused credit	1,737.1						1,737.1
Guarantees						87.6	87.6
Financial liabilities excl. derivatives	**13,456.2**	**3,073.4**	**4,697.7**	**18,724.1**	**2,930.3**	**87.6**	**42,969.2**
Financial derivatives (outflows)	11.9	25.0	127.4	366.6	51.8		582.8
Financial liabilities	**13,468.1**	**3.098.4**	**4,825.0**	**19,090.7**	**2,982.1**	**87.6**	**43,552.0**
Financial derivatives (inflows)	10.9	29.6	128.7	0.0	50.7		219.9

Maturity analysis of financial liabilities as at 31.12.20 – parent bank

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	No term	Total
Liabilities to financial institutions		301.7	2.9	11.6	305.8	869.8	1,491.7
Customer deposits	11,949.9	2,554.3	417.8				14,992.0
Securities issued	93.1	35.0	1,507.3	5,690.7	766.1		8,092.3
Other liabilities			329.6				329.6
Subordinated loan capital		1.8	5.4	411.0			418.3
Loan pledges	722.1						722.1
Unused credit	3,973.3						3,973.3
Guarantees						91.0	91.0
Financial liabilities excl. derivatives	**16,738.5**	**2,892.8**	**2,263.0**	**6,113.3**	**1,071.9**	**960.8**	**30,040.3**
Financial derivatives (outflows)	5.7	10.3	47.0	117.6	8.0		188.6
Financial liabilities	**16,744.2**	**2,903.1**	**2,310.0**	**6,230.9**	**1,079.9**	**960.8**	**30,228.9**
Financial derivatives (inflows)	18.5	27.4	72.9	300.3	16.6		435.7

Maturity analysis of financial liabilities as at 31.12.19 – parent bank

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	No term	Total
Liabilities to financial institutions			7.2	28.9	321.7	319.6	677.3
Customer deposits	11,291.8	2,943.9	654.7	1.0			14,891.4
Securities issued	22.1	47.6	1,481.4	6,984.3	1,323.7		9,859.2
Other liabilities			179.4				179.4
Subordinated loan capital		3.2	9.7	425.9			438.8
Loan pledges	391.6						391.6
Unused credit	3,590.5						3,590.5
Guarantees						87.6	87.6
Financial liabilities excl. derivatives	**15,296.0**	**2,994.8**	**2,332.4**	**7,440.1**	**1,645.3**	**407.2**	**30,115.8**
Financial derivatives (outflows)	11.9	25.0	127.4	366.7	51.9		583.0
Financial liabilities	**15,307.9**	**3,019.8**	**2,459.8**	**7,806.9**	**1,697.2**	**407.2**	**30,698.8**
Financial derivatives (inflows)	10.9	29.5	128.7	401.6	50.6		621.3

NOTE 17 – CURRENCY RISK

Market risk associated with currency risk as at 31.12.20

Currency	Increase in exchange rate %	Effect on profit before tax	Effect on equity	Reduction in exchange rate %	Effect on profit before tax	Effect on equity
USD	+10	2.3	0.0	-10	-2.3	0.0
Total		**2.3**	**0.0**		**-2.3**	**0.0**

Market risk associated with currency risk as at 31.12.19

Currency	Increase in exchange rate %	Effect on profit before tax	Effect on equity	Reduction in exchange rate %	Effect on profit before tax	Effect on equity
USD	+10	2.8	0.0	-10	-2.8	0.0
Total		**2.8**	**0.0**		**-2.8**	**0.0**

The Bank's currency exposure is low. As at 31.12.20, the Bank's open net position was NOK 23.1 million (NOK 28.5 million as at 31.12.19). Normally, investments and borrowing in foreign currency are covered by an opposite position, usually by using currency swap agreements and similar derivatives. See also Note 19 – Financial Derivatives.

NOTE 18 – CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Fair value through profit or loss			
Group as at 31.12.20	**Mandatory**	**Designated**	**Measured at amortised cost***	**Total**
Cash and receivables from central banks	0.0	0.0	409.4	409.4
Net loans to and receivables from financial institutions	0.0	0.0	13.4	13.4
Net loans to and receivables from customers	0.0	359.1	35,084.7	35,443.8
Certificates, bonds	6,790.2	0.0	0.0	6,790.2
Shares and units	811.0	0.0	0.0	811.0
Financial derivatives**	374.1	0.0	0.0	374.1
Total financial assets	**7,975.3**	**359.1**	**35,507.5**	**43,842.0**
Liabilities to financial institutions	0.0	0.0	601.0	601.0
Deposits from and liabilities to customers	0.0	0.0	14,485.1	14,485.1
Financial derivatives**	17.9	0.0	0.0	17.9
Securities issued	0.0	0.0	23,111.0	23,111.0
Lease liabilities	0.0	0.0	44.9	44.9
Subordinated loan capital	0.0	0.0	400.1	400.1
Total financial liabilities	**17.9**	**0.0**	**38,642.1**	**38,660.0**

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

Group as at 31.12.19	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Designated	Measured at amortised cost*	Total
Cash and receivables from central banks	0.0	0.0	302.5	302.5
Net loans to and receivables from financial institutions	0.0	0.0	15.9	15.9
Net loans to and receivables from customers	0.0	422.1	33,803.2	34,225.3
Certificates, bonds	6,755.1	0.0	0.0	6,755.1
Shares and units	629.6	0.0	0.0	629.6
Financial derivatives**	174.7	0.0	0.0	174.7
Total financial assets	**7,559.4**	**422.1**	**34,121.6**	**42,103.1**
Liabilities to financial institutions	0.0	0.0	300.6	300.6
Deposits from and liabilities to customers	0.0	0.0	14,791.7	14,791.7
Financial derivatives**	35.3	0.0	0.0	35.3
Securities issued	0.0	0.0	22,261.7	22,261.7
Lease liabilities	0.0	0.0	49.9	49.9
Subordinated loan capital	0.0	0.0	400.4	400.4
Total financial liabilities	**35.3**	**0.0**	**37,804.3**	**37,839.6**

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

Parent bank as at 31.12.20	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Designated	Fair value through comprehensive income	Measured at amortised cost*	Total
Cash and receivables from central banks	0.0	0.0	0.0	409.4	409.4
Net loans to and receivables from financial institutions	0.0	0.0	0.0	2,232.8	2,232.8
Net loans to and receivables from customers	0.0	359.1	1,634.7	14,442.9	16,436.7
Certificates, bonds	7,217.0	0.0	0.0	0.0	7,217.0
Shares and units	811.0	0.0	0.0	0.0	811.0
Financial derivatives**	200.9	0.0	0.0	0.0	200.9
Total financial assets	**8,228.9**	**359.1**	**1,634.7**	**18,719.8**	**27,307.9**
Liabilities to financial institutions	0.0	0.0	0.0	1,470.7	1,470.7
Deposits from and liabilities to customers	0.0	0.0	0.0	14,921.2	14,921.2
Financial derivatives**	17.9	0.0	0.0	0.0	17.9
Securities issued	0.0	0.0	0.0	7,755.8	7,755.8
Lease liabilities	0.0	0.0	0.0	78.4	78.4
Subordinated loan capital	0.0	0.0	0.0	400.1	400.1
Total financial liabilities	**17.9**	**0.0**	**0.0**	**24,626.2**	**24,644.1**

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

Parent bank as at 31.12.19	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Designated	Fair value through comprehensive income	Measured at amortised cost*	Total
Cash and receivables from central banks	0.0	0.0	0.0	302.5	302.5
Net loans to and receivables from financial institutions	0.0	0.0	0.0	2,273.2	2,273.2
Net loans to and receivables from customers	0.0	422.2	273.7	16,287.1	16,982.8
Certificates, bonds	7,197.6	0.0	0.0	0.0	7,197.6
Shares and units	629.6	0.0	0.0	0.0	629.6
Financial derivatives**	57.2	0.0	0.0	0.0	57.2
Total financial assets	**7,884.4**	**422.2**	**273.7**	**18,862.6**	**27,442.9**
Liabilities to financial institutions	0.0	0.0	0.0	620.2	620.2

Deposits from and liabilities to customers	0.0	0.0	0.0	14,879.5	14,879.5
Financial derivatives**	35.3	0.0	0.0	0.0	35.3
Securities issued	0.0	0.0	0.0	8,959.6	8,959.6
Lease liabilities	0.0	0.0	0.0	85.5	85.5
Subordinated loan capital	0.0	0.0	0.0	400.4	400.4
Total financial liabilities	**35.3**	**0.0**	**0.0**	**24,945.2**	**24,980.5**

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

NOTE 19 – FINANCIAL DERIVATIVES

Interest rate derivatives have been entered into for the Group's fixed-rate bond loans to mitigate interest rate risk. For lending at fixed interest rates, the hedging includes a change in value due to changes in market interest rates. The Group does not have loan bonds in foreign currency. The hedging ratio is one-to-one and hedge accounting is used. No material ineffectiveness of the hedges was recognised in 2020 and 2019. The value adjustment of financial derivatives used for hedge accounting was positive in the amount of NOK 234.3 million (NOK 70.2 million in 2019), with an equivalent, opposite change in value for hedged objects. For recognised value adjustments, gains/losses, see note 27.

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.

			Fair value of hedging instruments		Value adjustment of security
Group 2020	**Contract sums**	**Book value of hedging object**	**Assets**	**Liabilities**	**Liabilities**
Fair value through profit or loss					
Forward exchange contracts	34.7		0.5	0.0	
Interest rate swaps (IRS)	775.0		0.4	17.9	
Total at fair value through profit or loss			**0.9**	**17.9**	
Used for hedge accounting					
Interest rate swaps (IRS)	6,025.0		373.2	0.0	0.0
Securities issued		6,410.5			310.8
Total used for hedge accounting		**6,410.5**	**373.2**	**0.0**	**310.8**
Total		**6,410.5**	**374.1**	**17.9**	**310.8**

Reference is made to note 27 for the period's recognised change in hedging instruments and hedging objects. The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See note 41.

			Fair value of hedging instruments		Value adjustment of security
Group 2019	**Contract sums**	**Book value of hedging object**	**Assets**	**Liabilities**	**Liabilities**
Fair value through profit or loss					
Forward exchange contracts	27.0		0.7	0.0	
Interest rate swaps (IRS)	745.0		5.0	0.1	
Total at fair value through profit or loss			**5.6**	**0.1**	
Used for hedge accounting					
Interest rate swaps (IRS)	7,565.0		169.0	35.1	
Securities issued		7,723.0			76.5
Total used for hedge accounting		**7,723.0**	**169.0**	**35.1**	**76.5**
Total		**7,723.0**	**174.7**	**35.3**	**76.5**

Reference is made to note 27 for the period's recognised change in hedging instruments and hedging objects. The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See note 41

			Fair value of hedging instruments		Value adjustment of security
Parent bank 2020	**Contract sums**	**Book value of hedging object**	**Assets**	**Liabilities**	**Liabilities**
Fair value through profit or loss					
Forward exchange contracts	34.7		0.5	0.0	
Interest rate swaps (IRS)	775.0		0.4	17.9	
Total at fair value through profit or loss			**0.9**	**17.9**	
Used for hedge accounting					
Interest rate swaps (IRS)	4,575.0		200.0	0.0	
Securities issued		4,784.6			152.4
Total used for hedge accounting		**4,784.6**	**200.0**	**0.0**	**152.4**
Total		**4,784.6**	**200.9**	**17.9**	**152.4**

Reference is made to note 27 for the period's recognised change in hedging instruments and hedging objects. The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See note 41.

			Fair value of hedging instruments		Value adjustment of security
Parent bank 2019	**Contract sums**	**Book value of hedging object**	**Assets**	**Liabilities**	**Liabilities**
Fair value through profit or loss					
Forward exchange contracts	27.0		0.7	0.0	
Interest rate swaps (IRS)	745.0		5.0	0.1	
Total at fair value through profit or loss			**5.7**	**0.1**	
Used for hedge accounting					
Interest rate swaps (IRS)	5,815.0		51.5	35.1	
Standardised interest rate swaps (futures)			0.0	0.0	
Securities issued		5,847.9			-22.9
Total used for hedge accounting		**5,847.9**	**51.5**	**35.1**	**-22.9**
Total		**5,847.9**	**57.2**	**35.3**	**-22.9**

Reference is made to note 27 for the period's recognised change in hedging instruments and hedging objects. The difference between the fair value of hedging instruments and the value adjustment of a security is explained by accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See note 41.

NOTE 20 – FINANCIAL DERIVATIVES, NETTING

The Group's netting rights adhere to the general rules in Norwegian law. 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. In addition, credit support annexes (CSA) have been entered into for the provision of collateral. In accordance with the offsetting disclosure requirements, there has been no offsetting of capitalised amounts.

Group As at 31.12.20, the exposure was as follows:	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount following any net settlement
Financial derivatives, assets	374.1	0.0	374.1	-13.4	-266.0	94.7
Financial derivatives, liabilities	17.9	0.0	17.9	-13.4	-6.0	-1.5

Group As at 31.12.19, the exposure was as follows:	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount following any net settlement
Financial derivatives, assets	174.7	0.0	174.7	-26.3	-88.6	59.7
Financial derivatives, liabilities	35.3	0.0	35.3	-26.3	-7.9	1.1

Parent bank As at 31.12.20, the exposure was as follows:	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount following any net settlement
Financial derivatives, assets	200.9	0.0	200.9	-13.4	-143.8	43.7
Financial derivatives, liabilities	17.9	0.0	17.9	-13.4	-6.0	-1.5

Parent bank As at 31.12.19, the exposure was as follows:	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount following any net settlement
Financial derivatives, assets	57.2	0.0	57.2	-26.3	-14.3	16.5
Financial derivatives, liabilities	35.3	0.0	35.3	-26.3	-7.9	1.1

NOTE 21 – FINANCIAL INSTRUMENTS AT FAIR VALUE

The Bank's financial instruments in the fair value category consist of fixed-rate loans, certificates and bonds, shares and derivatives.

Valuation of financial assets and liabilities at fair value

General information
The Bank classifies fair value measurements by using a hierarchy with the following levels:

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

Loans to and receivables from customers
Loans with fixed interest rates are valued at fair value on the balance sheet. The valuation is based on contracted cash flows discounted by the swap interest rate to which a margin is added.

Certificates and bonds
As a general rule, the Bank's portfolio of certificates and bonds is valued based on prices received from Nordic Bond Pricing. The prices from Nordic Bond Pricing are based on reported spreads from the brokers active in the Norwegian market.

Certificates or bonds not priced by Nordic Bond Pricing are valued on the basis of trades and observable credit spreads in the market. If 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 valuation of the Bank's bond portfolio includes an assessment of potential imbalance in the market and whether there are different motives behind the transactions that have taken place. Assessments are made of whether the prices from Nordic Bond Pricing appear correct.

The Bank believes that the valuation estimates used are within reasonable intervals for fair value and that the credit and liquidity risk development has been considered in the valuation wherever necessary. In the opinion of the Bank, the prices used represent the best estimate of the securities' fair value. All of the Bank's certificate and bond holdings are placed in the pricing hierarchy's level 2. This is due to the fact that there is insufficient trading in any of the listed instruments for a market price can be read at any given time.

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

Listed shares that are traded daily are classified as level 1. Level 2 consists of shares where valuation is based on observable market data. Level 3 consists of shares in local companies and other unlisted undertakings for which alternative valuation techniques are used to determine fair value.

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

31.12.20 – Group	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets and liabilities measured at fair value				
Loans to and receivables from customers	0.0	0.0	359.1	359.1
Certificates and bonds	0.0	6,790.2	0.0	6,790.2
Shares and units	35.4	28.8	746.9	811.0
Financial derivatives	0.0	374.1	0.0	374.1
Total assets at fair value	**35.4**	**7,193.1**	**1,106.0**	**8,334.4**
Financial derivatives	0.0	17.9	0.0	17.9
Total liabilities at fair value	**0.0**	**17.9**	**0.0**	**17.9**

Movement in level 3	**Fixed-rate lending**	**Shares and units**	**Total**
Balance sheet as at 01.01.20	422.1	598.3	1,020.4
Net realised gains	0.0	0.0	0.0
Additions	43.9	19.9	63.8
Disposals	113.7	0.0	133.7
Changes in value	6.8	151.6	158.4
Transferred from levels 1 and 2	0.0	-23.0	-23.0
Balance sheet as at 31.12.20	**359.1**	**746.9**	**1,106.0**

31.12.19 – Group	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets and liabilities measured at fair value				
Loans to and receivables from customers	0.0	0.0	1,993.8	1,993.8
Certificates and bonds	0.0	6,755.1	0.0	6,755.1
Shares and units	31.3	0.0	598.3	629.6
Financial derivatives	0.0	174.7	0.0	174.7
Total assets at fair value	**31.3**	**6,929.8**	**2,966.2**	**9,553.2**
Financial derivatives	0.0	35.3	0.0	35.3
Total liabilities at fair value	**0.0**	**35.3**	**0.0**	**35.3**

Movement in level 3	Fixed-rate lending	Shares and units	Total
Balance sheet as at 01.01.19	367.0	562.2	929.2
Net realised gains	0.0	0.0	0.0
Additions	90.5	18.3	108.8
Disposals	33.4	0.0	33.4
Changes in value	-2.0	-5.2	-7.2
Transferred from levels 1 and 2	0.0	23.0	23.0
Balance sheet as at 31.12.19	**422.1**	**598.3**	**1,020.4**

Shares and units
The shares in Frende Holding AS were valued at NOK 481.2 million at the end of 2020. The assessment of the shareholding is based on the last known transaction price. Eksportfinans ASA was valued at NOK 195.0 million at the end of 2020. The shareholding is assessed on the basis of a price/book assessment, taking into consideration risks at the enterprise and uncertainties concerning expected cash flow relating to financial performance and winding up.

31.12.20 – parent bank	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value				
Loans to and receivables from customers	0.0	0.0	359.1	359.1
Certificates and bonds	0.0	7,217.0	0.0	7,217.0
Shares and units	35.4	28.8	746.8	811.0
Financial derivatives	0.0	200.9	0.0	200.9
Total assets at fair value	**35.4**	**7,446.7**	**1,168.9**	**8,651.0**
Financial derivatives	0.0	17.9	0.0	17.9
Total liabilities at fair value	**0.0**	**17.9**	**0.0**	**17.9**

31.12.19 – parent bank	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value				
Loans to and receivables from customers	0.0	0.0	695.7	695.7
Certificates and bonds	0.0	7,197.6	0.0	7,197.6
Shares and units	31.3	0.0	598.3	629.6
Financial derivatives	0.0	57.2	0.0	57.2
Total assets at fair value	**31.3**	**7,254.8**	**1,294.0**	**8,580.1**
Financial derivatives	0.0	35.3	0.0	35.3
Total liabilities at fair value	**0.0**	**35.3**	**0.0**	**35.3**

NOTE 22 - FINANCIAL INSTRUMENTS AT AMORTISED COST

Lending
The Group's variable rate loan portfolios are measured at amortised cost. The fair value of variable rate loans is subject to the impact of changing interest rates and credit margins, but can be re-priced on an ongoing basis with a short deadline. The Financial Contracts Act provides access to repricing within a 6-week period (unless it involves major changes to the Bank's deposit rate). The Bank's assessment of the best estimates for the lending portfolios, exclusive of loan loss provisions in Stage 1, results in a good approximation of fair value.

Securities issued and subordinated loan capital
Securities issued and subordinated loan capital are placed in level 2 of the pricing hierarchy because the turnover is not large enough in any of the loans to be able to read off a market price at any given time. The Group uses price estimates and credit spread assessments from Nordic Bond Pricing and has taken transaction prices into account where necessary.

Other financial assets and liabilities
Other financial assets and liabilities are measured at amortised cost. These instruments assume that the capitalised amount provides a good approximation of fair value. This includes the accounting lines of cash and receivables at central banks, loans to and receivables from financial institutions, debt to financial institutions, deposits from and debts to customers, as well as lease liabilities.

31.12.20 – Group	Fair value	Book value
Financial assets and liabilities measured at amortised cost		
Cash and receivables from central banks	409.4	409.4
Loans to and receivables from financial institutions	13.4	13.4
Loans to and receivables from customers	35,108.1	35,084.7
Total assets at amortised cost	**35,530.9**	**35,507.5**
Liabilities to financial institutions	601.0	601.0
Deposits from and liabilities to customers	14,485.1	14,485.1
Securities issued	23,243.9	23,111.0
Lease liabilities	44.9	44.9
Subordinated loan capital	405.5	400.4
Total liabilities at amortised cost	**38,780.4**	**38,642.4**

31.12.19 – Group	Fair value	Book value
Financial assets and liabilities measured at amortised cost		
Cash and receivables from central banks	302.5	302.5
Loans to and receivables from financial institutions	15.9	15.9
Loans to and receivables from customers	33,822.5	33,803.2
Total assets at amortised cost	**34,140.9**	**34,121.6**
Liabilities to financial institutions	300.6	300.6
Deposits from and liabilities to customers	14,791.7	14,791.7
Securities issued	22,445.6	22,261.7
Lease liabilities	49.9	49.9
Subordinated loan capital	403.8	400.4
Total liabilities at amortised cost	**37,991.6**	**37,804.3**

31.12.20 – parent bank	Fair value	Book value
Financial assets and liabilities measured at amortised cost		
Cash and receivables from central banks	409.4	409.4
Loans to and receivables from financial institutions	2,232.8	2,232.8
Loans to and receivables from customers	14,454.3	14,442.9
Total assets at amortised cost	**17,096.5**	**17,085.1**
Liabilities to financial institutions	1,470.7	1,470.7
Deposits from and liabilities to customers	14,921.2	14,921.2
Securities issued	7,802.9	7,755,8
Lease liabilities	78.4	78.4
Subordinated loan capital	405.5	400.4
Total liabilities at amortised cost	**24,678.8**	**24,626.6**

31.12.19 – parent bank	Fair value	Book value
Financial assets and liabilities measured at amortised cost		
Cash and receivables from central banks	302.5	302.5
Loans to and receivables from financial institutions	2,273.2	2,273.2
Loans to and receivables from customers	16,297.8	16,287.1
Total assets at amortised cost	**18,873.5**	**18,862.8**
Liabilities to financial institutions	620.2	620.2
Deposits from and liabilities to customers	14,879.5	14,879.5

Securities issued	8,992.4	8,959.6
Lease liabilities	85.5	85.5
Subordinated loan capital	403.8	400.4
Total liabilities at amortised cost	**24,981.4**	**24,945.2**

NOTE 23 – ACCOUNT WITH GROUP COMPANIES

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

	31.12.20	31.12.19
Profit/loss		
Interest income and similar income		
Interest income from subsidiaries	35.4	52.6
Interest certificates and covered bonds from subsidiaries	9.8	13.8
Interest costs and similar costs		
Interest and commission to subsidiaries	1.9	4.9
Commission income and income from banking services		
Other operating income from subsidiaries	28.2	27.2
Other operating costs		
Rent to subsidiaries	3.5	3.5
Other costs to subsidiaries	0.8	0.8
Balance sheet		
Loans to and receivables from financial institutions		
Loans to subsidiaries	2,219.4	2,257.3
Loans to and receivables from customers		
Loans to subsidiaries	18.9	64.3
Certificates, bonds and other interest-bearing securities		
Investment in covered bonds in subsidiaries	780.9	603.8
Prepaid non-accrued costs and earned but not received income		
Other receivables	3.1	1.9
Liabilities to financial institutions		
Deposits from subsidiaries	869.8	319.6
Customer deposits		
Deposits from subsidiaries	76.7	88.3
Other liabilities		
Other liabilities to subsidiaries	8.3	6.1

NOTE 24 – NET INTEREST AND CREDIT COMMISSION INCOME

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
1.7	4.6	Interest income and similar income from loans to and receivables from financial institutions	36.4	54.8
1.4	1.1	Interest income and similar income from financial leases	0.0	0.0
982.0	1,146.4	Interest income and similar income from loans to and receivables from customers	363.1	513.3
		Interest income and similar income from financial assets that are written down		
0.0	0.0	Loans to and receivables from financial institutions	0.0	0.0
7.7	9.2	Loans to and receivables from customers	0.1	0.9
0.0	0.0	Other interest income and similar income	0.0	0.0
992.9	1,161.4	Total interest income and similar income for instruments at amortised cost	399.5	569.0
11.2	11.3	Interest income and similar income from loans at fair value	81.9	66.1
117.4	118.2	Interest income and similar income from certificates, bonds, etc.	123.6	129.1
128.6	129.5	Total interest income and similar income for instruments at fair value through profit or loss	205.5	195.2
1,121.4	**1,290.9**	**Interest income and similar income**	**605.1**	**764.2**
8.5	8.1	Interest costs and similar costs for liabilities to financial institutions	9.6	11.3
106.5	144.9	Interest costs and similar costs for deposits from and liabilities to customers	106.7	145.5
349.3	472.8	Interest costs and similar costs for securities issued	147.8	208.9
9.2	11.7	Interest costs and similar costs for subordinated loan capital	9.2	11.7
15.9	11.5	Other interest costs and similar costs	14.2	10.7
489.3	**649.1**	**Interest costs and similar costs for instruments at amortised cost**	**287.5**	**388.1**
632.1	**641.7**	**Net interest and credit commission income**	**317.5**	**376.2**

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

Group 2020		Group 2019			Parent bank 2020		Parent bank 2019	
Avg. int. bearing balance	Avg. interest rate, %	Avg. int. bearing balance	Avg. interest rate, %		Avg. int. bearing balance	Avg. interest rate, %	vg. int. bearing balance	Avg. interest rate, %
				Assets				
473.9	0.37	416.7	1.11	Net lending to financial institutions*	2,866.9	1.27	2,729.8	2.01
33,308.7	3.01	34,854.8	3.35	Net lending to customers	15,365.7	2.90	17,863.2	3.25
8,053.7	1.46	6,030.8	1.96	Securities, investments	8,551.3	1.45	6,451.4	2.00
				Liabilities				
539.8	1.57	299.7	2.71	Deposits from financial institutions	1,069.6	0.90	614.4	1.84
14,638.1	0.73	14,895.3	0.97	Customer deposits	14,736.7	0.72	14,976.9	0.97
22,967.9	1.56	22,616.8	2.14	Securities, borrowing	9,031.1	1.73	9,557.8	2.35

*Including receivables from central banks.

An average interest rate is measured by dividing interest income recognised in the year by the average balance sheet based on a quarterly average balance sheet.

NOTE 25 – DIVIDENDS AND OTHER INCOME FROM SECURITIES WITH VARIABLE YIELDS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
11.8	28.9	Dividend from equity instruments	11.8	28.9
0.0	0.0	Dividends and group contributions from subsidiaries	162.2	107.9
11.8	**28.9**	**Dividends and other operating income from securities with variable yields**	**174.6**	**136.8**

NOTE 26 – NET COMMISSION INCOME

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
53.5	64.5	Fees, money-transfer services	53.5	64.5
1.2	1.5	Fees, guarantees	1.2	1.5
23.3	23.8	Other commissions and fees	44.6	45.2
78.0	**89.9**	**Commission income, etc.**	**99.4**	**111.3**
13.8	14.5	Costs, money-transfer services	13.8	14.5
29.1	30.3	Other commissions and fees	6.3	6.2
42.9	**44.8**	**Total commission costs, etc.**	**20.1**	**20.6**
35.1	**45.1**	**Net commission income, etc.**	**79.3**	**90.6**

NOTE 27 – NET VALUE ADJUSTMENT AND GAIN/LOSS ON FINANCIAL INSTRUMENTS

Recognised in the income statement

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Value adjustment and gain/loss on financial instruments at fair value through profit or loss		
-3.7	-2.2	Value adjustment of certificates and bonds	-2.4	-2.5
-6.3	-10.6	Realised gains/losses on certificates and bonds	-7.3	-11.9
160.7	1.1	Value adjustment of equity instruments	159.7	1.1
0.0	0.0	Realised gains/losses on equity instruments	0.0	0.0
-20.7	7.6	Value adjustments for derivatives, hedge accounting not used	-20.7	7.6
5.9	-3.1	Realised gains/losses on derivatives, hedge accounting not used	5.9	-3.1
6.8	-1.9	Value adjustment, fixed-rate loans	6.8	-1.9
142.8	**-9.1**	**Net value adjustment and gain/loss on financial instruments at fair value**	**142.0**	**-10.6**
234.3	-70.2	Financial derivatives - hedge accounting	175.3	-61.9
-234.3	70.2	Financial liabilities - hedged	-175.3	61.9
0,0	**0.0**	**Total net hedged items***	**0.0**	**0.0**
		Value adjustment and gains/losses on financial instruments at amortised cost		
-9.6	-6.8	Realised gains/losses on securities issued	-1.3	-0.9
-9.6	**-6.8**	**Net realised gains/losses on securities issued at amortised cost**	**-1.3**	**-0.9**
		Currency trading		
0.8	3.4	- Net translation gain	0.8	3.4
2.3	2.9	- Net transaction gain	2.3	2.9
3.1	**6.4**	**Total net income from currency trading**	**3.1**	**6.4**
136.3	**-9.5**	**Net value adjustment and gain/loss on financial instruments**	**143.9**	**-5.2**

* 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 rate bond loans and bond loans in foreign currency. Borrowing is hedged on a one-to-one basis.

See also note 25 for dividends and other operating income from securities with variable yields.

Recognised in comprehensive income

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Value adjustment of financial instruments, OCI		
0.0	0.0	Lending at fair value	0.2	-0.2
0.0	**0.0**	**Net value adjustment of financial instruments, OCI**	**0.2**	**-0.2**

NOTE 28 – OTHER OPERATING INCOME

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
0.3	5.1	Rental income investment properties	0.0	0.0
0.6	0.4	Operating income, real estate	0.0	0.0
19.8	0.0	Profit from sale of real estate	0.0	0.0
8.6	9.7	Other operating income	7.2	7.7
29.3	**15.3**	**Other operating income**	**7.2**	**7.7**

NOTE 29 – SALARIES AND OTHER REMUNERATION

Group 2020	Group 2019	Figures in NOK thousands	Parent bank 2020	Parent bank 2019
121,591	116,277	Salaries	105,393	99,686
24,538	26,143	National insurance contributions	21,332	22,523
		Pensions		
7,641	8,227	- defined-benefit	7,019	7,592
8,901	5,067	- defined contribution and similar.	8,441	4,621
4,690	6,884	Social security costs	4,060	6,020
167,359	**162,598**	**Total personnel expenses**	**146,245**	**140,441**
184	192	No. of full-time equivalents as at 31.12.	168	167
189	197	No. of employees as at 31.12.	172	171
187	193	Average no. of full time equivalents	161	166
190	197	Average no. of employees	164	169

Remuneration 2020 – parent bank

The CEO’s remuneration totalled NOK 3,091,761. The retirement age of the CEO is 70. The CEO is a member of the Bank’s defined-benefit pension scheme and earns pension rights in the same way as other employees. If the CEO decides to leave the Bank, no severance pay will be due in excess of the salary agreed for the notice period of 6 months. If the Bank terminates the CEO’s employment, the CEO has the right to claim severance pay for 3 years from the termination date. The salary basis is the annual salary at the time of termination. Apart from this no employee or employee representative has severance pay or subscription rights, options, or bonus agreements. No additional remuneration has been paid for special services beyond the normal duties of a manager.

Remuneration of executive management team and executive personnel in 2020

Figures in NOK thousands		Remuneration	Salaries	Pensions	Paid profit sharing	Benefits in kind	Total	Earned, not paid Profit share	Loans
Pål Strand	CEO		2,639	239		214	3,092	80	5,554
Kjell Engen	Deputy CEO		1,999	341		163	2,502	60	3,373
Eivind W. Christiansen	Chief Digital and Marketing Officer from 01.08.20		667	40		61	767	20	4,898
Kjartan Reve	Chief Customer Officer from 01.09.20		700	81		45	825	21	4,800
Thor-Henning Bråthen	Chief Financial Officer		1,538	86		150	1,774	46	679
Kirsten Østby-Deglum	Chief Legal Officer from 01.09.20		467	33		39	539	14	0
Arnljot Lien	Chief Digital Officer		1,168	233		127	1,528	38	1,209
Total executive management team			**9,177**	**1,052**	**0**	**798**	**11,027**	**278**	**20,513**
Frode Lindbeck	Chief Risk Officer from 21.09.20	5	1,046	250		156	1,457	27	720
Kristoffer Volden	Chief Compliance Officer from 22.09.20		853	47		153	1,054	27	3,695
Total executive personnel		**5**	**1,899**	**299**	**0**	**310**	**2,510**	**54**	**4,415**

The executive management team and executive personnel are covered by the Bank's general-interest-rate subsidised loans scheme for employees. The interest rates are lower than the rates that give rise to taxable benefits for the employees. The loan limit for interest-rate subsidised loans was NOK 5 million in 2020. The limits for the CEO and Deputy CEO were NOK 7 million and NOK 6 million, respectively. Members of the Board and other control bodies have loans on ordinary terms. The subsidy costs linked to the interest rate subsidy scheme for loans to employees are not recognised as operating costs and affect the Bank's net interest income.

Remuneration, Board of Directors 2020

Figures in NOK thousands		Remuneration	Salaries	Pensions	Paid profit sharing	Benefits in kind	Total	Loans
Øivind Andersson	Chair	278					278	29
Cecilie Hagby	Deputy Chair from 27.03.20	170					170	
Morten André Yttreeide	Deputy Chair up to and including 26.03.20	220					220	
Elly Therese Thoresen	Board member	130					130	
Arne Stokke	Board member	165		185		6	356	715
Eivind W. Christiansen	Board member from 27.03.20 up to and including 29.06.20	0					0	
Jorund Rønning Indrelid	Board member	133					133	
Sissel Album Fjeld	Employee representative	133	565	57		25	780	1,717
Ole-Martin Solberg	Employee representative	130	645	24		24	823	1,598
Total Board of Directors		**1,358**	**1,210**	**266**	**0**	**55**	**2,890**	**4,059**

Remuneration, other elected representatives, 2020

Figures in NOK thousands		Remuneration	Salaries	Pensions	Paid profit sharing	Benefits in kind	Total	Loans
May-Britt Andersen	Chair of the Board of Trustees	60					60	
Lars M. Lunde	Deputy Chair of the Board of Trustees	15					15	
Other members of the Board of Trustees		240	4,268	560	0	273	5,340	31,649
Total Board of Trustees		**315**	**4,268**	**560**	**0**	**273**	**5,415**	**31,649**

Remuneration 2019 – parent bank

The CEO's remuneration totalled NOK 3,198,990. The retirement age of the CEO is 70. The CEO is a member of the Bank's defined-benefit pension scheme and earns pension rights in the same way as other employees. If the CEO decides to leave the Bank, no severance pay will be due in excess of the salary agreed for the notice period of 6 months. If the Bank terminates the CEO's employment, the CEO has the right to claim severance pay for 3 years from the termination date. The salary basis is the annual salary at the time of termination. Apart from this no employee or employee representative has severance pay or subscription rights, options, or bonus agreements. No additional remuneration has been paid for special services beyond the normal duties of a manager.

Remuneration of executive management team and executive personnel in 2019

Figures in NOK thousands		Remuneration	Salaries	Pensions	Paid profit sharing	Benefits in kind	Total	Earned, not paid Profit share	Loans
Pål Strand	CEO		2,598	232	181	188	3,199	0	5,834
Kjell Engen	Deputy CEO		1,922	316	139	141	2,518	0	3,581
Lars-Runar Groven	Director, Business Market		1,149	228	81	157	1,615	0	2,764
Jan-Roger Vrabel	Director, Retail Market		1,431	80	99	168	1,779	0	7,385
Thor-Henning Bråthen	CFO		1,539	78	108	148	1,874	0	0
Anne Siri R. Jensen	Director, Credit, retail market, from 01.10.18	19	906	151	62	135	1,274	0	1,097
Arnljot Lien	Director, Digitalisation and Technology from 21.03.19		1,033	224	65	120	1,442	0	1,290
Total executive management team		**19**	**10,578**	**1,310**	**736**	**1,058**	**13,700**	**0**	**21,952**
Halvor Kirkebøen	Head of Management and Control Department		1,150	308	78	252	1,789	0	2,060
Total executive personnel		**0**	**1,150**	**308**	**78**	**252**	**1,789**	**0**	**2,060**

The executive management team and executive personnel are covered by the Bank's general-interest-rate subsidised loans scheme for employees. The interest rates are lower than the rates that give rise to taxable benefits for the employees. The loan limit for interest-rate subsidised loans was NOK 3.5 million in 2019. The limits for the CEO and Deputy CEO were NOK 5.5 million and NOK 4.5 million, respectively. Members of the Board and other control bodies have loans on ordinary terms. The subsidy costs linked to the interest rate subsidy scheme for loans to employees are not recognised as operating costs and affect the Bank's net interest income.

Remuneration, Board of Directors 2019

Figures in NOK thousands		Remuneration	Salaries	Pensions	Paid profit sharing	Benefits in kind	Total	Loans
Øivind Andersson	Chair	330					330	19
Knut Smedsrud	Deputy Chair up to and including 28.03.19	160					160	
Morten André Yttreeide	Deputy Chair from 29.03.19	185					185	
Elly Therese Thoresen	Board member	146					146	
Cecilie Hagby	Board member	158					158	
Kari Solberg Økland	Board member up to and including 28.03.19	158					158	
Arne K. Stokke	Board member from 29.03.19	0		185		3	188	743
Jorund Rønning Indrelid	Board member from 29.03.19	0					0	
Inger Helen Pettersen	Employee representative from 28.03.19	123	383	16	20	18	559	2,000
Sissel Album Fjeld	Employee representative from 29.03.19	16	560	67	26	18	687	1,766
Ole-Martin Solberg	Employee representative	120	570	27	25	16	757	1,502
Total Board of Directors		**1,395**	**1,513**	**294**	**70**	**54**	**3,327**	**6,030**

Remuneration, other elected representatives 2019

Figures in NOK thousands		Remuneration	Salaries	Pensions	Paid profit sharing	Benefits in kind	Total	Loans
May-Britt Andersen	Chair of the Board of Trustees	3					3	
Lars M. Lunde	Deputy Chair of the Board of Trustees	10					10	
Other members of the Board of Trustees		194	6,261	748	300	371	7,874	29,539
Total Board of Trustees		**207**	**6,261**	**748**	**300**	**371**	**7,887**	**29,539**

NOTE 30 – CLOSE ASSOCIATES

Figures in NOK thousands	Executive management team* 2020	2019	The Board of Directors** 2020	2019	Other close associates** 2020	2019
Loans						
Outstanding loans as at 01.01.	24,012	24,718	6,030	3,578	29,539	27,687
Net change in loans in the period	-1,538	-706	-1,971	2,453	2,109	1,852
Outstanding loans as at 31.12.	**22,474**	**24,012**	**4,059**	**6,030**	**31,649**	**29,539**
Interest income	197	495	53	126	589	795
Deposits						
Deposits as at 01.01.	2,015	2,327	18,018	13,131	24,307	10,390
Net change in deposits in the period	-496	-312	-6,530	4,887	749	13,917
Deposits as at 31.12.	**1,519**	**2,015**	**11,488**	**18,018**	**25,056**	**24,307**
Interest costs	6	20	212	256	492	102
Other operating income	0	0	0	0	0	0
Guarantees issued	0	0	0	0	0	0

* The figures for Eivind Christiansen are included in the executive management team and not the Board of Directors. Bank employee since 01.08.20.

**Incl. Morten Yttreeide, who left the Board of Directors on 26.3.20.

None of the close associates' commitments were non-performing as at 31.12.20 or as at 31.12.19.

NOTE 31 - ADMINISTRATION AND OPERATING COSTS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
42.9	37.4	IT costs	36.9	33.5
14.5	16.2	Other administrative costs	8.4	9.3
57.4	**53.6**	**Total administration costs**	**45.3**	**42.8**
27.3	25.7	Ordinary depreciation	26.7	25.0
0.0	0.0	Write-downs	0.0	0.0
27.3	**25.7**	**Depreciation/write-downs/value adjustments on non-financial assets**	**26.7**	**25.0**
8.7	10.3	Operating costs, properties and premises	7.9	8.9
35.2	25.5	Other operating costs	25.8	19.8
43.9	**35.9**	**Total operating costs**	**33.7**	**28.6**
128.6	**115.1**	**Total administration and operating costs**	**105.7**	**96.5**

NOTE 32 – AUDITOR'S REMUNERATION

Group 2020	Group 2019	Figures in NOK thousands	Parent bank 2020	Parent bank 2019
2,335	2,202	Audit	1,451	1,352
221	151	Other certification services	0	0
605	455	Tax consulting	429	332
1,621	512	Other services	1,419	279
4,782	**3,320**	**Total**	**3,300**	**1,963**

The amounts are inclusive of VAT.

NOTE 33 – TAXES

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Income tax for the year in the income statement		
81.5	94.6	Tax payable on the profit for the year	32.7	56.6
-1.0	0.2	Recognised deferred tax	-0.3	-0.5
-0.1	0.7	Excess/deficit tax, previous year	-0.1	0.7
80.4	**95.5**	**Total income tax for the year**	**32.2**	**56.8**
		Tax on other operating income and costs recognised in comprehensive income		
		Change in net deferred tax		
-0.6	1.0	- Actuarial gains and losses on defined-benefit plans	-0.6	0.9
0.0	0.0	- Lending at fair value	0.0	0.0
-0.6	**1.0**	**Tax on other operating income and costs**	**-0.6**	**0.9**
		Change in net deferred tax		
-1.0	0.2	Recognised deferred tax in the income statement	-0.3	-0.5
-0.6	1.0	Recognised deferred tax in comprehensive income	-0.6	-0.9
-3.4	0.0	Changes in net deferred tax entered directly on the balance sheet	0.0	0.0
-5.0	**1.2**	**Total change in net deferred tax**	**-0.9**	**0.4**
		Reconciliation of income tax for the year		
533.6	424.8	Profit before tax	467.1	364.4
128.7	102.7	Tax at the nominal rate	116.8	91.1
-48.2	-7.9	Tax effect of permanent differences	-84.4	-35.0
-0.1	0.7	Excess/deficit tax, previous year	-0.1	0.7
80.4	**95.5**	**Income tax**	**32.2**	**56.8**
		Tax payable on the balance sheet		
81.5	94.6	Tax payable on the profit for the year	32.7	56.6
5.5	4.5	Year's wealth tax	5.5	4.5
87.0	**99.1**	**Total tax payable**	**38.2**	**61.1**

Group		Group			Parent bank		Parent bank	
		Change	Change				Change	Change
2020	**2019**	**2020**	**2019**	**Deferred tax liability/deferred tax asset**	**2020**	**2019**	**2020**	**2019**
				Positive temporary differences				
26.9	41.5	11.9	-2.0	Property, plant and equipment	2.6	1.5	-1.1	0.2
31.2	39.0	7.8	9.8	Gains and losses account	3.2	4.0	0.8	0.9
33.2	30.1	-3.1	-12.4	Securities	33.2	28.7	-4.5	-11.1
304.9	102.7	-202.3	55.4	Financial derivatives	140. 2	0.0	-140.2	46.5
0.0	0.0	0.0	5.8	Implementation effect, IFRS 9, loan loss provisions loans	0.0	0.0	0.0	16.5
7.8	1.0	-6.8	1.9	Lending	8.0	1.1	-7.0	2.0
0.0	23.5	23.5	-23.5	Securities issued	0.0	23.5	23.5	-23.5
406.8	237.9	-169.0	34.9	Total positive temporary differences	187.2	58.7	-128.5	31.6
95.2	54.1	-41.1	10.2	Deferred tax liability	46.8	14.7	-32.1	7.9
				Negative temporary differences and deficit to carry forward				
0.8	0.9	0.1	-0.9	Financial leases	1.3	0.7	-0.6	-0.7
0.1	0.0	-0.1	0.0	Securities	0.0	0.0	0.0	0.0
0.0	19.5	-19.5	-19.5	Financial derivatives	0.0	19.5	-19.5	-19.5
2.9	2.9	0.0	0.0	Other assets	0.0	0.0	0.0	0.0
318.1	110.7	-207.4	51.3	Securities issued	151.0	0.0	-151.0	42.6
18.0	9.5	-8.5	-3.4	Other liabilities	5.5	1.0	-4.5	0.0
61.7	66.5	4.8	11.1	Pension liabilities	60.2	64.8	4.6	10.7
401.6	209.9	-191.6	38.7	Total negative temporary differences and deficit to carry forward	218.1	86.0	-132.0	33.1
95.3	49.2	-46.1	10.6	Deferred tax asset	54.4	21.5	-33.0	8.3
0.0	**-5.0**	**-5.0**	**0.5**	**Net deferred tax liability (-) / net deferred tax asset (+)**	**7.7**	**6.8**	**-0.9**	**0.4**

Deferred tax liability/deferred tax asset as at 31.12.20 is recognised at a tax rate of 25 per cent for the parent bank. Deferred tax liability/deferred tax asset as at 31.12.20 in the Group is recognised at a future tax rate in the range of 22-25 per cent. Deferred tax assets are in their entirety recognised on the balance sheet when the Group expects to be able to utilise this in the future.

NOTE 34 – CERTIFICATES AND BONDS

All certificates and bonds in 2020 and 2019 are measured at fair value through profit or loss.

Certificates and bonds by issuing sector, group	**Nominal value 2020**	**Fair value 2020**	**Nominal value 2019**	**Fair value 2019**
State and state guaranteed	1,407.0	1,436.2	1,217.0	1,242.0
Other public issuers	529.0	531.4	635.5	637.3
Covered bonds	4,729.0	4,765.4	4,779.0	4,817.9
Financial institutions	56.4	57.1	56.4	57.8
Non-financial enterprises	0.0	0.0	0.0	0.0
Total certificates and bonds	**6,721.4**	**6,790.2**	**6,687.9**	**6,755.1**

Certificates and bonds by issuing sector, parent bank	**Nominal value 2020**	**Fair value 2020**	**Nominal value 2019**	**Fair value 2019**
State and state guaranteed	1,297.0	1,324.7	1,157.0	1,181.3
Other public issuers	529.0	531.4	635.5	637.3
Covered bonds	5,266.0	5,303.9	5,279.0	5,321.2
Financial institutions	56.4	57.1	56.4	57.8
Non-financial enterprises	0.0	0.0	0.0	0.0
Total certificates and bonds	**7,148.4**	**7,217.0**	**7,127.9**	**7,197.6**

Certificates and bonds by maturity as at 31.12.20 – Group

	Accrued interest	**Up to 6 months**	**6-12 months**	**1-5 years**	**5-10 years**	**Total**
State and state guaranteed	4.8	0.0	0.0	1,431.4	0.0	1,436.2
Other public issuers	1.9	420.2	109.3	0.0	0.0	531.4
Covered bonds	3.7	30.0	715.1	4,016.5	0.0	4,765.4
Financial institutions	0.1	0.1	0.0	57.0	0.0	57.1
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**10.6**	**450.3**	**824.5**	**5,504.9**	**0.0**	**6,790.2**

Certificates and bonds by maturity as at 31.12.20 – parent bank

	Accrued interest	**Up to 6 months**	**6-12 months**	**1-5 years**	**5-10 years**	**Total**
State and state guaranteed	4.6	0.0	0.0	1,320.1	0.0	1,324.7
Other public issuers	1.9	420.2	109.3	0.0	0.0	531.4
Covered bonds	3.7	810.6	473.0	4,016.5	0.0	5,303.9
Financial institutions	0.1	0.1	0.0	57.0	0.0	57.1
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**10.3**	**1,230.8**	**582.4**	**5,393.5**	**0.0**	**7,217.0**

Certificates and bonds by maturity as at 31.12.19 – Group

	Accrued interest	**Up to 6 months**	**6-12 months**	**1-5 years**	**5-10 years**	**Total**

State and state guaranteed	5.5	0.0	234.8	926.3	75.5	1,242.0
Other public issuers	1.8	599.5	36.0	0.0	0.0	637.3
Covered bonds	9.6	370.8	571.9	3,865.6	0.0	4,817.9
Financial institutions	0.1	0.0	0.0	57.7	0.0	57.8
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**17.1**	**970.3**	**842.7**	**4,849.6**	**75.5**	**6,755.1**

Certificates and bonds by maturity as at 31.12.19 – parent bank

	Accrued interest	Up to 6 months	6-12 months	1-5 years	5-10 years	Total
State and state guaranteed	5.4	0.0	234.8	865.7	75.5	1,181.3
Other public issuers	1.8	599.5	36.0	0.0	0.0	637.3
Covered bonds	12.8	971.4	571.9	3,765.2	0.0	5,321.2
Financial institutions	0.1	0.0	0.0	57.7	0.0	57.8
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**20.1**	**1,570.9**	**842.7**	**4,688.6**	**75.5**	**7,197.6**

Modified duration

	Group	Parent bank
State and state guaranteed	0.63	0.67
Other public issuers	0.18	0.18
Covered bonds	0.19	0.17
Financial institutions	0.21	0.21
Non-financial enterprises	0.00	0.00
Total duration	0.28	0.26

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

NOTE 35 – SHARES AND EQUITY CERTIFICATES

Specification of shares and equity certificates as at 31.12.20

Fair value through profit or loss	No. of shares	Stake in %	Book cost	Fair value
Balder Betaling AS	1,321,760	6.57	25.4	31.0
Bankenes ID-tjeneste AS	6,700	6.70	0.0	0.0
Eksportfinans ASA	12,787	4.85	139.4	195.0
Frende Holding AS	929,334	13.75	126.9	481.2
Kraft Bank ASA	2,875,000	6.85	23.0	28.8
Kredittforeningen for Sparebanker	2,760	5.52	2.8	0.7
Norne Securities AS	456,369	2.48	1.4	0.9
Norwegian Block Exchange AS (NBX)	6,437,768	14.10	15.0	15.0
Spama AS	302	0.96	0.0	0.0
Visa Inc.	4,739	0.00	2.0	35.4
VN Norge AS	6.4 trillion	0.64	0.0	5.9
Visa Norge Forvaltning AS			6.3	16.5
Other shares			0.7	0.7
Total shares and equity certificates			**343.1**	**811.0**

NOTE 36 – OWNERSHIP INTERESTS IN GROUP COMPANIES

Subsidiaries	Acquisition date	Business office	Stake	Voting share
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%
Sparebanken Øst Boligkreditt AS	14.04.09	Drammen	100%	100%
Øst Inkasso AS	18.04.16	Drammen	100%	100%
Hawø Eiendom AS*	01.07.11	Drammen	100%	100%
Stasjonsgata 14 AS*	29.08.12	Drammen	100%	100%
Borreveien 44 AS*	28.10.14	Drammen	100%	100%
Jon Smørs Vei 7 AS**	05.02.16	Drammen	100%	100%
Slagenveien 16 AS**	10.03.20	Drammen	100%	100%

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

NOTE 37 – TANGIBLE FIXED ASSETS, INVESTMENT PROPERTIES AND LEASE RIGHTS

Property, plant and equipment as at 31.12.20 – Group

	Machinery/inventory/ vehicles/ intang. assets etc.	Properties	Investment properties	Lease rights
Acquisition cost as at 01.01.	157.8	133.5	75.3	59.1
Additions	23.7	1.5	8.2	4.2
Disposals	0.4	0.0	55.1	0.0
Acquisition cost as at 31.12.	**181.1**	**135.0**	**28.4**	**63.3**
Total ordinary depreciation and write-downs	125.2	45.8	16.5	19.2
Book value as at 31.12.	**55,9**	**89.2**	**11.9**	**44.1**
Year's ordinary depreciation	15.4	2.2	0.3	9.6
Year's write-downs	0.0	0.0	0.0	0.0
Economic life	2-10 years	10-100 years	10-100 years	2-12 years
Depreciation plan	Straight line	Straight line	Straight line	Straight line

Property, plant and equipment as at 31.12.20 – parent bank

	Machinery/inventory/ vehicles/ intang. assets etc.	Properties	Investment properties	Lease rights
Acquisition cost as at 01.01.	126.8	58.6	0.0	97.4
Additions	13.3	0.3	0.0	4.9
Disposals	0.4	0.0	0.0	0.0
Acquisition cost as at 31.12.	**139.8**	**59.0**	**0.0**	**102.3**
Total ordinary depreciation and write-downs	95.1	14.8	0.0	25.2
Book value as at 31.12.	**44.6**	**44.2**	**0.0**	**77.1**
Year's ordinary depreciation	13.1	1.0	0.0	12.6
Year's write-downs	0.0	0.0	0.0	0.0
Economic life	2-10 years	10-100 years	10-100 years	2-12 years
Depreciation plan	Straight line	Straight line	Straight line	Straight line

Property, plant and equipment as at 31.12.19 – Group

	Machinery/inventory/ vehicles/ intang. assets etc.	Properties	Investment properties	Lease rights
Acquisition cost as at 01.01.	141.8	133.4	75.1	57.6
Additions	18.8	0.1	0.1	1.5
Disposals	2.8	0.0	0.0	0.0
Acquisition cost as at 31.12.	**157.8**	**133.5**	**75.3**	**59.1**
Total ordinary depreciation and write-downs	109.8	43.7	16.2	9.6
Book value as at 31.12.	**47.9**	**89.8**	**59.0**	**49.5**
Year's ordinary depreciation	12.9	2.1	1.0	9.6
Year's write-downs	0.0	0.0	0.0	0.0
Economic life	2-10 years	10-100 years	10-100 years	2-12 years
Depreciation plan	Straight line	Straight line	Straight line	Straight line

Property, plant and equipment as at 31.12.19 – parent bank

	Machinery/inventory/ vehicles/ intang. assets etc.	Properties	Investment properties	Lease rights
Acquisition cost as at 01.01.	111.4	58.6	0.0	95.8
Additions	17.6	0.1	0.0	1.5
Disposals	2.2	0.0	0.0	0.0
Acquisition cost as at 31.12.	**126.8**	**58.6**	**0.0**	**97.4**
Total ordinary depreciation and write-downs	82.0	13.8	0.0	12.6
Book value as at 31.12.	**44.7**	**44.9**	**0.0**	**84.8**
Year's ordinary depreciation	11.4	1.0	0.0	12.6
Year's write-downs	0.0	0.0	0.0	0.0
Economic life	2-10 years	10-100 years	10-100 years	2-12 years
Depreciation plan	Straight line	Straight line	Straight line	Straight line

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 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 31.12.20	15.5	11.9
Investment properties at fair value as at 31.12.19	82.5	59.0

The fair value of the investment properties is based on assessments of market rents and estimated sales value. The properties are located in Drammen and Tønsberg. No changes have been made to the valuation techniques compared with the previous year.

For leasing income and operating costs on investment properties see also Note 28 – Other Operating Income and Note 31 – Administration and Operating Costs.

Real estate for own activities 2020

Group Area - m² Own use	Group Area - m² Leasing	Group Book value 2020*	Commercial buildings	Parent bank Area - m² Own use	Parent bank Area - m² Leasing	Parent bank Book value 2020*
3,143	0	43.7	Drammen	2,087	0	30.4
4,802	353	32.0	Øvre Eiker	0	0	0.0
7,945	**353**	**75.7**	**Total commercial buildings**	**2,087**	**0**	**30.4**

* Total book value on the balance sheet also includes properties that are not commercial buildings.

Liabilities
There are no liabilities relating to projects or purchases of property, plant and equipment.

Real estate for own activities 2019

Group Area - m² Own use	Group Area - m² Leasing	Group Book value 2019*	Commercial buildings	Parent bank Area - m² Own use	Parent bank Area - m² Leasing	Parent bank Book value 2019*
3,398	4,310	103.3	Drammen	2,087	0	30.9
4,569	693	27.8	Øvre Eiker	0	0	0.0
7,967	**5,003**	**131.1**	**Total commercial buildings**	**2,087**	**0**	**30.9**

* Total book value on the balance sheet also includes properties that are not commercial buildings.

NOTE 38 – PREPAID NON-ACCRUED COSTS AND EARNED BUT NOT RECEIVED INCOME

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
0.0	0.0	Earned but not received income	2.0	1.9
11.7	12.6	Other prepaid non-accrued costs	12.5	7.2
11.7	**12.6**	**Prepaid non-accrued costs and earned but not received income**	**14.6**	**9.1**

NOTE 39 – LIABILITIES TO FINANCIAL INSTITUTIONS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
0.0	0.0	Loans and deposits from financial institutions without agreed maturities or deadline	869.2	318.9
601.0	300.6	Loans and receivables from financial institutions with agreed maturities or deadline	601.6	301.3
601.0	**300.6**	**Liabilities to financial institutions**	**1,470.7**	**620.2**

NOTE 40 – DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
10,245,4	9,619.4	Deposits from and liabilities to customers without agreed maturity	10,321.3	9,707.1
4,599.8	5,172.3	Deposits from and liabilities to customers with agreed maturity	4,599.9	5,172.4
14,845.1	**14,791.7**	**Deposits from and liabilities to customers**	**14,921.2**	**14,879.5**

Geographical distribution of deposits

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
5,572.4	5,349.7	Drammen	5,649.6	5,437.6
2,226.1	2,175.4	Øvre Eiker	2,225.2	2,175.4
808.8	802.6	Asker/Bærum	808.8	802.6
1,363.1	1,303.2	Rest of Viken	1,363.3	1,303.2
2,672.6	3,049.5	Oslo	2,672.6	3,049.5
648.8	608.1	Vestfold/Telemark	648.8	608.1
1,430.0	1,378.3	Rest of Norway	1,429.8	1,378.3
123.0	124.7	Abroad	123.0	124.7
14,845.1	**14,791.7**	**Total**	**14,921.2**	**14,879.5**

Distribution of deposits by sector and industry

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
8,440.4	8,388.9	Salaried employees	8,438.8	8,388.5
621.3	543.7	Public administration	621.3	543.7
106.4	101.9	Agriculture, forestry and fishing	106.4	101.9
862.2	1,149.9	Industry and mining, power and water supply	862.2	1,149.9
568.6	627.8	Building and construction	568.6	627.8
449.8	442.1	Wholesale and retail trade, hotels and restaurants	449.8	442.1
476.5	219.4	Transport and communications	476.5	219.4
1,362.9	1,453.5	Business financial services	1,362.9	1,453.5
889.5	821.0	Other service industries	889.5	821.0
944.6	918.6	Real estate sales and operation	1,022.2	1,006.8
123.0	124.7	Abroad	123.0	124.7
14,845.1	**14,791.7**	**Total**	**14,921.2**	**14,879.5**

NOTE 41 – SECURITIES ISSUED

Securities issued	**31.12.20**	**31.12.19**
Bond loans, nominal value	22,717.0	22,065.0
Value adjustments (including premium/discount)	314.0	87.2
Accrued interest	79.9	109.5
Securities issued	**23,111.0**	**22,261.7**

Change for securities issued 2020	**31.12.19**	**Issued**	**Due/redeemed**	**Change in own holdings**	**Other changes incl. currency**	**31.12.20**
Bond loans, nominal value	8,915.0	0.0	1,370.0	0.0	0.0	7,545.0
Covered bonds, nominal value in NOK	13,150.0	5,000.0	2,800.0	178.0	0.0	15,172.0
Value adjustments (including premium/discount)	87.2	0.0	0.0	0.0	226.9	314.1

Accrued interest	109.5	0.0	0.0	0.0	-29.6	79.9
Securities issued	**22,261.7**	**5,000.0**	**4,170.0**	**178.0**	**197,3**	**23,111.0**

Change for securities issued 2019	**31.12.18**	**Issued**	**Due/redeemed**	**Change in own holdings**	**Other changes incl. currency**	**31.12.19**
Bond loans, nominal value	9,657.0	1,450.0	2,192.0	0.0	0.0	8,915.0
Covered bonds, nominal value in NOK	11,758.0	2,500.0	508.0	600.0	0.0	13,150.0
Covered bonds, nominal value in SEK (translated to NOK)	290.8	0.0	276.8	0.0	-14.0	0.0
Value adjustments (including premium/discount)	170.9	0.0	0.0	0.0	-83.7	87.2
Accrued interest	94.1	0.0	0.0	0.0	15.4	109.5
Securities issued	**21,970.8**	**3,950.0**	**2,976.8**	**600.0**	**-82.3**	**22,261.7**

Group	**Outstanding volume 2020***	**Average balance 2020**	**Weighted effective interest rate 2020**	**Outstanding volume 2019***	**Avg. balance 2019**	**Weighted effective interest rate 2019**
Bond loans	23,031.0	22,923.1	1.57%	22,152.2	22,139.2	2.15%
Securities issued	**23,031.0**	**22,923.1**	**1.57%**	**22,152.2**	**22,139.2**	**2.15%**

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

Parent bank	**Outstanding volume 2020***	**Average balance 2020**	**Weighted effective interest rate 2020**	**Outstanding volume 2019***	**Avg. balance 2019**	**Weighted effective interest rate 2019**
Bond loans	7,545.0	8,716.2	1.70%	8,893.5	9,089.5	2.30%
Securities issued	**7,545.0**	**8,716.2**	**1.70%**	**8,893.5**	**9,089.5**	**2.30%**

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

NOTE 42 – SUBORDINATED LOAN CAPITAL

Change in subordinated loan capital 2020	31.12.19	Issued	Due/redeemed	Change in own holdings	Other changes incl. currency	31.12.20
Ordinary subordinated loan capital, nominal value	400.0	0.0	0.0	0.0	0.0	400.0
Value adjustments (including premium/discount)	-0.5	0.0	0.0	0.0	0.2	-0.3
Accrued interest	0.8	0.0	0.0	0.0	-0.4	0.4
Subordinated loan capital	**400.4**	**0.0**	**0.0**	**0.0**	**-0.2**	**400.1**

Change in subordinated loan capital 2019	31.12.18	Issued	Due/redeemed	Change in own holdings	Other changes incl. currency	31.12.19
Ordinary subordinated loan capital, nominal value	400.0	0.0	0.0	0.0	0.0	400.0
Value adjustments (including premium/discount)	-0.7	0.0	0.0	0.0	0.2	-0.5
Accrued interest	0.7	0.0	0.0	0.0	0.1	0.8
Subordinated loan capital	**400.0**	**0.0**	**0.0**	**0.0**	**0.3**	**400.4**

	Outstanding volume 2020*	Average balance 2020	Weighted effective interest rate 2020	Outstanding volume 2019*	Avg. balance 2019	Weighted effective interest rate 2019
Subordinated bond loan	399.7	399.7	2.29%	399.5	399.4	2.92%
Subordinated loan capital	**399.7**	**399.7**	**2.29%**	**399.5**	**399.4**	**2.92%**

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

NOTE 43 – LONG-TERM BORROWING BY MATURITY

Long-term borrowing as at 31.12.20 – Group

	Loans from financial institutions	Bond loans	Covered bonds	Subordinated loans	Total
2021	300.0	1,470.0	1,522.0	0.0	3,292.0
2022	0.0	1,800.0	2,500.0	0.0	4,300.0
2023	60.0	1,300.0	2,500.0	400.0	4,260.0
2024	60.0	1,700.0	2,500.0	0.0	4,260.0
2025	60.0	525.0	2,500.0	0.0	3,085.0
2026	60.0	750.0	3,250.0	0.0	4,060.0
2027	60.0	0.0	0.0	0.0	60.0
2028	0.0	0.0	0.0	0.0	0.0
2029 and thereafter	0.0	0.0	400.0	0.0	400.0
Gross borrowing	600.0	7,545.0	15,172.0	400.0	23,717.0
Accrued interest	1.2	57.8	22.2	0.5	81.5
Direct costs and premium/discount	-0.2	0.6	2.6	-0.3	2.7
Value adjustments	0.0	152.4	158.4	0.0	310.8
Net borrowing	**601.0**	**7,755.8**	**15,355.1**	**400.1**	**24,112.0**

Call/put loans by call/put date.

Long-term borrowing as at 31.12.20 – parent bank

	Loans from financial institutions	Bond loans	Subordinated loans	Total
2021	1,169.8	1,470.0	0.0	2,639.8
2022	0.0	1,800.0	0.0	1,800.0
2023	60.0	1,300.0	400.0	1,760.0
2024	60.0	1,700.0	0.0	1,760.0
2025	60.0	525.0	0.0	585.0
2026	60.0	750.0	0.0	810.0
2027	60.0	0.0	0.0	60.0
2028	0.0	0.0	0.0	0.0
2029 and thereafter	0.0	0.0	0.0	0.0
Gross borrowing	1,469.8	7,745.0	400.0	9,414.8
Accrued interest	1.2	57.8	0.5	59.4
Direct costs and premium/discount	-0.2	0.6	-0.3	0.1
Value adjustments	0.0	152.4	0.0	152.4
Net borrowing	**1,470.7**	**7,755.8**	**400.1**	**9,626.7**

Call/put loans by call/put date.

NOTE 44 – OTHER LIABILITIES

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
3.7	0.5	Liabilities linked to money-transfer services	3.7	0.5
93.7	64.7	Provisions for social dividends	93.7	64.7
10.5	6.0	Accounts payable	8.6	3.1
266.0	88.6	Exchanged collateral, CSA	143.8	14.3
41.0	40.0	Other liabilities	40.6	35.0
414.8	**199.8**	**Other liabilities**	**290.9**	**117.6**

NOTE 45 – OTHER PROVISIONS AND LIABILITIES

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
61.7	66.5	Pension liabilities (see note 46)	60.2	64.8
1.2	0.8	Loan loss provisions, unused credit and guarantees	1.1	0.7
62.9	**67.4**	**Other provisions and liabilities**	**61.3**	**65.5**

NOTE 46 – PENSION LIABILITIES

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

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

Defined-benefit pension scheme

Sparebanken Øst has a collective pension scheme in Storebrand Livsforsikring AS. This is a defined-benefit scheme and includes retirement pensions for scheme members, and spouse and child pensions for members' surviving families. The defined-benefit scheme currently covers 200 persons: 66 active employees, 114 retirement pensioners and 20 who are completely or partly disabled with premium reduction according to degree of disability. The scheme has been closed. Pension liabilities are entered to accounts in accordance with IAS 19, which requires that the present value of pension liabilities minus the market value of pension funds should be included on the balance sheet. Actuarial calculations are carried out each year on the basis of the information provided by the Bank.

Defined-contribution pension scheme

On 01.01.07, Sparebanken Øst introduced a defined-contribution pension scheme for all new employees in the Bank. The scheme is managed by Storebrand Livsforsikring AS. 5 per cent of salaries between 1G and 7.1G (G = the National Insurance basic amount) and 8 per cent of salaries between 7.1G and 12G are paid. The paid contributions are managed in various Storebrand funds. One person in the executive management team has a defined-contribution scheme for salary above 12G. At the end of the year, the defined-contribution scheme covered 102 employees, seven of whom receive disability pensions. The premiums for these are paid and expensed in 'Personnel expenses' in the accounts on an ongoing basis.

Subsidiaries

AS Financiering has a collective pension scheme which comprises 15 persons, seven of whom are active and eight disabled/retired. The scheme has been closed. Ten employees have defined-contribution schemes, of which one is disabled. Sparebanken Øst Eiendom AS has a defined-benefit scheme that covers one disability pensioner. This is active. The scheme has been closed. One employee corresponding to 0.2 FTEs has an defined-contribution scheme. At the end of the year, Øst Inkasso AS had no employees.

Operating pensions

The Group has separate pension agreements in place for eight people on salaries above 12G, all of whom are no longer employed by the Group. These operating pensions are taken into account in the calculations from the actuary.

Contractual early retirement pension (AFP)

The parent bank and Øst Inkasso AS are members 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 covers 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 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 capitalised. Premiums for the scheme are expensed as they are incurred.

Contributions to the AFP scheme are included in the accounts under 'Personnel expenses', and comprised NOK 1.7 million in 2020 and NOK 1.9 million in 2019. It is estimated that next year's premium will be NOK 1.8 million.

An employee (member) must meet a number of criteria to be entitled to a contractual early retirement pension (AFP). 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 3 years, and have been employed in an organisation affiliated with the scheme for 7 of the past 9 years. AFP provides employees with a lifelong premium to the retirement pension from the National Insurance Scheme.

The scheme is administrated by the 'Fellesordningen for AFP', which also determines and collects the scheme's premium. The premium shall be set such that it is sufficient to cover current costs and also provides a basis for the arrangement of a pension fund.

In 2020, the premium was 2.5 per cent of salary between 1G and 7.1G. The premium rate for 2021 is unchanged and will be 2.5 per cent. The premium model is based on actual paid salary.

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

The transitional supplement in the financial services sector was clarified in January 2020. The transitional supplement is a temporary extra benefit for employees who retire on an AFP and stop working. The scheme only applies to people born between 1955 and 1960 and will be closed to new participants at the end of 2022. The scheme came into effect on 01.01.19 and to be entitled to the supplement an employee's income must not have exceeded an average of 6G in the last 3 years before drawing the pension. The payout period is from age 62 (at the earliest) to 72 and the benefit amounts to 0.15G per year, unchanged for the entire payout period. The scheme will end in 2032. At the end of 2020, five people were receiving payments under the scheme. A further 17 people had the right to claim a transitional supplement within the duration of the scheme at the end of 2020. In 2020, NOK 0.1 million was paid out in transitional supplements on an ongoing basis and a provision of NOK 3.8 million was made for future obligations in 2020. Payments and changes in provisions for obligations are recognised as costs on the accounting line 'Personnel expenses'. At the end of 2020, provisions for the obligation amounted to NOK 3.8 million and were recognised on the accounting line 'Accruals and deferred income' on the balance sheet.

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 8 years, whilst AS Financiering's calculations are based on 8 years. Sparebanken Øst Eiendom AS has no active members in the scheme.

Actuarial assumptions

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

Qualification

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

Financial assumptions	**2020**	**2019**
Expected return on pension funds	1.70%	2.30%
Discount rate	1.70%	2.30%
Annual salary growth	1.75%	1.75%
Annual G adjustment	2.00%	2.00%
Annual pension regulation	0.00%	0.50%

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

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

Risk assessment

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

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

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

Inflation and salary growth risk: The Group's pension liability 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 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Net pension costs, defined-benefit scheme		
6.1	6.2	Present value of annual pension savings	5.5	5.6
1.5	2.0	Interest costs for pension liabilities	1.5	1.9
7.6	**8.2**	**Net pension costs including employers' National Insurance contribution**	**7.0**	**7.6**
3.9	0.0	Payments and changes in provisions for transitional supplement for AFP	3.9	0.0
3.4	3.1	Premium paid, defined-contribution scheme	3.0	2.7
1.6	1.9	Premium paid, AFP scheme	1.6	1.9
16.5	**13.3**	**Total pension costs in ordinary result**	**15.5**	**12.2**

Specification of pension liabilities and pension funds – Group

Funded 2020	Unfunded 2020	Total 2020		Funded 2019	Unfunded 2019	Total 2019
			Change in gross pension liabilities			
266.7	28.9	295.5	Pension liabilities as at 01.01.	268.0	30.0	298.0
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
5.7	0.2	5.9	Costs of current period's pension earnings	5.8	0.2	6.0
6.1	0.6	6.7	Interest costs	6.9	0.8	7.7
4.4	0.5	4.9	Actuarial gains and losses	-4.0	-0.5	-4.5
-9.6	-1.9	-11.5	Disbursement of pension/paid-up policies	-10.0	-1.6	-11.6
273.2	**28.3**	**301.6**	**Gross pension liabilities as at 31.12.**	**266.7**	**28.9**	**295.5**
			Change in gross pension funds			
229.0	0.0	229.0	Fair value of pension funds as at 01.01.	220.4	0.0	220.4
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
5.0	0.0	5.0	Actual return on pension funds	5.4	0.0	5.4
2.6	0.0	2.6	Actuarial gains and losses	-0.5	0.0	-0.5
12.8	0.0	12.8	Premium payments	11.5	0.0	11.5
-9.5	0.0	-9.5	Disbursement of pension/paid-up policies	-7.8	0.0	-7.8
239.9	**0.0**	**239.9**	**Fair value of pension funds as at 31.12.**	**229.0**	**0.0**	**229.0**
33.4	**28.3**	**61.7**	**Net pension liabilities (+)/- pension funds (-)**	**37.7**	**28.9**	**66.5**

2020		2019
66.5	**Net pension liabilities as at 01.01.**	**77.6**
7.6	Recognised pension costs	8.2
0.0	Additions and disposals	0.0
2.4	Actuarial gains and losses	-4.1
-12.8	Paid-in pension premiums	-11.5
-2.0	Pension payments	-3.8
61.7	**Net capitalised pension liabilities as at 31.12.**	**66.5**
12.6	Expected premium payment next year, defined-benefit scheme	12.7
3.6	Expected premium payment next year, defined-contribution scheme	3.3
1.8	Expected premium payment next year, contractual early retirement pension scheme (AFP)	2.0
	Investment of pension funds in per cent	
8.5%	Shares	14.8%
9.7%	Bonds	11.2%

20.4%	Loans	13.1%
34.9%	Facilities	36.4%
6.5%	Money market	7.6%
2.0%	Business loans	1.6%
15.1%	Property	13.4%
2.9%	Alternative investments	0.7%
5.6%	Booked returns totalled	3.6%

Sensitivity analysis, defined-benefit schemes
The sensitivity analysis is conducted by changing an actuarial assumption while simultaneously keeping the other assumptions unchanged. Actual results may differ significantly from these estimates.

Change in percentage points	Discount rate + 0.5%	Discount rate - 0.5%	Annual salary growth/ basic amount + 0.5%	Annual salary growth/ basic amount - 0.5%	Annual adjustment of pensions + 0.5%	Annual adjustment of pensions - 0.0%
Percentage change in pension						
- Pension liability	-8.8%	9.9%	2.0%	-1.9%	7.8%	0.0%
- Net pension costs for the period	-10.5%	12.1%	4.4%	-4.3%	8.0%	0.0%

The pension liability 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 liability. A reduction in the discount rate of 0.5 percentage point will increase pension liabilities by around 9.9 per cent. An increase in salary adjustments and the adjustment of pensions will result in an increase in the pension liability.

The maturity structure for the Group's net pension liabilities for the next 10 years was as follows as at 31.12.20.

	Amou nt	As a percentage of gross pension liability
Under 1 year	10.5	3.5%
Year 2	10.2	3.4%
Year 3	9.7	3.2%
Year 4	10.1	3.3%
Year 5	10.3	3.4%
Years 6-10	60.5	20.1%
Total	111.3	36.9%

Specification of pension liabilities and pension funds – parent bank

2020 Funded	2020 Unfunde d	2020 Total		2019 Funded	2019 Unfunde d	2019 Total
			Change in gross pension liabilities			
250.0	28.4	278.4	Pension liabilities as at 01.01.	251.4	29.6	281.0
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
5.2	0.2	5.4	Costs of current period's pension earnings	5.3	0.2	5.5
5.7	0.6	6.3	Interest costs	6.5	0.7	7.2
4.7	0.5	5.3	Actuarial gains and losses	-3.9	-0.5	-4.4
-9.1	-1.9	-10.9	Disbursement of pension/paid-up policies	-9.2	-1.6	-10.9
256.6	**27.9**	**284.4**	**Gross pension liabilities as at 31.12.**	**250.0**	**28.4**	**278.4**
			Change in gross pension funds			
213.6	0.0	213.6	Fair value of pension funds as at 01.01.	205.5	0.0	205.5
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
4.7	0.0	4.7	Return on pension funds	5.1	0.0	5.1
2.8	0.0	2.8	Actuarial gains and losses	-0.7	0.0	-0.7
12.2	0.0	12.2	Premium payments	10.9	0.0	10.9
-9.1	0.0	-9.1	Disbursement of pension/paid-up policies	-7.2	0.0	-7.2
224.2	**0.0**	**224.2**	**Fair value of pension funds as at 31.12.**	**213.6**	**0.0**	**213.6**
32.3	**27.9**	**60.2**	**Net pension liabilities (+)/- pension funds (-)**	**36.4**	**28.4**	**64.8**

2020		2019

64.8	**Net pension liabilities as at 01.01.**	**75.5**
7.0	Recognised pension costs	7.6
0.0	Additions and disposals	0.0
2.5	Actuarial gains and losses	-3.7
-12.2	Paid-in pension premiums	-10.9
-1.9	Pension payments	-3.7
60.2	**Net capitalised pension liabilities as at 31.12.**	**64.8**
11.9	Expected premium payment next year, defined-benefit scheme	11.9
3.2	Expected premium payment next year, defined-contribution scheme	2.8
1.8	Expected premium payment next year, contractual early retirement pension scheme (AFP)	2.0
	Investment of pension funds in per cent	
8.5%	Shares	14.8%
9.7%	Bonds	11.2%
20.4%	Loans	13.1%
34.9%	Facilities	36.4%
6.5%	Money market	7.6%
2.0%	Business loans	1.6%
15.1%	Property	13.4%
2.9%	Alternative investments	0.7%
5.6%	Booked returns totalled	3.6%

Sensitivity analysis, defined-benefit schemes

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

	Discount rate		**Annual salary growth/ basic amount**		**Annual adjustment of pensions**	
Change in percentage points	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0.0%**
Percentage change in pension						
- Pension liability	-8.8%	10.0%	1.9%	-1.8%	8.0%	0.0%
- Net pension costs for the period	-10.7%	12.4%	4.4%	-4.2%	8.3%	0.0%

The pension liability 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 liability. A reduction in the discount rate of 0.5 percentage point will increase pension liabilities by around 10.0 per cent. An increase in salary adjustments and the adjustment of pensions will result in an increase in the pension liability.

The maturity structure for the parent bank's net pension liabilities for the next 10 years was as follows as at 31.12.20.

	Amount	**As a percentage of gross pension liability**
Under 1 year	10.0	3.5%
Year 2	9.6	3.4%
Year 3	9.2	3.2%
Year 4	9.5	3.3%
Year 5	9.8	3.4%
Years 6-10	56.9	20.0%
Total	104.9	36.9%

NOTE 47 – GUARANTEE LIABILITIES

Group 2020	**Group 2019**		**Parent bank 2020**	**Parent bank 2019**

35.4	14.0	Payment guarantees	35.4	14.0
33.3	42.6	Contract guarantees	33.3	42.6
12.6	20.5	Loan guarantees	12.6	20.5
9.7	10.5	Other guarantee liabilities	9.7	10.5
91.0	**87.6**	**Total guarantee liabilities to customers**	**91.0**	**87.6**

The parent bank has issued a guarantee for all covered bond commitments in the mortgage credit company in connection the rating process for Sparebanken Øst Boligkreditt AS. Covered bonds amounted to a nominal value of NOK 15,172.0 million as at 31.12.20 compared with a nominal value of NOK 13,150.0 million as at 31.12.19. The parent bank's holdings of covered bonds with a nominal value of NOK 778,0 million (NOK 600,0 million as at 31.12.19) has been excluded.

NOTE 48 – PLEDGED ASSETS AND PREFERENTIAL RIGHTS

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
1,520.0	410,0	Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	1,520.0	410.0
1,520.0	**410.0**	**Pledges of security**	**1,520.0**	**410.0**
15,950.0	**13,750.1**	**Preferential rights in accordance with section 11-15 of the Financial Institutions Act (nominal value)**	**0.0**	**0.0**

NOTE 49 – COSTS RELATED TO THE DEPOSIT GUARANTEE SCHEME FUND AND CRISIS ACTION FUND

Section 19-2 of the Financial Institutions Act requires all Norwegian banks to be members of the deposit guarantee scheme for banks. The scheme guarantees eligible deposits up to NOK 2 million per depositor, cf. section 19-3(2) of the Financial Institutions Act, as well as deposits as mentioned in section 19-(2) of the Financial Institutions Act. Sparebanken Øst pays annual contributions to the deposit guarantee scheme.

Section 20-51 of the Financial Institutions Act instructs banks and financial institutions to pay annual contributions to the crisis action fund.

Both the deposit guarantee scheme and the crisis action fund are administered by the Norwegian Banks' Guarantee Fund. The annual cost of the funds is included in the line 'Interest costs'.

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
5.8	3.9	Deposit guarantee scheme	5.8	3.9
9.1	6.7	Crisis action fund	6.9	5.2
15.0	**10.5**	**Total**	**12.7**	**9.0**

NOTE 50 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENT

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
		Cash and cash equivalents		
409.4	302.5	Cash and receivables from central banks	409.4	302.5
13.4	15.9	Loans to and receivables from financial institutions that are pure investments	13.4	15.9
422.8	**318.4**	**Total**	**422.8**	**318.4**
		Change in other assets in connection with operations		
20.7	-7.6	Net change in financial derivatives (net assets and liabilities)	20.7	-7.7
10.9	-10.0	Net change in other assets	-3.9	-5.7
31.6	**-17.6**	**Total**	**16.9**	**-13.4**

		Non-cash items included in profit/loss before tax		
27.3	25.7	Depreciation/write-downs of tangible fixed assets and lease rights	26.7	25.0
0.0	0.0	Amortisation of financial investments held to maturity	0.0	0.0
12.1	10.5	Write-downs of financial assets	4.0	-0.3
2.9	-2.2	Amortisation of financing activities measured at amortised cost	-0.7	0.4
42.3	**34.0**	**Total**	**30.0**	**25.1**

NOTE 51 - ADDITIONAL TIER 1 CAPITAL

Additional Tier 1 capital and interest earned on additional Tier 1 capital are presented as equity.

Additional Tier 1 capital, change in 2020	**31.12.19**	**Issued**	**Due/redeemed**	**Change in own holdings**	**Other changes incl. currency**	**31.12.20**
Additional Tier 1 capital, nominal value	350.0	0.0	0.0	0.0	0.0	350.0
Value adjustments (including premium/discount)	0.0	0.0	0.0	0.0	0.0	0.0
Accrued interest	2.4	0.0	0.0	0.0	-0.7	1.7
Additional Tier 1 capital	**352.4**	**0.0**	**0.0**	**0.0**	**-0.7**	**351.7**

Additional Tier 1 capital, change in 2019	**31.12.18**	**Issued**	**Due/redeemed**	**Change in own holdings**	**Other changes incl. currency**	**31.12.19**
Additional Tier 1 capital, nominal value	350.0	0.0	0.0	0.0	0.0	350.0
Value adjustments (including premium/discount)	0.0	0.0	0.0	0.0	0.0	0.0
Accrued interest	0.5	0.0	0.0	0.0	1.9	2.4
Additional Tier 1 capital	**350.5**	**150.0**	**150.0**	**0.0**	**1.9**	**352.4**

	Outstanding volume 2020*	**Average balance 2020**	**Weighted effective interest rate 2020**	**Outstanding volume 2019***	**Avg. balance 2019**	**Weighted effective interest rate 2019**
Additional Tier 1 capital	350.0	350.0	4.45%	350.0	363.1	4.93%
Additional Tier 1 capital	**350.0**	**350.0**	**4.45%**	**350.0**	**363.1**	**4.93%**

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

NOTE 52 - EQUITY CERTIFICATES

Earnings per equity certificate

Earnings per equity certificate are calculated by dividing the part of the earnings after tax that accrues to equity certificate holders by a weighted average number of outstanding equity certificates during the year.

Sparebanken Øst has issued no options or other instruments that may lead to the dilution of earnings per equity certificate. Diluted earnings per equity certificate will therefore be the same as earnings per equity certificate.

Group 2020	Group 2019		Parent bank 2020	Parent bank 2019
437.2	311.5	Equity certificate holders' and primary capital share of profits	419.0	289.7
137.3	101.1	Profit after tax attributable to equity certificate holders	131.5	94.0
20.7	20.7	Weighted average number of outstanding equity certificates	20.7	20.7
6.62	4.87	Earnings per equity certificate (NOK)	6.34	4.54

Weighted number of equity certificates

2020	
No. of certificates in 2020	20,731,183
Total no. of certificates in 2020	20,731,183
2019	
No. of equity certificates in 2019	20,731,183
Total no. of equity certificates in 2019	20,731,183

Nominal value per equity certificate NOK 10.

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

Ownership fraction, parent bank

	01,01,21	01.01.20
Equity certificate capital	207.3	207.3
Premium reserve	387.8	387.8
Equalisation fund (excl. dividend)	319.4	331.1
Share of Fund for Unrealised Gains	128.7	87.1
Total numerator (A)	1,043.2	1,013.3
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3,525.6	3,227.6
Total denominator (B)	3,525.6	3,227.6
Ownership fraction (A/B) in per cent*	**29.59**	**31.40**

* The Board of Directors' proposed dividends for 2020 of up to NOK 93.3 million (up to NOK 4.50 per equity certificate) for equity certificate holders and of up to NOK 25.9 million for good causes were deducted in the calculation of the ownership fraction as at 01.01.21.

The Board's proposed dividend*

NOK	2020	2019
Total dividend paid out	93,290,324	74,632,259
Paid out per equity certificate	4.50	3.60

* The Board of Directors has recommended a dividend of up to NOK 93.3 million for 2020 (up to NOK 4.50 per equity certificate), where NOK 72.6 million (NOK 3.50 per equity certificate) is payable based on the Board of Trustees decision on 25.03.21 and the Board of Trustees has given the Board of Directors special authorisation to make a decision on paying a dividend of up to NOK 20.7 million (up to NOK 1.00 per equity certificate) at the earliest on 01.10.21 and by no later than the annual meeting of the Board of Trustees in 1,00.

Largest equity certificate holders as at 31.12.20

	Name	Number	%		Name	Number	%
1	MP Pensjon	1,657,815	8.00%	11	AS Andersen Eiendomsselskap	238,900	1.15%
2	Cape Invest AS	1,140,000	5.50%	12	Skandinaviska Enskilda Banken AB	180,000	0.87%
3	Directmarketing Invest AS	999,500	4.82%	13	Profond AS	172,046	0.83%
4	VPF Eika egenkapitalbevis	967,730	4.67%	14	Johansen, Kjell Petter	152,000	0.73%
5	Hansen, Asbjørn Rudolf	445,502	2.15%	15	Løkke, Helge Arnfinn	148,433	0.72%
6	Foretakskonsulenter AS	409,841	1.98%	16	Morgan Stanley & Co. International	147,826	0.71%
7	Jag Holding AS	303,897	1.47%	17	Seriana AS	130,931	0.63%
8	Storetind AS	275,000	1.33%	18	Niwjo Invest AS	124,000	0.60%
9	Wenaasgruppen AS	273,000	1.32%	19	Julius Johannessen & Sønner A/S	121,200	0.58%
10	BKK Norwegian Public Service Pension Fund	250,000	1.21%	20	The estate of Hellik Teigen	120,400	0.58%

Development in equity certificate capital

Year	Issue type	Paid-up equity certificate capital		Total equity certificate capital	
1988	Public issue	NOK	25,000,000	NOK	25,000,000
1989	Issue 1:1	NOK	25,000,000	NOK	50,000,000
1991	Issue 1:2	NOK	25,000,000	NOK	75,000,000
1991	Private placement	NOK	20,000,000	NOK	95,000,000
1993	Converted subordinated loan	NOK	15,531,000	NOK	110,531,000
1993	Issue 1:3	NOK	36,843,700	NOK	147,374,700
1993	Converted subordinated loan	NOK	245,000	NOK	147,619,700
1994	Converted subordinated loan	NOK	5,128,000	NOK	152,747,700
1994	Issue 1:3	NOK	50,915,900	NOK	203,663,600
1995	Converted subordinated loan	NOK	395,000	NOK	204,058,600
1996	Converted subordinated loan	NOK	808,000	NOK	204,866,600
1997	Converted subordinated 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	Write-down of nominal value from NOK 100 to NOK 20	NOK	310,345,520	NOK	77,586,380
2009	Write-down of nominal value from NOK 20 to NOK 10	NOK	38,793,190	NOK	38,793,190
2009	Preferential rights issue	NOK	168,518,640	NOK	207,311,830

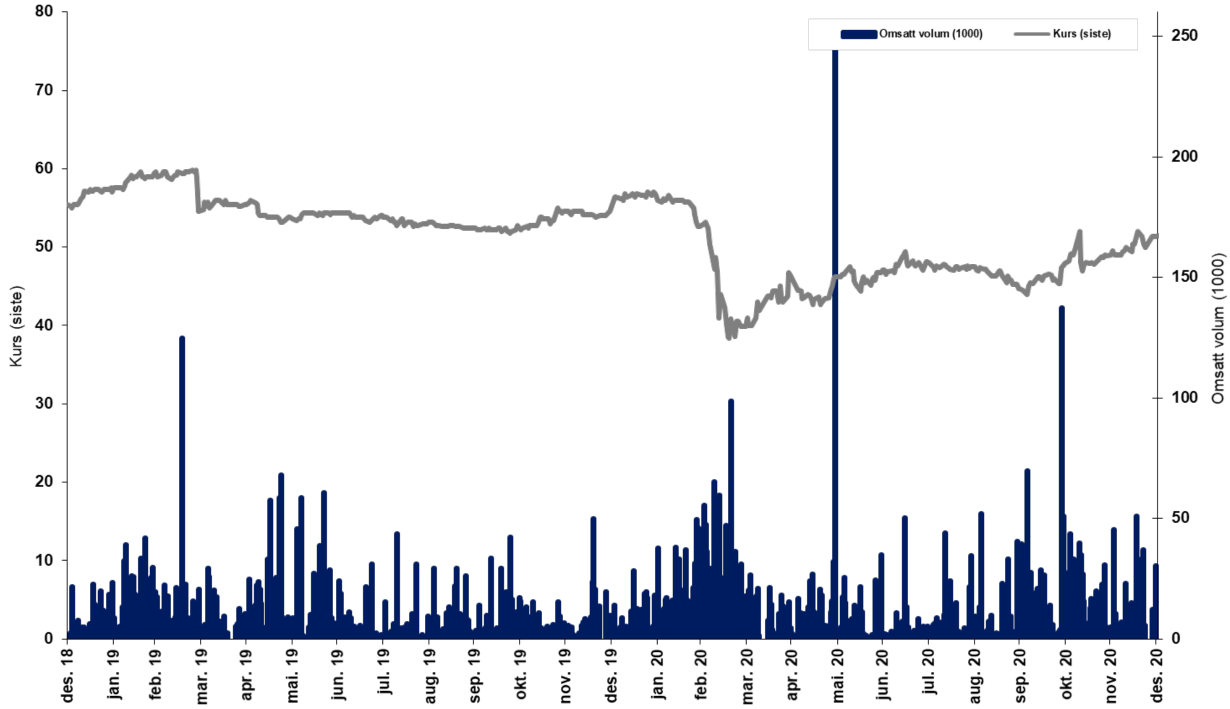
Owner statistics, geographical distribution

	No. of owners	%	No. of equity certificates	%
Abroad	89	2.9%	1,222,371	5.9%
Drammen	384	12.7%	3,078,254	14.8%
Øvre Eiker	246	8.1%	753,238	3.6%
Asker/ Bærum	191	6.3%	1,065,995	5.1%
Rest of Viken	536	17.7%	1,475,388	7.1%
Oslo	535	17.7%	6,398,513	30.9%
Trondheim	69	2.3%	302,454	1.5%
Bergen	147	4.9%	770,536	3.7%
Rest of Norway	830	27.4%	5,664,434	27.3%
Total	**3,027**	**100.0%**	**20,731,183**	**100.0%**

Equity certificates distribution

No. of equity certificates per owner	No. of owners	%	No. of equity certificates	%
1-100	499	16.5%	22,617	0.1%
101–1,000	1,154	38.1%	557,182	2.7%
1,001–10,000	1,082	35.7%	4,023,941	19.4%
10,001–100,000	267	8.8%	7,335,527	35.4%
100,001-	25	0.8%	8,791,916	42.4%
Total	**3,027**	**100.0%**	**20,731,183**	**100.0%**

Sales and price trend in last 2 years



NOTE 53 - ELECTED REPRESENTATIVES

Board of Trustees	No. of equity certificates
Jon Aas	25,931
May-Britt Andersen	0
Ole Jørgen Smedsrud	1,000
Tor Flesaker	0
Knut Andersen	0
Morten Ranvik	0
Thomas F. Halvorsen	0
Nina Paulsen Viland	0
Kim Mogen Myhre	0
Thor Sigurd Syvaldsen	0
Syed Wali Haider Gilani	0
Trine Astrid Borge Johansen	0
Ann Kristin Plomås	0
Frode Lindbeck	3,428
Vegard Kvamme	3,000
Rolf Arne Fjelltoft	15
Brynulf Kopperud	0
Siren Coward	117
Camilla Schenk	0
Bente Niemann	6,153
Ole B. Hoen (representing Hoen Invest AS)	26,284
Lars M. Lunde (representing MP Pensjon)	1,657,815
Tom R. Svendsen	500
Johan H. Vister	13,360
Lina Andal Sørby	3,543
Svein L. Syversen	40,000
Asbjørn R. Hansen	445,502
Kåre J. Grøtta (representing Storetind AS)	275,000
Kristin Nystrøm	39,728
Erlend Ramnefjell (representing Investmaer AS)	3,000

Board of Directors and personal close associates	No. of equity certificates
Øivind Andersson	45,000
Elly Therese Thoresen	360
Cecilie Hagby	0
Jorund Rønning Indrelid	34,485
Arne K. Stokke	6,012
Sissel Album Fjeld	175
Ole-Martin Solberg	0

Executive personnel and personal close associates	No. of equity certificates
Pål Strand	40,000
Kjell Engen	0
Eivind W. Cristiansen	2,200
Kjartan Reve	4,000
Arnljot Lien	0
Kirsten B. Østby-Deglum	0
Thor-Henning Bråthen	2,000
Frode Lindbeck	3,428
Kristoffer Volden	0