Annual Report 2022

SPAREBANKEN ØST | 180TH YEAR

SPAREBANKEN ØST

Key figures

	2018	2019	2020	2021	2022
Profitability					
Return on equity*	10,81	8,74	11,47	8,86	6,65
Net interest income as a % of average total assets	1,45	1,51	1,46	1,34	1,49
Profit/loss after income tax as a % of average total assets	0,96	0,77	1,05	0,79	0,65
Costs as a % of average total assets	0,74	0,65	0,68	0,65	0,67
Costs as a percentage of income (before losses on loans/guarantees)*	38,16	38,50	35,04	40,17	44,35
Costs as a percentage of income, exclusive of return on financial inves	45,29	39,57	42,50	45,55	42,60
Balance sheet figures					
Net lending to customers	35,147.4	34,225.2905(	35,443.8473:	39,386.6679:	36,800.214077000004
Lending growth (12 months)	13,48	-2,62	3,56	11,12	-6,57
Deposits	14,899.7	14,791.6608(	14,845.1466(	17,578.9104(	15,761.344142
Deposit growth (12 months)	6,64	-0,73	0,36	18,42	-10,34
Average equity	3,354.9	3,564.63762:	3,812.90323(	4,076.46764;	4,172.870994999999
Average total assets	38,986.58	42,504.4703	43,298.9811(	47,242.1235(	45,926.663612373995
Write-downs of impaired and non-performing loans					
Losses as a percentage of net lending to customers (OB)*	0,06	0,05	0,04	0,00	0,02
Loan loss provisions as a % of gross lending to customers*	0,29	0,33	0,35	0,32	0,31
Net payments over 90 days past due as a % of net lending*	0,35	0,37	0,29	0,20	0,21
Other net non-performing commitments (Stage 3) as a % of net lending	0,19	0,02	0,02	0,31	0,14
Solvency					
CET1 capital ratio	16,39	17,69	17,96	18,24	20,11
Tier 1 capital ratio	18,15	19,49	19,67	19,89	21,94
Capital adequacy	19,87	21,25	21,34	21,78	24,03
Risk-weighted volume (calculation basis)	19,959.5	19,450.3	2,0471.4153:	21,189.9669	19,086.99646384
Leverage ratio (%)	8,48	8,81	9,03	8,60	9,27
Liquidity					
Loan to deposit ratio (LDR)	42,39	43,22	41,88	44,63	42,83
LCR (%)	224,93	265,11	266,93	249,72	217,26
Branches and full-time equivalents					
Number of bank branches	27	28	29	29	30
Full-time equivalents	199	192	184	187	180
Equity certificates					
Ownership fraction**	34,40	32,45	31,40	29,59	28,59
No. of equity certificates	20,731,183	20,731,183	20,731,183	20,731,183	20,731,183
Book equity per equity certificate*	58,98	58,95	61,18	61,51	61,21
Earnings per equity certificate	6,01	4,87	6,62	5,16	3,83
Dividend per equity certificate	4,60	3,60	4,50	3,85	3,80
Turnover rate	28,16	15,17	20,64	28,53	16,30
Price	55,60	54,60	51,40	57,20	47,00

From the CEO

From uncertainty to even more uncertainty

We have had an eventful year, for better or worse. We were able to relax a little as we threw off the shackles of the pandemic restrictions that had affected us for the previous two years. Many of us were looking forward to travelling, meeting up, clearing away the home office and enjoying a concert or a football match without fear of infection. Russia's invasion of Ukraine in February shook us all and caused new uncertainty and greater concern, both nationally and internationally. Macroeconomic developments took a different turn, driven by soaring inflation, rising interest rates, a strained labour market, supply shortages and an energy crisis. Norges Bank raised interest rates six times in 2022, resulting in substantially higher borrowing rates for both mortgage customers and commercial loan customers in just a few quarters. Norwegians also had a historically negative view of their own finances at the beginning of 2023.

Solid and safe

Sparebanken Øst is a very solid savings bank. The bank's solvency provides the foundation for establishing a savings bank that will continue to be relevant for our customers in the future. Good banking sense and low risk make for sustainable business operations. In 2022, we have left behind us a year characterised by turbulence in the capital market and the large-scale effects of rising interest rates. Our results are good, particularly taking into account the capital weights that are used as a basis for a standard model bank and the distortions of competition that have arisen between IRB banks and standard model banks since January 2020. In light of the bank’s work to reduce the risk in its loan book in times of turbulence, we are pleased to note the positive net interest rate developments over the year and we are satisfied with our cost control and cost trend throughout the year.

Sparebanken Øst has exposure to the Norwegian bond market. Both the parent bank and Sparebanken Øst Boligkreditt AS issue bonds on the market. The bank's results in 2022 suffered from the negative effects of rising interest rates in our bond portfolio held for liquidity purposes, which is valued at market value on an ongoing basis. The negative impact on this bond portfolio was significant in 2022. The bank has recognised an unrealised negative effect that is characteristic of the bank's income statement for 2022.

We are there for our customers

Uncertain and challenging economic times for households and businesses mean we need to be there for our customers to an even greater extent than before. The bank is experiencing increasing demand for advice. The bank's advisers have shared their expertise with customers and provided sound financial advice throughout the year and we want to be able to continue to help customers through challenging times.

Being available and having a clear local presence establish confidence that Sparebanken Øst is also there for customers when the economic situation changes and becomes more demanding. We opened our 30th bank branch in Slemmestad in Asker municipality in May 2022.

Sparebanken Øst is popular with customers. Customer satisfaction levels that are among the very best in Norway are proof that we are a relevant, attractive and accessible provider of financial services to the general public. The bank's employees are of course vital in ensuring that we can conduct our business with the required quality at every level, enabling us to meet the expectations of the bank’s various stakeholders. In a more complex banking environment, our employees are meeting the greater demands placed on them in terms of competence, flexibility and performance levels. I would like to thank the bank's employees for their positive attitude and their great commitment in aiding the further development of the bank.

Sustainable future

Sparebanken Øst is committed to contributing to a more sustainable society. We have direct influence through our own operations and we can also have indirect influence through our customers. During 2022, the bank has gradually incorporated a range of sustainability measures as a natural part of our business. Over the past year, we have worked to define specific targets and measures. In 2022, the bank adopted the target of the bank achieving zero emissions by 2050.

Sparebanken Øst is entering its 180th year as a very solid, non-affiliated and independent savings bank. As we run our business with a low level of risk, while remaining relevant to our customers and having access to talented people, we can look forward to a 2023 filled with opportunities. The bank's central location gives us access to a large market and we expect to see customer growth, lending growth and deposit growth in the future. Sparebanken Øst is a proactive supplier of financial products and services to the general public and we are happy to play the role of troublesome competitor over the next few years.

About the bank

With a unique central location in Eastern Norway, Sparebanken Øst has direct access to a very large market. We pay particular attention to those sections of the market that offer high quality and low risk, we provide a simple bank for ordinary people and we want to be seen as a challenger in the market.

Sparebanken Øst is one of Norway's largest independent and non-aligned savings banks, but we differ from other large banks in our informal approach to dialogue and our short decision-making paths. Our position as an independent bank gives us significant freedom to choose solutions and partners that are in the best interests of our customers. We are also always looking to improve the customer experience and the products and services we offer.

Sparebanken Øst aims to be a profitable bank run on commercial principles, with the ambition of remaining relevant to the bank's stakeholders in the long term. We are a very solid savings bank. In addition to a high leverage ratio and a high CET1 capital ratio, we have a balance sheet with limited risk exposure. Growth in both the customer and product portfolios over time is a key tool for maintaining sound and profitable operations. Sparebanken Øst has adopted two overall financial targets in its strategy. The bank's solvency target is expressed as follows: the Group shall have a CET1 capital ratio corresponding to regulatory requirements plus a capital margin of 1.0 per cent. The bank's earnings target is expressed as follows: the Group shall have a return on equity of 9 per cent over time.

Sparebanken Øst calculates its solvency in accordance with the rules that apply to standard method banks. In their current form, these rules mean that a standard method bank will operate with substantially lower leverage than banks that calculate their solvency entirely or partly in accordance with the rules for IRB banks. These regulatory factors are currently distorting competition to the disadvantage of the standard method banks in the market. Sparebanken Øst expects future regulations, including Basel IV and Pillar 2, to reduce these competitive disadvantages of the standard method banks over the next few years.

Overall financial targets

Target	Objective
Profitability	Return on equity over time > 9%
Solvency	CET1 capital > regulatory requirements + 1%

Illustration: Map showing locations (NB: Add Slemmestad as a new location)

For ordinary people

We want to provide our customers with a personal banking experience by offering good accessibility, great freedom of choice and relevant products and services. Sparebanken Øst adapts its operations to a great extent to the wishes of customers and the way they use the bank and we have observed that many customers want access to both physical meeting places and digital channels. In recent years, we have established and maintained local branches in the central part of Eastern Norway. These local branches enable customers to come to the bank in person for advice, so digital tools can be replaced with a cup of coffee if the customer prefers.

In 2022, the bank opened its 30th branch in the central part of Eastern Norway. Since 1996, we have established 24 branches, from Stavern in the south to Jessheim in the north. Our cost-effective establishments and flexible opening hours give value back to customers and generate profitability for the bank. Our personal and corporate customers should always have their own adviser, who will get to know the customers well. The bank's customer service centre will look after customers who submit questions and enquiries by telephone and email. Sparebanken Øst wants to give its customers freedom of choice. With us, customers can choose freely from the bank's product range without any requirement for other products or other complicating connections. We want to do our utmost to make our customers feel looked after and listened to.

Quote in bold:

Sparebanken Øst prioritises having a physical presence combined with efficient digital services to enable customers to contact us, use services and buy products in the way the customer prefers. Accessibility and freedom of choice for customers are central to the bank's value proposition for customers.

We want to be a committed partner for small and medium-sized companies and to make a contribution to regional business development. Corporate customers should also find us to be a personal and flexible bank that works to enable companies to make the best possible use of their financial resources.

Sparebanken Øst adopted a “house of brands” strategy as early as 2005. This branding strategy enables us to maintain the bank's competitiveness over time, in selected customer segments nationwide. These concepts provide opportunities for differentiation in terms of distribution methods, information flow and customer communication, purchase processes, service level and risk. As a result, each of the concepts is a clear and customised platform for suppliers of selected financial services to targeted customer segments in the market.

Sparebanken Øst	**DinBank.no**	**Topprente.no**	**Boligkreditt.no**	**Nybygger.no**
1843	2006	2011	2012	2014
Bank offering a complete range, with both physical and digital customers within loans, savings and insurance.	For digital banking service users. Fee-free and very narrow product range. An ideal concept for customers who want banking made easy, efficient and affordable!	Self-service concept offering competitive interest rates on savings products.	Mortgages only! For customers who want to use multiple banks at the same time. This concept offers mortgages only. Specialist mortgage provider. The concept is part of Sparebanken Øst Boligkreditt AS.	Fully digital banking concept aimed at customers looking for mortgages and deposit products and who are active users of banking services.

Competent staff ensure good customer experience

Sparebanken Øst’s location gives it access to a large labour market. When competition for labour is strong, it is particularly important to be an attractive employer. The bank has good access to competent human resources and our experience is that the bank's profile appeals to both newly qualified young people and experienced personnel with many years in finance behind them. Banking has become considerably more complex in recent years, and there are strict requirements in terms of the competence and skills development of employees. Sparebanken Øst has a comprehensive offering of certification (AFR) and training which, combined with the exchange of experiences, secondments and manager/employee follow-up, will ensure that the bank meets the requirements placed on our business by the authorities, customers and ourselves. The bank's strong focus on competence building helps to provide greater insight and understanding among the bank's employees. The bank's employees need to be able to handle increased complexity, meet quality and efficiency targets and fulfil customers' expectations of a good customer experience and sound financial advice, all at the same time.

Cost-effective and competitive

Sparebanken Øst has been a very cost-effective bank for a long time. The bank has ambitions to remain among the most cost-effective banks in the market. In order to be a relevant banking service provider over time, we must be able to develop our business so that we can deliver competitive products and services to our customers. Sparebanken Øst makes efficient use of its human resources in the organisation and has a technology strategy that can be described as “smart follower”, while also maintaining a strong focus on cost use in general. Its active use of centralisation, flexible resources, clear division of responsibilities and tasks and short decision-making paths give the bank a cost-effective organisation that is adaptable and focused on development. The bank's technology strategy is based on the premise that proven and effective solutions are preferable to in-house and newly developed solutions. Standard products, mainly supplied by Tietoevry, are currently a key factor in keeping technology costs under control. In recent years, Sparebanken Øst has invested considerable resources in new and improved customer solutions, more efficient production solutions and updated security solutions.

The story continues

Sparebanken Øst celebrates its 180th anniversary in 2023. The bank was founded on a desire to help develop the local community by giving ordinary people access to banking services and providing greater financial predictability for people and for the local community in general. The bank wanted to give people the security of knowing that the wages they received, and any savings they had, would be kept safe and that customers would eventually also be able to borrow money. The bank wanted to encourage saving and restraint and to help ordinary people make sound financial choices.

Sparebanken Øst still has ambitions to give ordinary people access to competitive products and services, to help raise awareness about personal financial choices and issues, especially among young people, and to aid the further development of society by making contributions to clubs, associations and projects. Sparebanken Øst will continue to be a relevant banking service provider in the future. We want to be available to customers and contribute to individual freedom of choice. We also want to be seen as a challenger.

Subsidiaries and strategic ownership interests

The bank's ownership strategy should help to maintain or strengthen our independence and local governance. Furthermore, the bank may involve itself in activities that are expected to contribute to achieving the bank's overall financial objectives in the short term and the long term. All subsidiaries are 100 per cent owned by Sparebanken Øst and are included in the bank's consolidated financial statements.

Subsidiaries

LOGO

AS Financiering
One of Norway's oldest finance companies with roots dating back to 1930, it has been a wholly owned subsidiary of Sparebanken Øst since 1991. AS Financiering is co-located with Sparebanken Øst in central Oslo. AS Financiering specialises in providing secured finance for sales of new and used cars. The company aims to be a leading player in used car financing, but is also clearly positioning itself in the leisure market (motorcycles, ATVs, snowmobiles and caravans). AS Financiering operates nationwide and distributes its products through digital channels, dealer partnerships and the branches of the parent bank. The company also offers secured finance through its "Dittbillån.no" digital concept, a price-leading car loan concept for newer vehicles with low loan-to-value ratios. AS Financiering also contributes to the green transition by offering financing for zero- and low-emission vehicles on favourable terms.

Sparebanken Øst Boligkreditt AS
Licensed as a credit institution with the right to issue covered bonds. Since it was founded in 2009, the company has played a very important role in securing the bank long-term, favourable market funding for the bank's mortgage lending portfolio through the issuance of covered bonds on the market. The company has a Aaa credit rating from Moody's Investors Service for all its bond issues. This reflects the lowest risk and is important for securing the bank market access and for obtaining good borrowing terms.

The company acquires lending from two sources. Loans can be granted in the "Boligkreditt.no" market concept at Sparebanken Øst Boligkreditt AS, or loans can be acquired from the parent bank. The latter is the company's main source of lending as a basis for issuing covered bonds. Loans transferred to or provided by Sparebanken Øst Boligkreditt AS are approved against real estate (residential mortgage) up to 75 per cent of the property's market value.

At year-end 2022, net loans to customers amounted to NOK 18.0 billion and covered bonds issued amounted to NOK 16.3 billion.

Sparebanken Øst Eiendom AS
Manages properties belonging to the Sparebanken Øst Group.

Øst Prosjekt AS
Main objective is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank.

Strategic ownership interests

Frende Forsikring
Consists of the parent company Frende Holding AS, which manages the ownership of the wholly owned subsidiaries Frende Skadeforsikring AS and Frende Livsforsikring AS. The company offers insurance products for vehicles, building and contents, boats and leisure, as well as life and health. Sparebanken Øst is the third-largest shareholder in Frende Holding AS with a stake of 13.03 per cent. The bank distributes non-life and life insurance products to companies and private individuals through Frende.

Norne Securities AS
Investment company engaged in trading financial instruments on the primary and secondary markets as well as providing financial advice. The company provides online trading in shares and funds as well as investment banking. Sparebanken Øst has a 2.10 per cent stake in the company. The bank distributes equity and fund savings products to companies and private individuals through Norne, with Norne's savings platform available via the bank's online and mobile banking services.

Vipps Holding AS
Owner of the wholly owned subsidiary BankID BankAxept AS and majority owner of Vipps AS. This ownership combines three strong brands – Vipps, BankID and BankAxept – which have a very high level of brand awareness among Norwegians. The companies are the Nordic region's leading players in payment and identification services and they challenge the established players and produce new and simpler solutions every single day. Vipps Holding AS is owned by the Norwegian banking industry and Sparebanken Øst has a 0.7145 per cent stake in Vipps Holding AS.

Dialog Eiendomsmegling AS
One of the largest real estate agents in the Drammen region, with operations mainly in Buskerud and northern Vestfold. Sparebanken Øst is the second-largest shareholder, with a 35.9 per cent stake.

Kraft Bank ASA
Bank that helps private individuals who are struggling financially by offering them loan refinancing secured against property and by providing good advice on how to achieve healthy finances. The company also offers savings products to customers who already have sound finances. Sparebanken Øst became a shareholder in the company in 2018 and has a 6.85 per cent stake.

NBX AS
Norwegian crypto exchange for buying, selling and storing cryptocurrencies. The company is registered with the Financial Supervisory Authority of Norway. NBX is building its services on the financial infrastructure of the future. Today the company is a cryptocurrency trading platform. Sparebanken Øst became a shareholder in the company in 2019 and has a 9.43 per cent stake in NBX AS. The strategic basis for the bank's ownership interest in NBX is the bank’s desire to acquire knowledge about digital development areas in the financial industry, as well as to learn from and understand disruptive initiatives in order to be as well equipped as possible in the competition for future customers.

Grants for good causes

Sparebanken Øst's heart beats for the local community. In our 180-year history, we have always seen the value of helping to develop the community around us.

Sparebanken Øst is a self-owning foundation and our equity includes a large proportion of primary capital. The primary capital can be traced directly back to our origin in 1843 when 261 residents of Eger Præstegjæld provided the necessary funding to establish Egers Sparebank. This capital has grown over time from 309 speciedaler, 1 ort and 12 shillings to a significantly larger amount. A long-term strategy and good banking operations over many years have brought the primary capital at the end of 2022 up to NOK 2.4 billion. The return on this capital helps to maintain the bank's solvency so we can sustain and further develop its operations.

Part of the return is set aside each year for grants to good causes. Over time, these funds will be allocated to organisations and projects with the aim of supporting community projects, voluntary work and other socially beneficial causes. Measures designed specifically for children, young people and vulnerable groups are prioritised. Over the last five years, a total of NOK 290 million has been set aside for good causes.

The bank's grants for good causes are divided into five categories:

Spire ('Sprout') icon: joy

Through 'Spire', the bank supports a number of clubs, associations, foundations and cultural and humanitarian organisations that are based mainly on voluntary work. Sparebanken Øst is committed to long-term cooperation with many of the recipients to ensure predictability and develop the activities offered. This is particularly important for the many sports teams the bank has partnered with over several years. The bank has also supported various projects together with the Salvation Army in Drammen and Øvre Eiker. The Salvation Army's general aim is to help people with a range of needs, as a supplement to social welfare provision.

Voluntary organisations contribute to skills development, learning and inclusion and give people of all ages the opportunity to meet, engage and be part of a community. They also help many children and young people to take part in a wide range of activities. By supporting voluntary organisations, Sparebanken Øst ensures a better quality of life for many people and a more sustainable future for future generations.

Sprang ('Leap') icon: mastery

Through its 'Sprang' grant schemes, the bank supports young people who want to dedicate themselves to sport and culture, and who are not covered by an organisation. This support is designed to help the recipients develop their talent.

Young people who receive a grant to develop their skills and interests can go on to make an important contribution to society and help to increase diversity. 'Sprang' aims to help make the youth of today more active and engaged and to inspire young people to take responsibility for their own lives and be an active part of the local community, which can help to create a more positive society.

Spekter ('Spectrum') icon: insights

As part of 'Spekter', the bank collaborates with 'Young Entrepreneurship' to raise awareness of personal finance among year 10 students. This provides the school students with an understanding of good saving habits. We talk to them about general financial matters that they may need to consider when they move into higher education or enter the labour market. Sparebanken Øst also publishes the magazine 'Verdier', which is particularly useful for non-digital groups. This is an important tool for achieving the bank's goal of financial inclusion for all social groups. This information sheet provides readers with information and good advice on personal finance, alongside relevant content about urban development, cultural and sports projects and developments in technology.

Sparebanken Øst is built on the vision of encouraging frugality and sound financial management. This is an important part of our savings bank identity. By sharing our expertise, we can contribute to better financial understanding in society.

Minner ('Memories') icon: history

For many years, Sparebanken Øst has taken social responsibility by buying, preserving and managing buildings that are deserving of preservation. We have also arranged for the purchase and display of historical objects and works of art. Among other things, the bank has been responsible for the renovation of the venerable Tingstua building in Øvre Eiker and the purchase of a number of pieces of glassware of historical value from Nøstetangen Glassverk.

The preservation of local history is of social interest and helps to secure valuable knowledge for both current and future generations about the things that have helped to shape local communities.

Agenda Øst (‘Agenda East’) icon: experience

We are also committed to bringing people together around cultural experiences. This includes the bank’s long tradition of organising free Christmas concerts. These are open to anyone, whether or not they are a customer of the bank. Sparebanken Øst is also a partner for Drammen Theatre’s popular family performance ‘The Hunt for the Christmas Villain’. Through this, the bank has given free tickets to families via child welfare services and local charities, helping more people to enjoy cultural experiences.

Art and culture can inspire people to think differently and to explore new ideas, which can help establish a more creative and innovative population. Sparebanken Øst believes that cultural experiences have a positive impact on public health and the general level of participation in the local community. As a partner, the bank also aims to contribute to economic growth in the cultural industry, which can help to create jobs and broaden the cultural offering available.

Sustainability

Contents **Page reference**

Overall objective: Net zero emissions by the year 2050

Net zero emissions means reducing greenhouse gas emissions to as close to zero as possible, with any remaining emissions absorbed from the atmosphere, such as by oceans and forests. The energy sector is today the source of around three-quarters of greenhouse gas emissions and it holds the key to averting the worst effects of climate change. The Bank aims to reduce its own and financed emissions and has adopted the target of net zero emissions by the year 2050. Going forward, the Bank will work to set targets, specify measures and report on greenhouse gas emissions.

Sparebanken Øst's sustainability work

Sustainability is embedded in all areas of our business and it underpins our strategic ambitions to provide great customer experiences, ensure compliance and deliver on financial targets. We will primarily use positive influence, but may also choose not to finance certain companies or industries that are not aligned with our strategy.

The UN Sustainable Development Goals are the world's joint work plan to eradicate poverty, fight inequality and stop climate change by 2030. They consist of a total of 17 goals and 169 targets. The goals are intended as a common global compass for countries, businesses and civil society. Sparebanken Øst prioritises four of these goals and later in the report will provide details of how we work to fulfil these ambitions:

4 GOD UTDANNING	8 ANSTENDIG ARBEID OG ØKONOMISK VEKST	13 STOPPE KLIMAENDRINGENE	16 FRED, RETTFERDIGHET OG VELFUNGERENDE INSTITUSJONER
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Take urgent action to combat climate change and its impacts	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

The term "sustainable development" was used for the first time in 1987 in the UN report "Our common future". Sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

There are three dimensions of sustainability: climate and environmental sustainability, social sustainability and economic sustainability. When we talk about the climate and environmental dimension of sustainable development, we mean taking care of nature and the climate. The social element of sustainability is about ensuring that all people have good and fair conditions for a decent life. The economic dimension is about ensuring economic security for people and society.

Guidelines supported by the Bank

In line with the Norwegian Code of Practice for Corporate Governance (NUES), this section of the report describes our ongoing work to identify and describe significant non-financial issues and their impact on Sparebanken Øst's activities. Read more about NUES in the chapter on *Corporate governance.*

Sparebanken Øst reports according to the Global Reporting Initiative (GRI) standard. Guidelines from the Oslo Stock Exchange/Euronext for ESG reporting refer to this standard. The report has been prepared in the best possible way based on the criteria applicable to Sparebanken Øst. There may be areas in the report that do not completely meet all of the requirements in the GRI standard as of today. The Bank's sustainability reporting will therefore continue to develop going forward.

The UN Global Compact is a voluntary initiative launched by the United Nations in 2000 to encourage businesses around the world to adopt sustainable and socially responsible policies and practices. The initiative provides a framework for companies to align their strategies and operations with universal principles of human rights, labour, the environment and anti-corruption, and to implement measures that promote social goals. Companies that sign up to the UN Global Compact commit to implementing the initiative's ten principles in their business operations and to reporting on their progress. Sparebanken Øst has become a member of the UN Global Compact, and this report contains details of how we comply with its principles.

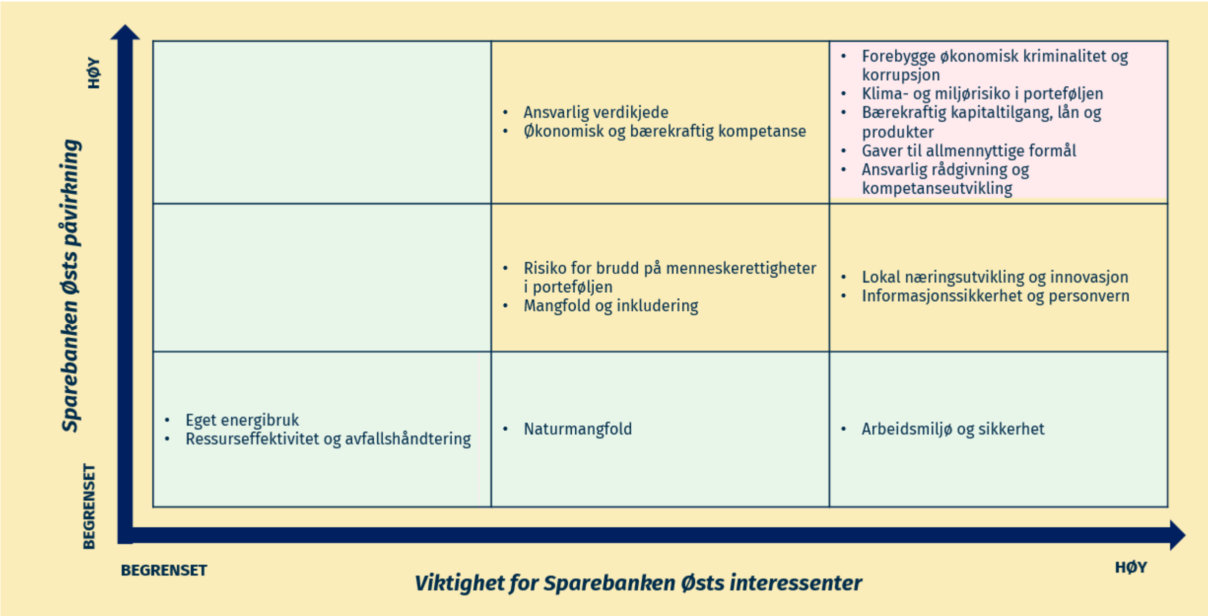
Sparebanken Øst supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and is working to incorporate this framework into the Bank's work and reporting on climate risk. To achieve our goal of net zero emissions by 2050, the Bank has joined PCAF (Partnership for Carbon Accounting Financials). Membership provides the Bank with valuable insight into climate mapping and in 2023 the Bank will report on the greenhouse gas emissions in its business portfolio.

We have listed the relevant rules and guidelines in tables under each topic in the report.

Illustration: Logos of GRI, UN Global Compact, TCFD, PCAF

What is important and what we can influence

In order to prioritise the areas where the Bank can actually make a difference, Sparebanken Øst has conducted a materiality analysis.



The materiality analysis will provide the basis for our work going forward. How we prioritise measures and incorporate sustainability in our business will be based on our vision, ambition, long-term goals and values, and thus in our overall strategic platform. The materiality analysis describes topics where Sparebanken Øst believes we have an opportunity to influence our stakeholders, as well as the degree of importance this can have for society, customers and employees. The materiality analysis will be updated annually, with prioritisation, implementation and communication taking place on an ongoing basis throughout the year.

Areas where we can contribute to a sustainable future:
1. Reduce own and financed emissions
2. Human rights, diversity and inclusion
3. Protection of privacy and work to combat economic crime

1) Reduce own and financed emissions

This area concerns our ability and measures to reduce the greenhouse gas emissions that the Bank generates directly through its operations, as well as those emissions that are generated by the companies and projects we finance. Sparebanken Øst's measures will help to reduce our climate change impact and will support the transition to a low-carbon economy.

Within this area, the Bank will contribute to our target of net zero emissions by 2050. Going forward, the Bank will set targets and specify measures in each area.

Sparebanken Øst works within the following areas:

- Climate and environmental risk in the portfolio
- Sustainable access to capital, loans and products
- Economic and sustainability expertise
- Local business development and innovation
- Own energy consumption
- Resource efficiency and waste management
- Biodiversity

Climate and environmental risk in the portfolio

As a savings bank, our greatest opportunity for influence is through close dialogue with our business customers and by helping them to make sustainable choices.

Sparebanken Øst has mapped the sustainability risk of all its business customers with loans. By sustainability risk, we mean environmental, social and governance risks. All new business customers are also continuously monitored, whether or not they require financing. Customers are categorised as having low, moderate or high sustainability risk. Reasons why customers are classed as high risk:

1. Low awareness
   The customer pays little regard to sustainability and/or the customer could be greatly affected by climate change

2. Physical risk
   The customer has property that is built in an area where a risk of natural events or physical risk has been identified.

At the end of 2022, the evaluation shows that there are few customers with a high sustainability risk in the Bank's business portfolio.

Sustainability risk of business customers 2022	Real estate, purchase, sale and property management	Other industries	Total
Low risk	38.0%	23.7%	60.3%
Moderate risk	12.4%	21.5%	33.9%
High risk	4.8%	1.0%	5.8%

The table above shows that 5.8% of the customers in the Bank's business portfolio are classed as high risk. Most of these are customers with property located in an area defined by the Norwegian Water Resources and Energy Directorate (NVE) as being subject to climate risk, such as flooding or quick clay landslides. Measures have been implemented at several of the properties to reduce the risk from high to moderate or low. We therefore consider the real number of high-risk customers to constitute 2.8% of the customer base.

The Bank has refrained from financing some projects, based on assessments of the physical climate risk. As a general rule, we will not accept new customers with a high sustainability risk and we will work on risk mitigation measures for the customers already in the Bank's portfolio.

Sparebanken Øst does not finance any carbon-intensive industries such as oil, gas or shipping. The Bank has defined sectors and activities which the Bank does not wish to finance in the future: coal mining or energy production based on coal, controversial weapons, tobacco, pornography, oil sands/tar sands, shale oil and gas, and oil and gas extraction in the Arctic. A more detailed description of these sectors can be found on the Bank’s sustainability page at oest.no.

In terms of water consumption, the Bank works with business customers to ensure that customers do not have disproportionately high water consumption or pollute water sources. Through cooperation with customers, the Bank seeks to reduce customers’ water use where appropriate.

Rules and guidelines:

UN Sustainable Development Goals	Goal 13
UN Global Compact	Principles 7–9
GRI indicator	201-2, 303-5
PCAF	Measuring greenhouse gas emissions
TCFD	Net zero emissions by 2050, climate risk assessment

Sustainable access to capital, loans and products

Sparebanken Øst currently has a loan of around NOK 270 million from the Nordic Investment Bank (NIB). This loan
finances green assets that are in line with NIB's sustainability criteria.

The Bank has established a green framework for issuing green bonds and financing green lending. The establishment of a green framework is part of the Bank's strategy of using the green bond market to contribute to the green transition. Our framework is third-party verified by Cicero.

As a savings bank, our greatest power of influence is through close dialogue with our business customers and by helping them to make sustainable choices. The Bank also aims to establish new products and services that support our ambitions.

For retail customers, we offer green mortgages and green first-home loans. In order to obtain a green mortgage, the customer must meet one or more of the Bank's requirements: BREEAM-NOR Certification (minimum Very Good), energy label A or B, or the home must be Nordic Ecolabelled. Additional requirements for a Green First-Home Loan are that the home must be the customer's first purchase, using any bank, and that the customer must live in the home. The Bank offers green car loans through our subsidiary, AS Financiering. Green car loans are available for the purchase of hybrid or electric cars.

The proportion of hybrid and electric cars being financed is increasing. Around 24 per cent of new loans in 2022 were for all-electric vehicles, an increase of just over 42 per cent from the previous year.

Share of electric cars distributed by new loans and total portfolio

2020		2021		2022	
New loans	Portfolio	New loans	Portfolio	New loans	Portfolio
15%	12%	17%	15%	24%	20%

Rules and guidelines:

UN Sustainable Development Goals	Goal 13
UN Global Compact	Principles 7–9
TCFD	Access to green capital, green products
PCAF	Net zero emissions in the portfolio

Economic and sustainability expertise

Over the course of the year, all of the Bank’s employees and Board of Directors completed several sustainability courses. Our business customers in particular will notice an increase in requirements, legal regulations and guidelines that apply directly to themselves and their company, and we want to be a sparring partner for our customers in the field of sustainability. Several internal courses have also been held on ESG and climate risk, specifically regarding climate risk, transition risk and physical risk. Efforts to increase expertise in sustainability at all of the Bank's departments are an ongoing task.

Read more about expertise under *Responsible advice and skills development.*

Rules and guidelines:

UN Sustainable Development Goals	Goals 4 and 13
UN Global Compact	Principles 7–9
GRI	Indicator 404
PCAF	Net zero emissions in the portfolio
TCFD	Employees’ expertise in ESG and climate risk

Local business development and innovation

Sparebanken Øst is a regional savings bank with a big presence in the local market. The Bank’s local market can be defined as Øvre Eker and Drammen. In this area, we are a major employer offering jobs in many different fields and levels of seniority. It is important for Sparebanken Øst, in our role as a provider of skilled jobs, to also cooperate with many industries and economic operators on development projects in the local communities. The Bank also has a long and positive relationship with public actors when business and community development projects are to be discussed or initiated. The Bank’s role as a provider of financial services to the business sector creates increased competition for products and services which can contribute to business development and innovation in the longer term. We have professional expertise, local knowledge and understanding that enable the Bank to share knowledge of sustainability and other issues with the business community, and thereby contribute to development.

Rules and guidelines:

UN Sustainable Development Goals	Goal 8
GRI indicator	413-1

Own energy consumption

One of the Bank's priority Sustainable Development Goals is to help stop climate change. The Bank consumes energy to run technical equipment and to heat its premises. We do not have any manufacturing processes which are
very energy-intensive. To compensate for our emissions, we have purchased a guarantee of origin for all electricity used by the Bank in our offices. Two of our offices also use district heating. The Bank's energy consumption is perceived to be relatively modest.

Scope 1

Transport: This includes petrol, diesel and electricity consumption for company cars and caretakers' vehicles. For company cars, the Bank currently only has information on the amount spent on fuel and electricity, so an average price of NOK 20.7 per litre of petrol and NOK 21.2 per litre of diesel is used. For electricity, an average price of NOK 2 per kWh is used. It is hard to know how much the cars are used for business, but we have assumed that 15 per cent of their use is work-related. For the carbon emissions associated with electric cars, a conservative residual mix equivalent to 402 g CO_2/kWh has been used.

Scope 2

District heating: Two of the Bank's offices (Bragernes and Vestfossen) use district heating in their buildings. For the office at Vestfossen, an emission factor of 12.3 g CO_2/kWh specified by the supplier has been used. For the office at Bragernes, the supplier has not provided figures for 2022, so the 2020 factor of 18 g CO_2/kWh has been used.

Electricity: Sparebanken Øst has purchased a guarantee of origin for all electricity used at our locations and the calculations therefore use a market-based method. When we purchase guarantees of origin, our suppliers demonstrate that the electricity comes from renewable sources and therefore the Bank's electricity consumption has no emissions.

Scope 3

Flights: Sparebanken Øst has an office network localised in Eastern Norway, so there is little need for flights to internal meetings. With its geographical location in central Eastern Norway, the Bank is close to most of its partners and contacts. The Bank also strives to use digital meeting platforms to streamline meeting arrangements and reduce emissions from flying. For flights, an emission factor of 0.24 kg CO_2/km has been used.

Employee transport: Employee transport comprises the per-kilometre allowance paid to employees who have travelled on business. For petrol cars, a factor of 2.31 CO_2 per kilometre is used, while for diesel cars a factor of 2.69 per kilometre is used. For electric vehicles, a factor is used that equates to 0.2 kWh per kilometre travelled. As the Bank has no control over guarantees of origin for this flow, a conservative residual mix equivalent to 402 g CO2/kWh has been used. The residual mix is the electricity mix left over after all electricity with a guarantee of origin has been "used up".

Lending activity: See section on "*Climate and environmental risk in the portfolio*"

		2021		2022	
Category	**Unit**	**Number of units**	**Emissions**	**Number of units**	**Emissions**
Transport – company cars, caretakers' vehicles			(tCO2e)		(tCO2e)
Petrol	Litre	102	0.2	105.6	0.2
Diesel	Litre	3,475	9.3	3,502.4	9.4
Electric car	kWh	7,043	2.8	5,312.2	2.1
Scope 1 total			12.3		**11.7**
District heating Norway					
District heating Bragernes	kWh	336,080	6.0	259,700.0	4.7
District heating Vestfossen	kWh	51,128	0.7	49,561.0	0.6
District heating total	kWh	387,208	6.7	309,261.0	5.3
Electricity Norway					
Electricity total	kWh	1,270,519	0.0	1,134,450.2	0.0
Scope 2 total			6.7		**5.3**
Flights					
Flights Norway	Km	3,352	0.8	12,620.0	3.0
Flights Nordics	Km	3,866	1.0	4,276.0	1.0
Flights Europe	Km	0		8,948.0	2.1
Km allowance employees					
Petrol	Litre	1,709	3.9	1,957.4	4.5
Diesel	Litre	1,009	2.7	986.1	2.6
Electric car	kWh	1,387	0.6	5,119.3	2.1
Scope 3 total			9.0		**15.2**
Total emissions			**28**		**32.2**

We can see from the table that our emissions have increased somewhat from 2021 to 2022. These increases have come in Scope 3, which concerns travel and fuel. The reason for this is the large amount of working from home and low level of travel activity among the Bank's employees in 2021.

Rules and guidelines:

UN Sustainable Development Goals	Goal 13
UN Global Compact	Principles 7–9
GRI indicator	302-1, 305-1, 305-2, 305-3

PCAF	Measuring greenhouse gas emissions, net zero emissions by 2050
TCFD	Targets and methods

Resource efficiency and waste

Sparebanken Øst’s direct climate impact from own operations is assumed to be relatively modest compared with emissions, resource use and waste generated indirectly through our customer portfolio. At the locations the Bank owns, waste is sorted at source. The waste produced at the smaller offices where we lease the premises is mainly paper, organic and residual waste. Waste is also sorted at source here at most locations, although not at others. Going forward, the Bank will require new landlords to ensure that waste is sorted at source.

Rules and guidelines:

UN Sustainable Development Goals	Goal 13
UN Global Compact	Principles 7–9
GRI indicator	306-3
PCAF	Greenhouse gas emissions

Biodiversity

Biodiversity means all the different varieties of life that are found in nature, such as plants, animals and organisms. Human impact mainly concerns the exploitation of natural resources, land areas and greenhouse gas emissions. Sparebanken Øst wants to help preserve the diversity of the local species around us. Going forward, we will identify our own targets and measures, where the Bank can make a difference in preserving biodiversity.

Rules and guidelines:

UN Sustainable Development Goals	Goal 13
UN Global Compact	Principles 7–9
PCAF	Measuring emissions
TCFD	Strategy, risks, targets and methods

2) Human rights, diversity and inclusion

Human rights are the fundamental rights and freedoms to which all individuals are entitled, regardless of gender, age, religion, sexual orientation, nationality or where in the world they live. Examples of human rights include the right to life, freedom from discrimination, freedom of expression, and the right to work and education. Diversity refers to the variety of characteristics that make individuals unique, such as their backgrounds, perspectives and experiences. Inclusion refers to active and intentional efforts to create an environment where all individuals feel valued, respected and supported.

Businesses have a responsibility to respect human rights in their operations and throughout their supply chain. They should also strive to create diverse and inclusive workplaces, where everyone is treated fairly and with respect and where all voices are heard.

Sparebanken Øst works within the following areas:

- Diversity and inclusion
- Responsible value chain
- Risk of human rights violations in the portfolio
- Grants for good causes
- Responsible advice and skills development of employees
- Health and safety

Diversity and inclusion

Sparebanken Øst believes that diversity in the workplace can help to create high-performing environments and improve both the operations and the development of the Bank. Sparebanken Øst aims to attract relevant expertise regardless of age, gender, ethnicity or functional capacity.

Gender equality situation

The Bank has a separate strategy that covers people and organisation. This states that the Bank must work for equality and diversity in all areas. The strategy is decided annually at the Board of Directors strategy meeting. Sparebanken Øst complies with Norwegian legislation which, among other things, prohibits discrimination. Equal opportunities are also safeguarded by local and national agreements with employee organisations. Reports of wrongdoing are examined by the Bank's ethics committee. No incidents of discrimination were reported to the ethics committee during the past year. Nor has the Bank received any complaints of discrimination in connection with recruitment during the year. A survey of the gender equality and discrimination situation showed that gender equality at the Bank is good in most areas. Measured across all management positions, 41 per cent of executives at the Bank are women. When there is a need to replace members of senior management, efforts should be made to find at least one qualified female candidate to include in the recruitment process. In 2022, the Bank had only one woman in its senior management. Research shows that diversity in management can have a positive effect on financial performance.

Gender equality report	2021	2022
Total number of employees (full-time equivalents)	164.22	161.42
Proportion of women	64%	62%
Proportion of men	36%	38%
Women employed part-time	7%	7%
Men employed part-time	1%	1%
Temporary positions, women (full-time equivalents)	3	1
Temporary positions, men (full-time equivalents)	1	1

Proportion of women by position level	2021	2022
Number of female managers	40%	41%
Management level 1 (CEO)	0%	0
Executive management	11%	14%
Middle managers	52%	48%
Business advisers/Customer advisers	63%	61%
Proportion of women on the Board of Directors	50%	50%

Part-time and temporary staff

In 2022, there were 16 employees (9.8%) at Sparebanken Øst who worked part-time. In 11 of these cases, the reason for part-time working is either that the employee is partially incapacitated or that they have applied for reduced working hours under Section 10-2 of the Working Environment Act. The remaining five employees who worked part-time had been granted this after applying for it themselves. Part-time employees were contacted during the year to ask if they wanted a full-time job. Based on this, it can be concluded that there is no involuntary part-time work at Sparebanken Øst. As a general rule, the Bank prefers full-time positions, but facilitates part-time work both as required by law and in order to include employees with disabilities.

Sparebanken Øst uses temporary employment to a very limited extent and generally only for short-term positions. We have a good tradition of offering work training to young people and students in holiday jobs.

Part-time and temporary staff

	At 31.12.21	At 31.12.22
Men	14.29%	14.29%
Women	85.71%	85.71%

Gender equality and equal pay

A survey of gender equality, where employees were divided into different job categories and position levels, provided no indications of wage discrimination at the bank. The differences identified can be attributed to good objective reasons. For example, some differences were related to actual skills and experience.

Women's earnings as a percentage of men's

	2021	2022
All employees	71.80%	70.40%
All employees except for executive management	90.40%	84.00%

Gender pay gap, women's earnings as a percentage of men's

(Incl. insurance, company car, bonus paid and pension)

	2021	2022
Executive management excl. CEO	89.02%	69.00%
Middle managers	98.45%	88.00%
Customer advisers/Business advisers	89.87%	90.00%

The reason for the decline in female middle managers' earnings compared with men between 2021 and 2022 can be explained by the fact that we hired more men than women in managerial and specialist positions last year and that new employees have come in on higher salaries.

Equality in parental leave

Parental leave taken

Parental leave taken	Total working days		% of the number of possible working days	
	2021	2022	2021	2022
Men	344	304	7.10%	7.00%
Women	569	821	9.90%	14.30%

Unpaid leave in connection with parental leave

	2021			2022		
	Unpaid	Total leave	Proportion of unpaid leave	Unpaid	Total leave	Proportion of unpaid leave
Men	0	8	0%	0	6	0%
Women	1	7	14%	4	9	44%

Partial parental leave

	2021			2022		
	Partial	Total leave	Proportion of partial leave	Partial	Total leave	Proportion of partial leave
Men	2	8	25%	2	6	33%
Women	0	7	0%	0	9	0%

Reduced hours to look after children

	2021			2022		
	Employees with children under 12	Number with reduced hours	Proportion (%) with reduced hours	Employees with children under 12	Number with reduced hours	Proportion (%) with reduced hours
Men	21	0	0%	19	0	0%
Women	25	2	8%	25	2	8%

Parental leave is divided into three parts, with one part reserved for the father, one part reserved for the mother, and the remainder freely allocated as the parents wish. We can see that fathers at Sparebanken Øst, in line with the trend among the Norwegian population, only take their statutory paternity quota. It is the mothers who use the optional quota. It is also the mothers who take unpaid leave in connection with childbirth. Men at Sparebanken Øst should feel that they receive the same degree of understanding and facilitation as female employees if they choose to take a larger part of the leave and that it is also acceptable for fathers to take unpaid leave. Work to raise awareness of this will be included in the onboarding of new managers in particular and in management training in general.

Sick leave

Sick leave	2021			2022		
	At 31.12.21	Possible working days	Number of working days	At 31.12.22	Possible working days	Number of working days
Men	0.73%	13,560	99	2.14%	14,600.3	313
Women	5.43%	23,707	1,278.1	8.19%	22,377.1	1,832.1

The table above shows sick leave at the Bank over the past two years. We can see that sick leave has increased compared with previous years. This is because in 2022 there was far less working from home and general infection control in society than there was in 2021, which resulted in higher levels of illness among the Bank's employees. The Bank has good control over sick leave and good routines for following up with those on sick leave. It is not considered necessary to implement further measures to reduce absenteeism.

Absence due to sick children	2021			2022		
	At 31.12.21	Possible working days	Number of working days	At 31.12.22	Possible working days	Number of working days
Men	0.89%	4,830	43	1.21%	4,370	53
Women	1.77%	5,750	102	3.81%	5,750	219

As in society at large, we can see a generally higher rate of sick leave among women than among men. Some of the sick leave taken by women is linked to pregnancies. Women take more sick days than men to be at home with a sick child. Work to raise awareness of this will be included in the onboarding of new managers in particular and in management training in general.

Combining work and family life

Sparebanken Øst wants to enable employees to strike a good balance between work and leisure. To provide for increased flexibility, the Bank has a flexitime scheme with core hours between 09.00 and 15.00, and an outer framework for ordinary working hours from 07.30 to 18.00. Within this framework, employees can choose their own working hours. Sparebanken Øst is one of the few employers to have introduced an extra week's holiday for employees with young children. The scheme applies to employees with children from 2 to 9 years old. The Bank has also retained reduced working hours in the summer half-year. The arrangement with reduced working hours (down to a 6.5-hour day) applies from mid-May to August inclusive.

Work for equality and against discrimination

A gender equality survey, carried out in conjunction with elected representatives, revealed no discrepancies. This will nevertheless provide the basis for adaptations and adjustments. New recruitment (both external and internal) is handled by the Bank's employment committee. The committee consists of three representatives from management, two elected officials in the Bank from the Finance Sector Union of Norway, and one representative from the employees. The committee focuses on diversity, equality and equal pay for equal work. As well as information about the candidate, the committee also has access to applicant lists in its work. The committee considers and decides salary levels for positions covered by the financial sector salary regulations. The local wage negotiations are also dealt with and decided in the employment committee.

Diversity

Sparebanken Øst aims to be an attractive workplace for employees, regardless of their age, gender, ethnicity or functional ability. The Bank has drawn up guidelines for diversity and equality. We have made adjustments to our job advertisements to ensure they reach all qualified applicants.

A large group of employees at the Bank is organised in the Finance Sector Union of Norway. The bank is a member of Finance Norway and complies with Norwegian laws. The employment of children and young people is regulated in Chapter 11 of the Working Environment Act and in the regulations relating to organisation, management and participation. As a general rule, Sparebanken Øst does not employ children under the age of 15. We have set out in our internal guidelines and in the *Management Handbook* how we will look after employees, both in the recruitment process and while they work for us. The Bank has published *Rules for good behaviour* which also cover discrimination; Sparebanken Øst aims to promote respect for human dignity by encouraging diversity at the workplace. We will acknowledge similarities, but also appreciate differences in order to bring out the best for both customers and Sparebanken Øst.

Rules and guidelines:

UN Sustainable Development Goals	Goal 8
UN Global Compact	Principles 1–6
The Norwegian Transparency Act	Labour rights
GRI indicator	401-3, 405-1, 405-2, 406-1
UN Human rights	Article no. 23

Responsible value chain

A new *Supplier and partner strategy* was adopted in 2022. This strategy states that Sparebanken Øst's aim for the next strategy period is to map the status of sustainability levels at the Bank's largest and most important suppliers and partners. The results will be reviewed and processed internally by the Bank. This work is expected to provide clear input and direction in terms of the requirements that the Bank can and should impose on its partners going forward.

We aim to deal with suppliers who respect people, society and the environment. Suppliers of goods and services to Sparebanken Øst must adhere to the Bank's values and requirements for sustainability and accountability throughout the value chain. Suppliers operating in sectors where the Bank believes there is a risk of breaches of these values and requirements are required to provide a statement confirming or denying various matters. This measure should help ensure that the supplier is familiar with the Bank's requirements and that they are aware and understand that violations of human or labour rights, adverse environmental impacts or corruption will have consequences for their relationship with the Bank.

The Norwegian Transparency Act came into effect on 1 July 2022. The purpose of the Act is to promote respect among companies for fundamental human rights and decent working conditions, and to ensure public access to information. Sparebanken Øst has conducted due diligence assessments of suppliers in accordance with the reporting requirements under the Transparency Act, and also to comply with our own *Supplier and partner strategy.* We have reviewed all of the Bank's agreements and examined the Bank's ability to exert influence and the suppliers' impact on the Bank's operations. Suppliers are assessed for the risk of violations in relation to human rights, labour rights, the environment and corruption. The suppliers have either made information available on their websites or have answered questions from the bank directly. A report on the due diligence assessments will be drawn up by June 2023. We will work to raise awareness among our existing suppliers and we will stipulate requirements for new suppliers.

Rules and guidelines:

UN Sustainable Development Goals	Goal 8
UN Global Compact	Principles 1–6
The Norwegian Transparency Act	Human rights, labour rights in the supply chain
GRI indicator	308-2
TCFD	Sustainability in the supply chain

Risk of human rights violations in the portfolio

Sparebanken Øst has a business portfolio consisting of Norwegian companies operating in Norway. Its customers' activities are therefore governed by Norwegian law. On this basis, we believe that the risk of our customers violating human and labour rights is low. To uncover any violations, the Bank conducts a survey together with customers on the relationship to human and labour rights in connection with the credit process. These analyses are incorporated into the credit systems. We aim to report on the findings of the survey and any follow-up measures that have been implemented on the basis of this.

Through our membership of the UN Global Compact, the Bank takes a clear stance on human rights. A total of 6 out of the 10 principles that we are committed to supporting relate to human rights and labour rights.

Rules and guidelines:

UN Sustainable Development Goals	Goals 8 and 18
UN Global Compact	Principles 1–2
The Norwegian Transparency Act	Human rights, labour rights

Grants for good causes

Part of the Bank's return is set aside each year for grants to good causes. Over time, these funds will be allocated to organisations and projects with the aim of supporting community projects, voluntary work and other socially beneficial causes. Measures designed specifically for children, young people and vulnerable groups are prioritised.

Please see the separate chapter "*Grants for good causes*".

Rules and guidelines:

UN Sustainable Development Goals	Goal 16
UN Global Compact	Principles 1–6
GRI indicator	413-1

Responsible advice and competence development

Technological development, the competitive situation, regulatory matters and customer expectations are increasing the complexity of our business. This entails different competence requirements in all of the Bank's departments and disciplines. Continuous development of our employees’ skills is a priority area if we are to achieve our strategic goals and be able to serve our customers in the best possible way. We must also acquire expertise through recruitment and collaboration. The Bank’s affiliation to the Finance Industry’s Authorisation Schemes (FinAut) is an important step in ensuring that our employees have the necessary expertise and ethical awareness in dealing with customers. The numbers of employees authorised within the various schemes are shown in the table below.

Proportion of authorised employees (FinAut)

	Business market		Retail market	
	2021	2022	2021	2022
Credit	44.44%	60.00%	53.49%	47.95%
Savings and investment	55.56%	66.67%	54.65%	44.44%
Non-life insurance			54.79%	56.67%
Personal insurance			45.21%	46.67%
Non-life insurance, commercial				66.67%
Personal insurance, commercial				66.67%

Employees in the Business market must be authorised for credit. Employees in the Retail market must be authorised for credit, non-life insurance and personal insurance. From 2022, selected employees in the Retail market must be authorised for non-life insurance, commercial, and personal insurance, commercial. Many are authorised in savings and investment, but this is no longer a general requirement as the Bank does not provide individual investment advice.

The decline in the proportion of authorised persons is due to the fact that in 2022 the Bank hired many new advisers who were not recruited from another bank and therefore were not authorised at the time of their appointment. These will receive training and be authorised during their first year working at the Bank.

A number of competence-enhancing measures were implemented throughout the year. All employees have undergone training in sustainability, in the prevention of financial crime, anti-money laundering and anti-corruption, as well as in the new Financial Contracts Act. Internal management training is provided on an ongoing basis in various relevant topics. In 2022, the focus has been on following up sick leave, staff appraisals and the manager’s role in monitoring new employees. In customer-facing activities, courses have been held in sales management for managers and sales training for advisers. The various disciplines and specialists at the Bank regularly participate in courses and webinars to ensure skills development in line with the Bank's needs and with developments in the market and society.

In 2022, we worked to develop and improve our onboarding program for new employees, so that all new employees are given the necessary knowledge and insight into the Bank's history, strategy and values, as well as our framework conditions. In addition, all new employees must complete tailored specialist and system training, training in anti-money laundering and terrorist financing, as well as training in IT security.

The Bank has a number of manuals as well as comprehensive instructions. Throughout the year, we performed quality assurance on these tools to ensure competence within the organisation. The structuring and quality assurance of necessary learning and development represents a key area for Sparebanken Øst.

The number of complaints to the Norwegian Financial Services Complaints Board serves as an indicator of the quality of our advice to retail customers, who make up the bulk of the Bank's customer base. The Bank received three complaints in 2022, which we consider to be very low relative to the number of customers taking products and services from Sparebanken Øst.

Number of complaints to the Norwegian Financial Services Complaints Board

	2020	2021	2022
Number	8	8	3

The Bank brings financial expertise to the local community through its school project. You can read more about the school project under the section *"Good causes"*.

Rules and guidelines:

UN Sustainable Development Goals	Goals 8 and 16
UN Global Compact	Principles 1–6
GRI indicator	417-2, 404-2
The Norwegian Transparency Act	Labour rights
UN Human rights	Article no. 26

Health and safety

The Bank's physical and psychosocial working environment shall be such that all employees have a positive experience of their work situation. Sparebanken Øst conducts annual employee surveys to map the working environment at the bank, and has been using Humetrica Organisational Analysis (HOA) for several years. This organisational analysis is well documented, is based on 30 years of experience and is used by a number of Norwegian organisations. This feedback gives the Bank a good insight into small and large areas for improvement where the Bank can initiate targeted measures to drive improvement. At the same time, it gives the Bank the opportunity to maintain and further develop the positive aspects of the working environment.

Employee survey	**2020**	**2021**	**2022**
Average score	76.2	75.5	82
Proud to work at Sparebanken Øst	66	64.5	80.1
Recommend Sparebanken Øst as an employer	60.7	63.1	80

The employee survey score in 2022 was very good and we can see positive development in several areas. This shows that targeted measures have had a positive impact on the working environment and have led to increased pride among Bank staff.

Good follow-up and development of employees is important to the Bank. Throughout the year, we have carried out structured employee follow-up. Strategies and the reporting of results are made available in digital presentations to ensure good, standardised information about goals, expectations and results.

The Bank ensures that statutory health, safety and environment (HSE) requirements are implemented in a systematic manner, including via adopted procedures and 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. There were no robberies at the Bank in 2022. Fire protection training has been carried out at the Bank's head office at Bragernes and also in Hokksund. The Bank's caretakers have participated in fire protection management courses and have performed internal checks at all our locations. A course in conflict and situation management for employees in customer-facing positions will be held in winter 2023. The Bank has not implemented any redundancy processes.

Reported incidents within employees and health and safety

	2020	2021	2022
Incidents	4	5	3

The incidents in 2022 relate to individual situations where customers have behaved in a threatening or aggressive manner towards our employees. These incidents have been handled by the Bank's HR department, with measures identified to safeguard those involved. Assistance is also offered from the occupational health service. None of the incidents in 2022 have resulted in employees reducing their participation at work or requiring further follow-up.

Reported personal injuries

	2020	2021	2022
Personal injuries	3	1	0

All personal injuries are reported to NAV. Personal injuries means accidents or physical injuries to employees that have occurred in the workplace and that have been handled by the Bank's HR department.

Staff turnover at the Bank fluctuates over time. It is important to maintain a balance between renewal of the organisation, retaining relevant experience and essential expertise, and being an attractive employer in the market for younger generations. At times, the age profile within the Bank will result in a greater proportion of employees leaving work to go into retirement. Unemployment in Norway has been low in recent years, with a considerable number of job vacancies. Labour shortages, combined with the Bank's employees being attractive to other companies, have led to rising staff turnover.

The table below shows this broken down by age and gender. It is not relevant to report by geographical area, as the Bank only has employees in Eastern Norway. To better understand why employees choose to leave the company, we hold exit interviews. There were 22 exit interviews held in 2022.

New employees and turnover

	2020				2021				2022			
	Total		Excl. pensioners		Total		Excl. pensioners		Total		Excl. pensioners	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
New hires	21	12.20			29	17.30			37	22.42		
Women	11	6.40			14	8.30			16	9.70		
Men	10	5.80			15	8.90			21	12.73		
New hires under age of 30	3				13				11			
Women	2				6				5			
Men	1				7				6			
New hires aged 30–50	16				16				21			
Women	8				8				10			
Men	8				8				11			
New hires aged over 50	2								5			
Women	1								1			
Men	1								4			
Turnover	21	12.20	13	7.6	31	18.50	22	13.1	38	23.03	33	20.00
Women	13	7.60	8	4.7	14	8.30	10	6.0	18	10.91	15	9.09
Men	8	4.70	5	2.9	17	10.10	12	7.1	20	12.12	18	10.91
Turnover under age of 30	1		1		8		8		6		6	
Women					3		3		3		3	
Men	1		1		5		5		3		3	
Turnover aged 30–50	10		10		11		11		24		24	
Women	7		7		6		6		10		10	
Men	3		3		5		5		14		14	
Turnover aged over 50	10		2		12		3		8		3	
Women	6		1		5		1		5		2	
Men	4		1		7		2		3		1	

Rules and guidelines:

UN Sustainable Development Goals	Goals 8 and 16
UN Global Compact	Principles 1–6
GRI indicator	401-1
The Norwegian Transparency Act	Labour rights

3) Protection of privacy and work to combat economic crime

Economic crime refers to illegal activities involving the use of the financial system for criminal gain, money laundering, fraud, and terrorist financing. Sparebanken Øst has a responsibility to prevent and detect financial crime in order to protect its customers and maintain the integrity of the financial system.

Sparebanken Øst works within the following areas:

- Preventing economic crime and corruption
- Information security and privacy

Preventing economic crime and corruption

As a financial institution, Sparebanken Øst has a great responsibility to detect and prevent economic
crime. Economic crime, such as money laundering, corruption, terrorist financing
and fraud, has negative consequences for customers, society and the Bank itself. Sparebanken Øst works systematically to prevent our services from being used for such illegal activity. This work includes the responsibility for knowing the identity of our customers, mapping ownership structures, obtaining information on how the customer's funds have been acquired, and identifying how customers intend to use the Bank's services. Regular training is provided for all employees and the Bank's Board members. We are introducing new working methods and technical solutions which are needed, alongside increased competence, to achieve our objectives. Sparebanken Øst has adopted an internal code of conduct, as well as "Rules for good behaviour". These cover everyone in the organisation, including the Board of Directors. The Bank's ethics committee, which comprises the chief employee representative, a lawyer, the Chief HR Officer, the Deputy CEO and the CEO, deals with ethical policies, notifications and wrongdoing. In the past year, no notifications or reports were received of matters that could be defined as corruption. The Bank also has a responsibility for reporting to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim), where 87 cases were reported in 2022.

Number of transactions reported to Økokrim

	2020	2021	2022
Number of transactions	69	61	87

Rules and guidelines:

UN Sustainable Development Goals	Goal 16
UN Global Compact	Principle 10
GRI indicator	205-1, 205-2, 205-3
The Norwegian Transparency Act	Preventing economic crime and corruption

Information security and privacy

Sparebanken Øst takes information and IT security very seriously. The responsibility for information and IT security rests with the Bank's senior management team, and an IT security strategy and an information security management system have been established. The Bank has a good relationship with Nordic Financial Cert (NFCert) and good contacts with its technical service providers in this area. The Bank has a data protection officer, and procedures 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 can be accessed at oest.no/personvern. The Bank records and investigates any non-conformance related to the processing of personal data and reports on this to the Norwegian Data Protection Authority. No action was taken or fine imposed on the Bank in 2022 for breaches of information security or privacy. Nor is Sparebanken Øst aware of any formal complaints being lodged against the Bank with the Norwegian Data Protection Authority for breaches of privacy during the past five years.

The new Personal Data Act entered into force in 2018. This Act contains general provisions on the processing of personal data, i.e. information that can be directly or indirectly linked to a natural person. Sparebanken Øst has prepared its own privacy statements for both customers and employees. We also have our own data protection officer. All employees have a statutory duty of confidentiality, pursuant to Sections 9-6 and 9-7 of the Financial Institutions Act, and must sign a declaration of confidentiality on taking up their employment.

Rules and guidelines:

UN Sustainable Development Goals	Goal 16
UN Global Compact	Principle 10
GRI indicator	418-1
The Norwegian Transparency Act	Information security
UN Human rights	Article no. 12

Sustainability topics Sparebanken Øst – GRI indicators

GRI indicator	Description	Page reference
102-18	Corporate governance	
205-1, 205-2, 205-3	Preventing economic crime and corruption	
201-2, 303-5	Climate and environmental risk in the portfolio	
201-3	Pensions	
302-1, 305-1, 305-2, 305-3	Energy consumption	
306-3	Resource efficiency and waste	
308-2	Responsible value chain	
401-1	Health and safety	
404-2, 417-2	Responsible advice and competence development	
405-1	Gender distribution at different levels	
405-2	Gender equality and equal pay	
405-1, 405-2, 406-1	Diversity and inclusion	
417-2	Economic and sustainability expertise	
413-1	Local business development and innovation	
413-1	Grants for good causes	
418-1	Information security and privacy	

Annual report

In 2022, the bank can point to higher net interest income, increased commission income and stable low costs. The profit for the year was affected by substantial negative changes in the value of the bank's portfolio of bonds and certificates, which is held for liquidity purposes, as well as negative changes in value from ownership interests in other companies. With a high CET1 capital ratio and a high leverage ratio, Sparebanken Øst is among Norway's most solid banks and is well equipped for the future.

The bank's 180th year of operation shows a profit after tax of NOK 296.4 million. The turbulence in the financial markets had a negative impact on the results, and decreases in market values totalled NOK 82.6 million in 2022. The return on equity is 6.65 per cent. Looking beyond the turbulence in the financial markets, the bank is pleased with the development of income and costs in 2022. The bank's performance must also be seen in light of the fact that the bank, as a standard method bank, must hold substantially more equity than many of our competitors.

Following very strong growth in lending and deposits in 2021, in a market with fierce competition for customers, the bank has chosen to prioritise lending and deposit margins. The bank has low risk in its loan portfolios, with a high proportion of loans to retail customers secured on their own homes. The bank has a modest NOK 2.3 billion in commercial property loans, representing about 6.2 per cent of gross lending.

Five interest rate hikes have been implemented in the bank's customer portfolios, which have taken effect during 2022. The bank's net interest income for 2022 amounts to NOK 686.2 million, an increase of NOK 54.9 million compared with 2021. Two further interest rate hikes have been announced, with effect from the turn of the year and from the beginning of February 2023.

The bank has very low loan losses and net non-performing commitments are very modest at NOK 128.9 million, or 0.35 per cent of net lending to customers. The bank's CET1 capital ratio is very solid at 20.11 per cent.

Earnings per equity certificate were NOK 3.83. The Board of Directors proposes that a cash dividend of NOK 3.80 per equity certificate (NOK 78.8 million in all) be distributed for 2022, with provisions for good causes totalling NOK 196.8 million. The proposed distributions deviate from the bank's dividend policy and constitute 99.2 per cent of the Group's profit for the year allocated to equity certificate holders and primary capital respectively. The share of cash dividend within the bank's dividend policy amounts to NOK 1.91 per equity certificate. The dividend policy is unchanged going forward and aims to pay up to 50 per cent of the profit allocated to equity certificate holders as dividends. This year's allocations are based on the bank's earnings, low credit risk and very solid capital adequacy.

Results for 2022 in brief

The profit for the year is NOK 296.4 million, a reduction of NOK 79.1 million from 2021. The return on equity (ROE) was 6.65 per cent, compared with 8.86 per cent in 2021. Earnings per equity certificate were NOK 3.83, down from NOK 5.16 in 2021.

The CET1 capital ratio is 20.11 per cent, up from 18.24 per cent at the end of 2021. The leverage ratio is 9.27 per cent, up from 8.60 per cent at the end of 2021.

Net interest income amounted to NOK 686.2 million, up NOK 54.9 million from 2021. Rising interest rates in 2022 result in increased interest income and also in higher interest costs for the bank. Increased deposit margins are the main reason for the increase in net interest income compared with 2021.

Net other operating income amounted to NOK 12.1 million, down by NOK 117.4 million from 2021. This decrease is mainly the result of turbulence in the financial markets, which caused substantial negative changes in the value of the bank's portfolio of bonds and certificates, which is held for liquidity purposes, as well as negative changes in value from ownership interests in other companies. Negative market value changes amounted to NOK 82.6 million in 2022. By comparison, the market value changes in 2021 were positive at NOK 18.4 million. The dividend received will be reduced by NOK 17.5 million from 2021.

Operating costs amount to NOK 309.7 million, a marginal increase of NOK 4.1 million, or 1.3 per cent, from 2021.

Losses are modest at NOK 6.8 million. By comparison, losses amounted to NOK 0.5 million in 2021. The change in recognised losses is mainly due to changes in model-based loan loss provisions.

Strategy and goals

Sparebanken Øst's strategy was most recently considered and approved by the Board of Directors in June 2022.

We aim to be a leading savings bank in central Eastern Norway, which we define as our main market. With a combination of physical and digital distribution, we are a modern traditionalist and provider of financial services.

Our business concept 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.

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. For a more detailed discussion of the bank's strategy, see under "About the bank" from page 14.

On 15 July 2022, the Board of Directors decided to adjust the Group's target rate of return to a 9 per cent return on equity (ROE) over time. Over time, Sparebanken Øst has achieved a good return on equity and adjusting the target return does not entail a change to the bank's business model. Given the current regulatory framework conditions and its status as a standard method bank, in the opinion of the Board a target return of 9 per cent for the next few years represents an ambitious, but not unrealistic target for Sparebanken Øst.

On 15 July 2022, the Board voted to change the CET1 capital target from 14.75 per cent to expressing the capital target as follows: Sparebanken Øst has a target for CET1 capital, which should be equal to the regulatory requirement plus a capital margin of 1.0 per cent. Based on the applicable regulatory requirement at the end of 2022, the bank's target for CET1 capital is 14.8 per cent. Taking into account the announced increased regulatory requirements for the systemic risk buffer and the countercyclical capital buffer, the bank's CET1 capital target will increase to 16.8 percent under the current Pillar 2 requirement at the end of 2023.

Report on the 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.

NET INTEREST INCOME

Net interest income amounted to NOK 686.2 million, up NOK 54.9 million from 2021. Rising interest rates in 2022 result in increased interest income and also in higher interest costs for the bank. Increased deposit margins are the main reason for the increase in net interest income compared with 2021.

Interest income from lending to customers was higher compared with 2021, primarily due to interest rate rises in the bank's loan portfolio. Interest rates in the bank's loan portfolio have been increased five times based on rate rises implemented by Norges Bank that took effect during 2022. Interest rate rises in the loan portfolio are announced some time before they come into effect, which results in a significant time lag compared with interest rate adjustments for the bank's market funding. This means that in a rising interest rate market, increases in interest income take effect later than increases in interest costs.

Interest costs on securities issued are closely linked to the development of money market rates. The increase in interest costs compared with 2021 was attributable to rising money market rates following rate hikes and expectations of further rate hikes by Norges Bank. The money market premium has also been high at times and resulted in higher money market rates than the policy rate would indicate under normal conditions.

The bank's deposit margins increased during the year. As a result of a substantially higher interest rate level, interest costs on deposits measured in NOK have increased.

Net interest income

Amounts in NOK million	2022	2021
Loans to & receivables from financial institutions	5,7	0,3
Lending to customers	1,203.9	905,2
Certificates and bonds	145,9	61,1
Total interest income	151,6	966,6
Liabilities to financial institutions	6,7	6,3
Customer deposits	136,4	86,0
Securities issued	498,7	222,4
Subordinated loan capital	12,8	7,3
Norwegian Banks Guarantee Fund levy	14,7	13,3
Total interest costs	669,3	335,3
Net interest income	-517,7	631,3
Net interest income as a percentage of average total assets	1,49	1,34

NET OTHER OPERATING INCOME

Net other operating income comprises commission income and costs, dividends, net value changes and gains/losses on financial instruments and other income. Net other operating income amounted to NOK 12.1 million, down by NOK 117.4 million compared with 2021.

Net commission income amounted to NOK 37.4 million, up NOK 4.1 million from 2021. This increase is mainly due to more normalised customer activity from money-transfer services following the Covid-19 pandemic.

Dividends received totalled NOK 53.9 million, of which dividends from Frende Holding AS accounted for NOK 49.1 million, dividends from Kraft Bank AS accounted for NOK 0.7 million, and the realisation of shares in Visa Inc. resulted in NOK 3.0 million from VN Norge AS. In 2021, dividends received totalled NOK 71.4 million, of which dividends from Frende Holding AS accounted for NOK 69.0 million and dividends from Eksportfinans ASA accounted for NOK 2.1 million.

Net value changes and gains/losses on financial instruments amounted to NOK -82.6 million, down NOK 101.0 million compared with 2021. Market turbulence arising from geopolitical uncertainty related to the invasion of Ukraine resulted in higher credit spreads on bonds in the bank's liquidity portfolio in the first quarter of the year. Since then, higher inflation, the energy crisis and prospects of an economic downturn have brought a further increase in credit premiums and negative changes in market value in 2022. The value of the liquidity portfolio fell by NOK 46.8 million, compared with a reduction of NOK 25.5 million in 2021. The bank has no corresponding positive adjustment effects in profit/loss from bond debt, as all of the bond debt is recognised at amortised cost. The turbulence in the financial markets has also resulted in higher volatility and falls in value in the stock exchanges. The negative change in value of the bank's shares in Norwegian Block Exchange AS (NBX) amounted to NOK 30.9 million. By comparison, the positive change in the value of the shareholding in NBX amounted to NOK 26.8 million in Q4 2021.

The value of the bank's shares in Kraft Bank ASA fell by NOK 5.3 million, against a rise of NOK 2.6 million in 2021. Positive value changes related to shares and options in Visa Inc. amounted to NOK 1.5 million compared with an increase of NOK 0.8 million in 2021. The change in value for the year must be viewed in the context of dividends from VN Norge AS being recognised as income. The positive result effect on the bank's shareholding in Frende Holding AS amounts to NOK 4.8 million. As from Q3, the bank owns shares in Vipps Holding AS directly, as against the previous indirect ownership via Balder Betaling AS. The bank's redemption of its ownership in Balder Betaling AS produced a positive profit/loss effect of NOK 0.5 million (in Q3). In 2021, the appreciation in the value of the shares in Balder Betaling AS amounted to NOK 13.7 million. The negative profit effects from foreign exchange, derivatives and fixed rate loans at fair value amounted to NOK 2.4 million. Corresponding profit effects were positive by NOK 0.2 million in 2021. The cost of buying back the bank's own issued debt amounted to NOK 3.9 million, compared with NOK 0.3 million in 2021.

Other operating income amounted to NOK 3.4 million, down by NOK 3.0 million from 2021. The reduction is mainly due to gains from sales of property.

Net other operating income

Amounts in NOK million	2022	2021
Net commission income	37,4	33,3
Dividend	53,9	71,4
Net value change and gains/losses on certificates and bonds	-50,5	-34,7
Net value change and gains/losses on shares	-29,5	44,0
Net value change and gains/losses on fixed-interest loans	-6,3	-7,9
Net value change and gains/losses on other financial instruments	3,6	17,0
Other operating income	3,4	6,4
Net other operating income	12,1	129,5

*includes the profit/loss effect of financial derivatives entered into for the purpose of

financial interest rate hedging in the liquidity portfolio

OPERATING COSTS

Operating costs amount to NOK 309.7 million, an increase of NOK 4.1 million from 2021. Operating costs as a percentage of average total assets amounted to 0.67 per cent, an increase of 0.02 per cent from 2021.

Salaries and other personnel costs amounted to NOK 168.5 million, down by NOK 7.4 million compared with 2021. The reduction was attributable to provisions for profit sharing in 2021, a reduction in the number of FTEs, and less use of overtime at the bank.

Other operating costs amount to NOK 114.1 million, an increase of NOK 11.8 million. The increase was due to higher operating costs for owned and leased premises, consultancy services, IT costs and increased provisions for wealth tax. Wealth tax was increased from 0.15 per cent to 0.25 per cent in the revised national budget for 2022.

Operating costs

Amounts in NOK million	2022	2021
Salaries and other personnel costs	168,5	175,8
Depreciation/impairment of tangible and intangible assets	27,2	27,6
Other operating costs	114,1	102,3
Total operating costs	309,7	305,7
Costs as a percentage of average total assets	0,67	0,65

IMPAIRMENT AND NON-PERFORMING COMMITMENTS

Losses on loans, unused credits and guarantees amounted to NOK 6.8 million, of which changes in model-based losses amounted to income of NOK 2.3 million. By comparison, losses amounted to NOK 0.5 million in 2021, of which changes in model-based loan loss provisions amounted to income of NOK 6.4 million.

With clear signs of a turnaround in the Norwegian economy, along with prospects of slower growth both nationally and internationally, we are facing a different economic outlook at the end of 2022 from what was assumed when the annual financial statements for 2021 were presented. The ongoing invasion of Ukraine is having major economic repercussions both in Europe and around the world and, combined with increased inflation and rising interest rates/costs, this is contributing to greater uncertainty about future developments. As a result, the probability weighting of macro scenarios used to calculate model-based expected credit loss was changed at the end of Q3 2022, with the probability of a pessimistic scenario increasing from 25 per cent to 30 per cent. The change resulted in NOK 1.3 million in increased loan loss provisions in Q3 2022.

Loss costs

Amounts in NOK million	2022	2021
Lending to retail customers of the parent and mortgage credit company	2,3	3,0
Lending to business customers	-0,1	-8,7
Lending at AS Financiering	4,7	6,0
Unused credit and guarantees	-0,1	0,2
Total loss costs	6,8	0,5
Losses as a percentage of net lending to customers (OB)	0,02	0,00

Total loan loss provisions amount to NOK 113.2 million, equivalent to 0.31 per cent of gross lending to customers. For comparison, total loan loss provisions amounted to NOK 126.5 million at the end of 2021, or 0.32 per cent of gross lending to customers. Individually assessed loan loss provisions amounted to NOK 85.8 million, compared with NOK 96.8 million at the end of 2021. The bank's loan loss provisions are mainly related to AS Financiering and, compared with the end of 2021, they constitute a reduced percentage of gross lending at AS Financiering.

Loan loss provisions

Amounts in NOK million	2022	2021
Lending to retail customers of the parent and mortgage credit company	18,4	16,3
Lending to business customers	4,3	4,3
Lending at AS Financiering	89,2	104,5
Unused credit and guarantees	1,3	1,4
Total loan loss provisions	113,2	126,5
Loan loss provisions as a percentage of gross lending to customers	0,31	0,32

Net non-performing commitments are very modest at NOK 128.9 million, or 0.35 per cent of net lending to customers. Compared with the end of 2021, net non-performing commitments have reduced by NOK 71.7 million. This reduction is mainly explained by one business commitment that at the end of 2021 was denounced (classified as non-performing) and which was settled during 2022 without loss for the bank.

Non-performing commitments

Amounts in NOK million	2022	2021
Lending to retail customers of the parent and mortgage credit company	47,8	47,5
Business customers	7,1	72,8
AS Financiering	160,6	178,5
Total gross non-performing commitments	215,6	298,8
Loan loss provisions for non-performing commitments.	86,7	98,2
Net non-performing commitments	128,9	200,7
Net non-performing commitments as a percentage of net lending	0,35	0,51

INCOME TAX

Income tax stands at NOK 85.5 million, equal to 22.4 per cent of the profit before income tax. Income tax is mainly affected by dividend income and changes in value of ownership interests covered by the exemption method.

Proposed allocation of profits for 2022

The profit for the year is allocated on the basis of the annual financial statements for the parent bank. The profit for the year for the parent bank is NOK 344.7 million for 2022, compared with NOK 361.5 million in 2021. The parent bank has recognised NOK 171.1 million in dividends from wholly owned subsidiaries in 2022, compared with NOK 163.7 million in 2021.

The hybrid capital owners' share of the parent bank's profit for the year amounted to NOK 18.7 million in 2022 and is allocated to their share of the equity. The corresponding share of profit amounted to NOK 14.1 million in 2021. The share of the profit is made up of interest on additional Tier 1 capital, where interest paid is presented as a distribution from equity.

The Board of Directors proposes that the parent bank's profit for 2022 be allocated to equity certificate holders and primary capital as shown in the table below:

(figures in NOK millions)		
Parent bank profit/loss for the year*		**326,0**
Cash dividend for equity certificate holders	78,8	
Allocated to good causes	196,8	
Total distributions		**275,5**
To equalisation fund	36,3	
To primary capital	90,6	
From fund for unrealised gains	-76,4	
Total to equity		**50,5**
Total allocated		**326,0**

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

The proposed distribution of cash dividends amounts to NOK 3.80 per equity certificate, equivalent to NOK 78.8 million in all. This year's provision for grants to good causes is historically high, at NOK 196.8 million. Both dividends to equity certificate holders and grants to good causes constitute 99.2 per cent of the Group's profit for the year allocated to the equity certificate holders and primary capital respectively. The Board's proposed allocation entails keeping the bank's ownership fraction unchanged at 28.59 per cent.

The Board proposes distributing more in dividends to equity certificate holders and provisions for grants to good causes for 2022 than is the bank's dividend policy. The bank's dividend policy remains unchanged going forward and aims for up to 50 per cent of its profits to be distributed in dividends and grants.

The proposed allocation of profits for 2022 entails that 84.5 per cent of the parent bank's profit for the year allocated to equity certificate holders and primary capital be distributed in dividends and provisions for grants. Under the Financial Institutions Act, the Board of Directors is obliged to notify the Financial Supervisory Authority of Norway when the Board submits a proposal where the total distributions exceed half of the profit. Sparebanken Øst has fulfilled this duty and has informed the Financial Supervisory Authority of Norway of the Board's proposal. The prudence assessments of the Board of Directors in connection with the proposed distributions for 2022 are discussed in more detail below.

THE BOARD'S PRUDENCE ASSESSMENT FOR 2022

The requirements of the Financial Institutions Act for a prudence assessment

The dividends on equity share capital and primary capital must not be set higher than is 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. If the Board of Directors decides to submit a proposal for distribution which entails that the total dividend in a single year will exceed half of the profit according to the approved income statement for the last financial year, the Board must notify the Financial Supervisory Authority of Norway of the proposal. The Financial Supervisory Authority of Norway may, where the financial institution's solvency so requires, order the institution not to distribute a dividend or to distribute less than what has been proposed by the Board of Directors or adopted by the General Meeting (Section 10-6 of the Financial Institutions Act).

Losses that may have occurred after the end of the financial year, or which must be expected to occur, are continuously taken into account in the bank's quarterly and annual accounts based on IFRS standards, including IFRS 9 Financial Instruments. The need to build up equity in the bank has been assessed in the bank's ICAAP for 2022. The total capital requirement is expressed through the bank's capital target, which corresponds to the regulatory requirement plus a capital margin of 1.0 per cent. Sparebanken Øst uses the standard method when calculating its capital requirement. Comparable savings banks primarily use the IRB method for this purpose. The standard method requires significantly higher capital weights than the IRB method for identical risk and identical customers. Compared with banks that use the IRB method, Sparebanken Øst's real loss-absorbing capacity is therefore considerably higher than for IRB banks, other things being equal.

Outlook for the Norwegian and international economy

The Board of Directors has assessed, in particular, macroeconomic factors nationally and internationally that are related to the consequences for the bank of the war in Ukraine and macroeconomic conditions in general. The Board's prudence assessment assumes continued uncertainty in the global economy, with reduced growth and high inflation. At the same time, there are now signs that inflation has peaked internationally in many countries. Furthermore, the observation is that the Norwegian economy has held up well so far, partly supported by high oil and gas prices, which provide Norway with substantial additional revenues, for example through increased exports to the EU. The Board also assumes that unemployment in Norway will remain at a low level in the future and that a relatively modest fall in house prices is expected. Increased uncertainty in the demand for commercial property is also assumed. Similarly, a decline in turnover cannot be ruled out in some areas of retail sales.

Considerations of the Board of Directors

The Board considers that the bank’s loan portfolio is of very good quality and the risk of losses and non-performance in the future is considered to be low, and also that the ongoing macroeconomic turbulence will have limited impact on the bank's lending activities going forward. At the end of 2022, net non-performing commitments as a percentage of net lending were 0.35 per cent. Losses in 2022 amount to 0.02 per cent of net lending to customers. The bank has reduced its commercial property lending exposure throughout 2022 as a risk-mitigation measure due to heightened macroeconomic uncertainty. Loans to businesses account for 9.6 per cent of total loans. The bank analyses the composition of the tenant base in the commercial buildings that the bank has lent against on an ongoing basis. The bank has low exposure to vulnerable industries such as hotels and restaurants and trade related to sports and leisure. Loans to private individuals account for 90.4 per cent of total loans. The average loan-to-value ratio in the mortgage loan portfolio is 55.7 per cent and 98 per cent of mortgages have an LTV ratio lower than 85 per cent.

The Board of Directors considers that the risk associated with access to liquidity and management of the liquidity portfolio is relatively low, and that the ongoing macroeconomic turbulence will have limited impact on the bank's access to funding, and that fluctuations in value related to liquidity management will be limited going forward. There is good access to liquidity in the Norwegian capital market, despite the significant uncertainty in the global economy. The liquidity portfolio has low credit risk and limited duration. Russia's invasion of Ukraine resulted in substantial increases in credit spreads on Norwegian and international bonds. However, the market value adjustments that followed the attack resulted in relatively modest negative value adjustments to the bank's liquidity portfolio.

The Board of Directors has also assessed the consequences of increased macroeconomic uncertainty related to the bank's ownership interests in Frende Forsikring and considers this to be relatively low. It is assumed that economic downturns do not in themselves lead to increased claim frequency, either for life or non-life. The company's financial management was affected by Russia's attack on Ukraine, albeit without having a material adverse impact on the company's operations and solvency. The bank's shares in Eksportfinans AS are not considered to be affected to any great extent by increased macroeconomic uncertainty, as the company now has very limited operations and substantial equity. The bank's investments in NBX AS and Kraftbank are collectively very limited in amount, and the consequences of macroeconomic uncertainty going forward are considered very low for the bank.

The proposed distributions mean that the ownership fraction is unchanged at 28.59 per cent. The Board of Directors is aware that the Financial Supervisory Authority of Norway interprets Section 10-17 (1) of the Financial Institutions Act to mean that dilution of the ownership fraction is contrary to this provision.

In a consultation document dated 6 January 2023, the Financial Supervisory Authority of Norway proposed amendments to Sections 10-6, 10-17 and 10-18 of the Financial Institutions Act which could affect the allocation of profits attributable to the equity share capital in savings banks, including an enhanced notification obligation and a requirement to apply for the use of the equalisation fund. The consultation deadline is set for 1 March 2023. Any amendments to the above provisions are not expected to affect the Board's proposal for the allocation of the profits for 2022.

Conclusion of the Board of Directors
The Board of Directors concludes that the bank has a substantial risk-bearing capacity with a CET1 capital ratio of more than 20 per cent, which enables growth in lending to customers going forward. The Board considers the risk in the bank's balance sheet to be low, including compared with banks that use IRB models, wholly or partly, in their capital adequacy calculations. For 2023, the bank is planning lending growth in line with the general credit growth in society over time.

As of today, the Board of Directors has no plans to reduce subordinated capital during 2023 beyond the buyback of equity certificates related to savings programmes for employees (up to NOK 5 million). In its letter of 20 December 2022, the Financial Supervisory Authority of Norway approved buybacks and similar within a framework of NOK 50 million.

The Board of Directors assumes that risk assessments and stress tests used in ICAAP for 2022 will remain relevant, taking into account macroeconomic prospects nationally and internationally. On the basis of the above, the Board of Directors sees no need to make extraordinary changes to the bank's ICAAP, including reassessing the bank's capital target. The Board of Directors is of the opinion that there are no circumstances as at 2 March 2023 that would indicate that all or part of the profit for 2022 must be retained as equity in the bank.

Main items on the balance sheet

Total assets amount to NOK 44.1 billion, a decrease of NOK 4.0 billion from the end of 2021.

LENDING TO CUSTOMERS
Net lending to customers amounted to NOK 36.8 billion, a decrease of NOK 2.6 billion, or 6.6 per cent, in the past 12 months.

Net lending to retail customers amounted to NOK 33.3 billion, a decrease of NOK 1.6 billion, or 4.7 per cent, in the past 12 months. After a period of very high lending growth, where lending to retail customers increased by NOK 4.5 billion in 2021, or 14.8 per cent, the bank has been experiencing a period of consolidation in 2022 where pricing and margins, process efficiency and risk levels in the portfolio have been the priority. Over time, the bank has seen solid growth in lending in the retail market. Lending growth may vary from year to year. The bank can point to gross lending to retail customers having increased by NOK 15.6 billion from 2012 to 2022, which represents an average annual growth of 6.9 per cent. The bank’s strategy is for lending to retail customers to grow at least as fast as credit growth over time. Retail market loans and credits are generally only granted with security in a customer’s home. The bank’s exposure to lending and credit without associated security is very low. Over time, the bank has given priority to providing loans to customers with lower LTV ratios. The LTV ratio in the residential mortgage portfolio averages 55.7 per cent, based on the value of the collateral at the date of approval. Given the Group’s high share of loans to the retail market, which mainly covers the central area of Eastern Norway, the retail market portfolio is considered secure and well able to service debt in a housing and labour market that is expected to function well over time. Gross lending to retail customers accounted for 90.4 per cent of total lending to customers.

Net lending to business customers amounted to NOK 3.5 billion, a decrease of NOK 0.9 billion, or 21.0 per cent, in the past 12 months. The reduction is mainly attributable to natural dropout due to the repayment of loans, as well as strong price competition within some segments with low risk pricing. In a market characterised by high property prices, low lending margins and rising interest rates, with a considerably higher risk premium in the bond market for real estate actors, the bank has chosen to take a defensive approach to business customers and reduced risk in the business portfolio. There has been a marked increase in the value of commercial property over a prolonged period, and rising interest rates and required rates of return could lead to a fall in commercial property prices. Exposure to commercial property represents a relatively large proportion of the business portfolio, but a very limited proportion of the bank’s total loan portfolio. The bank’s commercial property lending is modest at NOK 2.3 billion, or about 6.2 per cent of total gross lending, down from NOK 2.7 billion, or approx. 6.9 per cent, at the end of 2021. 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 little direct or indirect exposure to the accommodation/hospitality industry, import/export businesses and major industrial and trading operations. There is little direct or indirect exposure to trading activities with the exception of groceries.

DEPOSITS FROM CUSTOMERS
Deposits from customers totalled NOK 15.8 billion, down NOK 1.8 billion, or 10.3 per cent, in the past 12 months. Following very high deposit growth in 2021, where customer deposits increased by NOK 2.7 billion, the bank has adopted a more defensive approach in a deposit market characterised by strong competition. The deposit coverage ratio is 42.8 per cent, down from 44.6 per cent at the end of 2021. Deposits from retail customers amounted to NOK 10.4 billion, down NOK 1.2 billion in the past 12 months. Deposits from business customers amounted to NOK 5.4 billion, down NOK 0.7 billion in the past 12 months.

LIQUIDITY AND FINANCING
The bank takes a conservative approach to liquidity risk and exercises proper liquidity management so that the Group has sufficient liquid assets to cover its obligations upon maturity at all times. The bank must be able to run normal operations for a period of at least 12 months without access to external financing. The bank also takes on credit risk through the

management of 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 liquidity risk is monitored continuously, and updated overviews of the bank's total counterparty risk are available.

Holdings of certificates and bonds totalled NOK 5.6 billion, a reduction of NOK 1.6 billion in the past 12 months.

The short-term liquidity target measured by LCR is above the bank's agreed limit of 102 per cent and amounts to 217.3 per cent, compared with 249.7 per cent at the end of 2021. 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.

Securities issued totalled NOK 22.3 billion, a reduction of NOK 2.4 billion in the past 12 months. The bank considers access to market funding to be satisfactory despite continued uncertainty surrounding inflation and future economic growth.

The degree of stable and long-term financing measured by NSFR is 130.1 per cent, compared with 122.3 per cent at the end of 2021. The average maturity for market funding was 3.01 years, compared with 3.05 years at the end of 2021. Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 3.5 billion at the end of 2022.

As part of the phasing-in plan for MREL, the bank issued senior non-preferred debt (SNP) with a nominal value of NOK 0.9 billion.

FRENDE FORSIKRING

The bank owns 13.03 per cent of Frende Holding AS which itself owns Frende Skade AS and Frende Liv AS (Frende Forsikring). Since the bank's stake in Frende is below 20 per cent, the shareholding is measured at fair value with changes of value and dividends received recognised through profit or loss. The bank's shareholding in Frende Holding AS is valued at NOK 456.1 million.

The bank's share of the profit in Frende is NOK 39.9 million for 2022. In comparison, the bank's share of the profit was NOK 71.7 million for 2021. The results for 2022 are characterised by very strong technical insurance results, as well as negative financial results related to financial market turbulence throughout the year.

In 2022, the bank has recognised dividend income of NOK 49.1 million (in Q2) and a gain of NOK 4.8 million in connection with the pro-rata sale of shares to Lokalbank-alliansen (in Q1), where the bank's stake in Frende decreased from 13.75 per cent to 12.92 per cent. In Q3, the bank increased its ownership interest from 12.92 per cent to 13.02 per cent after exercising its pre-emption rights. In 2021, the bank recognised dividend income of NOK 69.0 million (in Q2). The bank has previously seen, and also expects to see in the future, value creation and profit contributions from the investment in Frende.

MISC. OWNERSHIP INTERESTS IN OTHER COMPANIES

The bank owns 4.85 per cent of the shares in Eksportfinans ASA, and the shareholding is valued at NOK 195.0 million.

The bank's indirect ownership in Vipps Holding AS via Balder Betaling AS was converted to direct ownership in Vipps Holding AS from Q3. The bank's ownership in Balder Betaling AS was wound up at the same time. The bank's stake in Vipps Holding AS was 0.71 per cent, and the shareholding was valued at NOK 58.2 million.

The bank owns 6.85 per cent of the shares in Kraft Bank ASA. Kraft Bank ASA is listed on Euronext Growth Oslo and the bank's shareholding is valued at NOK 26.0 million.

The bank owns 'C' shares in Visa Inc. The shareholding is valued at NOK 39.1 million. The bank also has rights to shares in Visa Inc., owned via VN Norge Forvaltning AS and VN Norge AS. The rights are valued at NOK 8.3 million.

In Q2, the bank's stake in Norwegian Block Exchange AS (NBX) was reduced from 9.92 per cent to 9.43 per cent as a result of a private placement. The bank did not participate in the share issue. As of December 2021, NBX is listed on Euronext Growth Oslo and the bank adjusted the value of the shareholding upwards to NOK 26.8 million in 2021. In 2022, the value of the shareholding was adjusted downwards by NOK 30.9 million to NOK 10.9 million. The bank's historical cost price for the shareholding was NOK 15.0 million.

Capital adequacy

The bank uses the standard method to calculate capital adequacy and is very strong and well positioned to deal with announced future increases in capital requirements, and also has both dividend capacity and scope for lending growth.

Sparebanken Øst increased its solvency through 2022 and the CET1 capital ratio stood at 20.11 per cent at the end of 2022, up from 18.24 per cent at the end of 2021. The expansion of the SME discount increased the CET1 capital ratio by around 0.38 percentage points at the end of the first half-year 2022. The increase in CET1 capital is also explained by negative growth in lending in the last 12 months, mainly due to a reduction in lending to business customers.

The applicable Pillar 2 requirement for Sparebanken Øst is 1.8 per cent, with a minimum of NOK 360 million. The requirement came into effect on 30 June 2020. Given the current level of the countercyclical buffer of 2.0 per cent, this entails a total CET1 capital requirement of at least 13.8 per cent at the end of 2022. The systemic risk buffer requirement is postponed by one year and for the bank will increase by 1.5 percentage points from 3.0 per cent to 4.5 per cent from 31 December 2023. The countercyclical capital buffer will increase by 0.5 percentage points from 2.0 per cent to 2.5 per cent on 31 March 2023, which is where it was before March 2020 and the outbreak of Covid-19. With the announced increases in capital requirements, Sparebanken Øst's total regulatory requirement for CET1 capital will increase to 15.8 per cent under the applicable Pillar 2 requirement at the end of 2023.

Net subordinated loan capital at the end of 2022 amounted to NOK 4.6 billion, of which the Group's CET1 capital accounted for NOK 4.2 billion. With a calculation basis of NOK

19.1 billion, this corresponds to a capital adequacy ratio of 24.03 per cent, of which 21.94 per cent constitutes the Tier 1 capital ratio. The leverage ratio was 9.27 per cent at the end of 2022, an increase from 8.60 per cent at the end of 2021. The current leverage ratio requirement is 3.0 per cent.

Capital level

per cent	2022	2021
CET1 capital ratio	20,11	18,24
Tier 1 capital ratio	21,94	19,89
Capital adequacy	24,03	21,78
Leverage ratio	9,27	8,60

Significant differences in treatment of equal risk between banks

Sparebanken Øst bases its capital calculations on the principles in the standard method, which according to the current regulations means that loans with the same risk are subject to far higher risk weights when compared with the approach of banks that use risk weights set out in IRB models. The result of this is that, with its capital requirements, Sparebanken Øst holds far more equity for its lending than banks that are able to use IRB models for all or parts of their lending portfolios. The end of the Basel 1 floor for Norwegian IRB banks from 31 December 2019 altered the competitive situation in the Norwegian market to a significant degree and has also left its mark on profit performance.

Sparebanken Øst uses risk weights of 35 per cent on residential mortgages with a loan-to-value (LTV) ratio of 80 per cent or less, while banks that deploy IRB models have risk weights of around 21 per cent. In the case of loans for commercial properties, the bank uses risk weights from 100 per cent, while banks that use IRB models have risk weights of around 40 per cent.

The bank's calculations show that a standard method bank has to hold about 80 per cent more equity (CET1 capital) than an IRB bank. The calculations assume two identical banks with identical loans to identical customers with identical risk of credit loss, where the only distinction is that one uses the standard method and the other is an IRB bank. The calculations also assume that banks have the same capital requirement in percentage terms, the same 80/20 per cent split in lending to individuals and companies, and a full SME discount on loans to these businesses.

Sparebanken Øst believes that the differential treatment of the capital requirements for equal risk provides for significantly higher leverage with the possibility of significantly higher lending volumes relative to equity levels, or alternatively reduced equity requirements, resulting in higher return on equity. The differential treatment of identical risk results in a highly detrimental competitive disadvantage as it is also necessary to protect the interests of the bank's equity certificate investors at the same time.

Sustainability and corporate social responsibility

Sparebanken Øst pays considerable attention to sustainability and corporate social responsibility. Sustainability is embedded in all areas of our business and it underpins our strategic ambitions to provide great customer experiences, ensure compliance and deliver on financial targets. The bank will primarily use positive influence, but may also choose not to finance certain commitments that are not aligned with the bank's strategy. In 2022 and subsequent years, the bank will focus strongly on climate and environmental impact in its loan portfolios. The bank also takes corporate social responsibility in a number of other areas, including grants for good causes. Reference is made to further discussion of sustainability and corporate social responsibility in the bank's chapter on sustainability from page 24 and on the bank's contribution to society through grants for good causes from page 20.

The bank aims to reduce its own and financed emissions and in 2022 adopted the target of net zero emissions by the year 2050. Going forward, the bank will work to set targets, specify measures and report on greenhouse gas emissions.

The bank has established a green framework for issuing green bonds and financing green lending. The establishment of a green framework is part of the bank's strategy of using the green bond market to contribute to the green transition. As a savings bank, we can have a positive influence through close dialogue with our customers and by helping them to make sustainable choices. The bank offers customers both green mortgages and green first-home loans, as well as green car loans through subsidiary AS Financiering. Sparebanken Øst Boligkreditt AS issued its first covered green bond in January 2023.

Corporate governance

The management of Sparebanken Øst is based, among other things, on the Financial Institutions Act, the Public Limited Liability Companies Act and the Norwegian Code of Practice for Corporate Governance (the NUES Code of Practice). Good corporate governance in Sparebanken Øst helps to safeguard 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 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. See further discussion in the bank's report on Corporate governance from page 53. Reference is also made to the discussion of the Norwegian Transparency Act in the chapter on sustainability from page 40. For a presentation of the Bank's Board of Directors and senior management and how the Bank is organised, please refer to the review from page 49.

The bank has director's liability insurance covering the members of the Board, the CEO, other members of management or similar governing bodies at the bank, and any past or current/future employees of the bank who could incur personal management liability. The insurance covers liability for economic loss, including personal liability for the Group's debts arising from claims raised against the bank during the insurance period relating to an alleged liability-bearing act or omission in the insured's capacity of Board member, CEO or member of management or equivalent governing body at the bank. In this context, economic loss is any financial loss not directly arising from physical injury or damage to a person or object. The director's liability insurance has amount limits.

Risk management and compliance

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 of Directors 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 at the bank is described in more detail in the "Risk management and internal control" section under "Corporate governance" from page 53 onwards.

Banking requires a certain degree of risk-taking, but the bank seeks to take a conscious and measured approach to the risk it has or assumes. This applies to the most significant risk areas for losses, which are credit risk, market risk, liquidity risk and operational risk. The strategy documents adopted by the bank have established risk tolerances, limits and targets within these risk areas. The significant risk areas are described in more detail below.

CREDIT RISK

Sparebanken Øst's credit strategy addresses 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 general 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 take risk. The credit strategy is implemented in the bank's credit manuals and in other instructions.

The bank has a 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 laws, regulations, directives from the authorities and other regulatory conditions.

Within the retail and business markets, the loan-to-value ratio and the capacity and willingness to pay are key aspects of the credit assessments. The Norwegian Mortgage Regulations provide essential guidance for the bank's lending business to private individuals.

Risk on lending to customers is measured by classifying customers according to risk. Customers are risk-classified based on scoring models developed using statistical methods that estimate the probability of default (PD). Risk classification has been established as an integral element of the credit process and meets the requirement for annual reclassification of loan commitments. Credit risk trends are monitored continuously through reports to the bank's executive management and quarterly reports to the Board of Directors.

The bank's geographical catchment area gives it access to a large market area in terms of customers and segments. Lending to retail customers is mainly low-risk, and loans to retail customers secured on residential property make up a very large part of the Bank's total lending. A small proportion of lending to business customers also contributes to a low overall credit risk for the Bank.

The Bank also takes on credit risk through the management of liquidity reserves and excess liquidity. The Bank intends to hold interest-bearing securities with low credit risk for liquidity purposes (a reserve to be disposed of when needed) and to secure access to borrowing facilities with the central bank.

MARKET RISK

Sparebanken Øst's financial strategy is intended to help ensure that the Bank's activities in the financial area are in line with the general 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, official circulars, 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.

OPERATIONAL RISK

Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error or external events. The management and control of operational risk are handled through Sparebanken Øst's strategy for comprehensive risk management, which is the bank's governing document for risk management. The strategy clearly defines who is responsible for the establishment and implementation of internal control at the bank. Measures are taken to try and keep operational risk at a low level. The risk tolerance for operational risk is broken down into the event categories defined by the Financial Supervisory Authority of Norway, graded into zero tolerance, low and moderate risk, and processes for risk assessments, annual key process reviews, function and responsibility matrices, signatory structures and annual management confirmations have been established within the bank.

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 should be able to maintain normal operations for a period of at least 12 months without any added liquidity, and three months in a combined stress scenario. The Group's liquidity is managed according to established frameworks for LCR, NSFR and stress tests, for example.

CLIMATE RISK

Climate risk consists of physical climate risk and transition risk. Physical risk can be landslides, floods, rising sea levels, droughts or other risks related to climate change. Transition risk is the risk associated with the transition to a low-emission society, where changes in climate policy/regulation, development of new technology, changed customer preferences and investor demands may lead to abrupt changes in the market value of financial and other assets. Climate risk can lead to increased credit risk, financial losses or reduced access to capital.

The bank does not finance any carbon-sensitive industries such as oil, gas or shipping. The bank has identified the sectors and activities that the bank does not wish to finance. These are coal mining or energy production based on coal, controversial weapons, tobacco, pornography, oil/tar sands, shale oil and gas, and oil and gas extraction in the Arctic.

Sparebanken Øst has increased its focus on climate risk in its loan portfolios and has mapped the sustainability risk of all its business customers with loans. The results show that the bank has a very low exposure to climate risk. See further discussion of climate and environmental risk in the portfolio on page 30.

People and organisation

Sparebanken Øst's strategy is to be a market-oriented organisation and an attractive employer for competent and responsible people, who want to actively contribute to the bank achieving its goals. The bank wants to ensure that its employees are given opportunities to develop, an inclusive working environment and a flexible working day. This makes Sparebanken Øst a forward-looking organisation.

Continuously developing the expertise of the people who work at Sparebanken Øst is a priority area for the bank in order to achieve its strategic objectives and to be able to serve its customers in the best possible way. This means that employees must have good knowledge of the industry and the framework under which the bank operates. Sparebanken Øst is affiliated with the authorisation schemes in the Finance Industry's Authorisation Schemes (FinAut), which authorise advisers and ensure expertise and ethical awareness in customer advice.

The bank's management recognises the importance of ensuring that all employees receive close follow-up. Managers and employees have a joint responsibility for mapping development areas for the individual employees in terms of knowledge, attitudes and skills. The bank also has its own competence committee where management, in conjunction with employee representatives, discuss and plan measures and organise training and skills enhancement. The goal is to ensure that everyone at Sparebanken Øst is given opportunities for professional and personal development.

Reference is made to further discussion of “people and organisation” in the chapter “Board of Directors, management and organisation” from page 49 and in the sustainability report under the sections:

- Economic and sustainability expertise – page 31
- Diversity and inclusion – from page 36
- Responsible advice and competence development – page 42
- Health and safety – from page 43

Total sick leave in 2022 amounted to 5.8 per cent of total working hours, compared with 3.7 per cent in 2021. The sick leave rate in 2022 was 2.1 per cent for men and 8.2 per cent for women. No personal injuries were recorded during 2022.

Sparebanken Øst is constantly developing, digitising and streamlining work and credit processes. No own research was conducted and no internal costs were capitalised in relation to development activities in 2022.

The Board of Directors and executive management team would like to thank the employees of Sparebanken Øst for their great efforts in 2022.

Rating

Sparebanken Øst has a long-term deposit and issuer rating of A1 from Moody's Investor Services. The rating was last confirmed by Moody's in December 2022. Sparebanken Øst has had an A1 rating since January 2021, when the bank was upgraded from A2. Covered bonds issued by Sparebanken Øst Boligkreditt AS have a AAA rating from Moody's.

Subsidiaries

All subsidiaries are 100 per cent owned by Sparebanken Øst and are included in the bank's consolidated financial statements.

Sparebanken Øst Boligkreditt AS is licensed as a credit institution with the right to issue covered bonds. Through this market, the mortgage credit company is a very important participant in securing the Group favourable long-term financing. At the end of 2022, the company had total assets of NOK 19.1 billion, consisting mainly of first priority mortgages on homes financed through covered bonds and drawing rights from the parent bank. The company has a low LTV ratio in the cover pool. The loan-to-value ratio at the end of 2022 was 45.6 per cent, compared with 45.4 per cent at the end of 2021. In 2022, the company had a profit of NOK 73.1 million, compared with NOK 118.9 million in 2021. The company has no employees, instead it sources services from Sparebanken Øst.

AS Financiering's main product is secured loan financing for used cars. At the end of 2022, the company had total assets of NOK 2.6 billion. In 2022, the company had a profit of NOK 41.1 million, compared with NOK 52.2 million in 2021. The company has 17 employees, corresponding to 17 FTEs.

Sparebanken Øst Eiendom AS manages properties belonging to the bank. The company's operating income totalled NOK 5.8 million in 2022, compared with NOK 5.4 million in 2021. In 2022, the company had a profit of NOK 1.6 million, compared with NOK 1.3 million in 2021. The company has 1.2 employees, corresponding to 1.2 FTEs.

Øst Prosjekt AS's main objective is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. In 2022, the company had a loss of NOK 1.1 million, compared with a profit of NOK 1.1 million in 2021.

Dividend policy

On 15 July 2022, the Board of Directors approved changes to the bank's dividend policy that will result in the maintenance of a stable ownership fraction over time. The bank's ownership fraction as at 1 January 2022 and as at the end of 2022 in accordance with the Board of Directors' proposed profit allocation for 2022 is 28.59 per cent. The bank's dividend policy is:

Our financial targets for our 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. We will strive to ensure that our dividend policy results in a stable ownership fraction over time.

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. We will aim to pay out up to 50 per cent of the profit allocated to equity certificate holders as dividends.

We will also aim to distribute up to 50 per cent of the profit allocated to primary funds in the form of donations to good causes, a donation fund and/or a charitable foundation.

When establishing the dividend, due consideration will be given to the bank's financial performance, market situation, dividend stability and need for Tier 1 capital.

The macro situation

After two years of pandemic, the economy was expected to recover at the beginning of 2022. On 12 February, the last statutory measures against the pandemic were removed and most people were optimistic about the future. Instead of economic growth, 2022 has been all about war, inflation, rising interest rates and fears of recession.

Prices had already begun to rise sharply in 2021, but central banks and many experts believed this rise in prices was temporary and that they would fall back once the economy had normalised. Russia's invasion of Ukraine and the subsequent energy crisis and increased food prices meant this was not the case. The annual rise in the consumer price index ended at a historically high 5.8 per cent in 2022, compared with 3.5 per cent in 2021.

Growth in mainland GDP was negative at -0.6 per cent in the first quarter, despite strong growth in March following the lifting of all coronavirus restrictions. The second quarter showed solid growth and mainland GDP was 1.3 per cent higher than at the end of the first quarter. In the third quarter, growth in mainland GDP was 0.8 per cent, largely driven by increased activity in service industries. Mainland GDP also increased in the fourth quarter and the annual growth for 2022 ended at 3.8 per cent.

Unemployment has remained low throughout 2022 and at the end of the year the unemployment rate was 1.6 per cent, down from 2.3 per cent at the beginning of the year. The proportion of jobseekers with NAV measures was 2.7 per cent. A strained labour market has resulted in wage growth for many employees, which may contribute to keeping core inflation above target for some time to come.

Norges Bank has raised its key policy rate by 2.25 percentage points in 2022 to 2.75 per cent by the end of 2022. This is the highest level of the key policy rate since 2009. Norges Bank signalled early on that it wanted to see clear indications that inflation was approaching the target level before calling a halt to its interest rate hikes. Despite a slight fall in inflation in Q4 2022, Norges Bank has reiterated this message and at least one more interest rate rise is expected in 2023.

Money market rates have risen throughout 2022, largely as a result of expectations of a higher key policy rate as well as increases in the key policy rate. Weak liquidity in NOK has resulted in a highly volatile money market premium throughout 2022. High oil and gas prices have generated substantial revenues for energy companies operating on the

Norwegian continental shelf and therefore also substantial tax expenses. Revenues in foreign currency and taxes in Norwegian kroner have resulted in a major shortage of Norwegian kroner in connection with tax payments. This has resulted in high money market premiums throughout 2022, despite a slight increase in foreign currency purchases by Norges Bank.

There have been major fluctuations in house prices in 2022. The first quarter showed a historic growth, while the trend since September has been negative. For 2022 as a whole, house prices in Norway rose by 1.5 per cent. Residential sales fell by 10.2 per cent in 2022 compared with 2021, returning to a level last seen in 2019.

Future prospects

The level of activity in the Norwegian economy has remained good throughout 2022, but Norges Bank is projecting that the cyclical peak has been reached and that activity will begin to slow. For the coming year, Norges Bank is assuming that lower consumption will lead to a decline in activity in the mainland economy of 0.2 per cent. They estimate that activity will gradually pick up again in 2024 and 2025.

Unemployment has been very low in 2022 and is expected to rise in 2023. Employment growth is expected to be lower and the number of people in employment is expected to begin to fall.

Norges Bank has indicated that it will most likely increase the policy rate in the first quarter of 2023 and the market is pricing in the potential for further rate hikes in 2023. Nevertheless, it seems likely that we are nearing the interest rate peak. A policy rate of 2.75 per cent at the end of 2022 is already having a restrictive effect and Norges Bank has stated that it envisages a pronounced turnaround in the Norwegian economy. The stabilisation of the policy rate and the money market rates will be positive for the bank's borrowing costs in the sense that they will not increase to the same extent as they did throughout 2022, but will remain at roughly the same level as today.

Competition for borrowers is expected to increase further in 2023. With the prospect of lower house prices and lower credit growth, banks are increasingly expected to compete for each other's customers. The fierce competition on the deposit side can also be expected to continue. Throughout the pandemic, Norwegian households, and to some extent businesses, had increased their savings rate substantially. High inflation and interest rate rises are expected to eat away at this buffer gradually, putting increased pressure on deposit margins.

Lending growth has varied considerably over time and is expected to be roughly in line with general credit growth in 2023. Growth in the retail market is expected to come from mortgages, both in branch and via digital channels, as well as through secured loan financing for used cars. Growth in lending to the business market should occur in the Group's defined market areas, where the main product is repayment loans secured against property.

Sparebanken Øst is a cost-effective bank and believes that low costs will constitute a competitive advantage. The cost level is expected to remain stable.

Banking involves risk and losses on loans, so guarantees to customers cannot be excluded. Relatively low levels of non-performing commitments and low losses on lending are expected to continue.

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

The new Financial Contracts Act entered into force on 1 January 2023. The Act implements a number of EU regulations and directives and its main purpose is to increase consumer protection. The new Financial Contracts Act has resulted in a need for somewhat extensive changes. The bank has therefore made a number of adjustments and changes, including to its systems, routines and agreements. However, there are still some matters relating to the new law that appear unclear. The bank expects clarifications and interpretations to be issued in the near future and how the banks apply the Act in practice will also provide answers to unresolved questions of interpretation.

Sparebanken Øst bases its capital calculations on the principles in the standard method. Government regulation within the capital and solvency area creates major competitive advantages for those banks that are able to utilise IRB models. 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 could 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 is working to ensure that the framework conditions for Norwegian banks become more aligned and that the banks compete on the same terms. In the bank's opinion, there is significant uncertainty relating to the general conditions and future capital adequacy requirements for banks that calculate their capital requirements using the standard method.

Hokksund, 31 December 2022
Drammen, 2 March 2023

Øivind Andersson Chair	Cecilie Hagby Deputy Chair	Lina Andal Sørby Board member
Jorund Rønning Indrelid Board member	Arne K. Stokke Board member	Ole B. Hoen Board member
Håvard Saastad Employee representative	Sissel Album Fjeld Employee representative	Pål Strand CEO

ANNUAL FINANCIAL STATEMENTS

Contents

INCOME STATEMENT

Group 2022	Group 2021	Figures in NOK millions	Notes	Parent bank 2022	Parent bank 2021
1,201.1	896.9	Interest income from assets valued at amortised cost	14, 42	389.7	323.6
154.3	69.7	Interest income from assets valued at fair value	14, 42	361.3	177.9
669.3	335.3	Interest costs	14, 42	325.9	199.9
686.2	**631.3**	**NET INTEREST INCOME**		**425.1**	**301.6**
86.2	79.4	Commission income and income from banking services	15	110.1	104.5
48.8	46.1	Commission costs and costs for banking services	15	17.2	17.6
53.9	71.4	Dividend	16	225.0	235.1
-82.6	18.4	Net value adjustment and gain/loss on financial instruments	17	-84.3	17.3
3.4	6.4	Other operating income	18	5.0	5.8
168.5	175.8	Salaries and personnel costs	19, 37	149.9	157.8
27.2	27.6	Depreciation/impairment of tangible and intangible assets	20, 31, 32	25.8	26.7
114.1	102.3	Other operating costs	20	93.0	81.5
388.6	**455.2**	**PROFIT BEFORE LOSSES**		**394.9**	**380.7**
6.8	0.5	Losses on loans, unused credit and guarantees	10	1.9	-6.9
381.9	**454.7**	**PROFIT BEFORE TAX**		**393.0**	**387.6**
85.5	79.3	Income tax	21	48.3	26.2
296.4	**375.4**	**PROFIT FOR THE YEAR**		**344.7**	**361.5**

18.7	14.1	Hybrid capital owners' share of the result		18.7	14.1
277.7	361.4	Equity certificate holders' and primary capital share of profits		326.0	347.4
296.4	**375.4**	**PROFIT FOR THE YEAR**		**344.7**	**361.5**

3.83	5.16	Earnings per equity certificate (NOK)	41	4.50	4.96
3.83	5.16	Diluted earnings per equity certificate (NOK)	41	4.50	4.96

STATEMENT OF COMPREHENSIVE INCOME

Group 2022	Group 2021	Figures in NOK millions	Notes	Parent bank 2022	Parent bank 2021
296.4	**375.4**	**PROFIT FOR THE YEAR**		**344.7**	**361.5**
		Items that will not be reclassified to the income statement			
-26.9	12.2	Actuarial gains and losses on defined-benefit plans	37	-25.8	11.7
6.7	-3.0	Tax related to items that cannot be reclassified	21.37	6.4	-2.9
		Items that may subsequently be reclassified to the income statement			
0.0	0.0	Lending at fair value	17	0.2	0.5
0.0	0.0	Tax related to items that may be reclassified	17.21	-0.1	-0.1
276.2	**384.6**	**STATEMENT OF COMPREHENSIVE INCOME**		**325.6**	**370.6**

BALANCE SHEET

Group 31.12.22	Group 31.12.21	Figures in NOK millions	Notes	Parent bank 31.12.22	Parent bank 31.12.21
		ASSETS			
486.4	302.6	Cash and receivables from central banks	22	486.4	302.6
16.1	11.0	Loans to and receivables from financial institutions	22	3,217.4	2,599.4
36,800.2	39,386.7	Lending to customers	4 ,9, 10, 22, 27	16,308.0	17,502.9
5,635.3	7,198.9	Certificates and bonds	22, 25, 28	5,343.7	7,385.7
44.4	156.5	Financial derivatives	22, 23, 24, 25	29.2	69.4
796.0	848.6	Shares and units	22, 25, 29	796.0	848.6
0.0	0.0	Ownership interests in Group companies	30	1,800.0	1,760.0
33.9	32.3	Intangible assets	31	21.6	22.9
11.4	11.7	Investment properties	32	0.0	0.0
120.5	116.3	Property, plant and equipment	32	71.4	68.6
41.1	41.2	Lease rights	32	69.5	71.6
0.0	0.0	Deferred tax asset	21	11.8	5.6
93.0	21.9	Other assets	33	91.3	20.3
44,078.4	**48,127.6**	**TOTAL ASSETS**		**28,246.2**	**30,657.6**
		LIABILITIES AND EQUITY			
274.1	300.3	Liabilities to financial institutions	22, 34	999.0	1,136.4
15,761.3	17,578.9	Customer deposits	4, 22	15,831,2	17,652.1
21,375.7	24,283.8	Securities issued	22, 35	5,110.7	6,460.7
131.7	15.4	Financial derivatives	22, 23, 24, 25	105.4	15.4
238.4	289.2	Other liabilities	36	319.9	217.5
52.7	35.4	Pension liabilities	37	51.1	34.8
90.1	83.4	Tax payable	21	57.0	31.7
1.4	3.7	Deferred tax	21	0.0	0.0
1.3	1.4	Provisions, unused credit and guarantees	10	0.8	1.0
42.2	42.2	Lease liabilities		71.6	73.4
896.2	400.2	Subordinated senior bonds	22, 38	896.2	400.2
420.9	400.4	Subordinated loan capital	22, 39	420.9	400.4
39,286.1	**43,434.2**	**TOTAL LIABILITIES**		**23,863.9**	**26,423.6**
595.1	595.1	Paid-up equity	41	595.1	595.1
352.9	351.9	Hybrid capital	40	352.9	351.9
3,844.3	3,746.4	Retained earnings		3,434.3	3,287.1
4,792.3	**4,693.4**	**TOTAL EQUITY**	6	**4,382.3**	**4,234.0**
44,078.4	**48,127.6**	**TOTAL LIABILITIES AND EQUITY**		**28,246.2**	**30,657.6**

Hokksund, 31 December 2022
Drammen, 2 March 2023

Øivind Andersson
Chair

Cecilie Hagby
Deputy Chair

Lina Andal Sørby
Board member

Jorund Rønning Indrelid
Board member

Arne K. Stokke
Board member

Ole B. Hoen
Board member

Håvard Saastad
Employee representative

Sissel Album Fjeld
Employee representative

Pål Strand
CEO

CHANGES IN EQUITY

Changes in equity – Group

(Amounts in NOK millions) 2022	Total equity	Paid-up equity: Equity certificate	Paid-up equity: Premium reserve	Hybrid capital: Hybrid bonds	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Donations fund	Retained earnings: Fund for unrealised gains	Retained earnings: Other equity
Equity at 31.12.2021	**4,693.4**	**207.3**	**387.8**	**351.9**	**413.3**	**2,361.5**	**38.1**	**473.7**	**459.9**
Ordinary profit	296.4	0.0	0.0	18.7	115.0	287.3	0.0	-76.4	-48.4
Actuarial gains and losses on defined-benefit plans	-20.2	0.0	0.0	0.0	-5.5	-13.8	0.0	0.0	-0.9
Comprehensive income	**276.2**	**0.0**	**0.0**	**18.7**	**109.5**	**273.6**	**0.0**	**-76.4**	**-49.2**
Dividend to equity certificate holders 2021 – adopted	-79.8	0.0	0.0	0.0	-79.8	0.0	0.0	0.0	0.0
Grants for good causes 2021 – adopted	-79.8	0.0	0.0	0.0	0.0	-79.8	0.0	0.0	0.0
Interest paid on hybrid capital	-17.6	0.0	0.0	-17.6	0.0	0.0	0.0	0.0	0.0
Equity at 31.12.2022	**4,792.3**	**207.3**	**387.8**	**352.9**	**443.0**	**2,555.3**	**38.1**	**397.3**	**410.7**

The year's proposed dividend to equity certificate holders of NOK 78.8 million (NOK 3.80 per equity certificate) remains part of the equalisation fund, and the year's provision for grants for good causes of NOK 196.8 million remains part of the primary capital until finally adopted. See also Note 41, Equity Certificates.

(Amounts in NOK millions) 2021	Total equity	Paid-up equity: Equity certificate	Paid-up equity: Premium reserve	Hybrid capital: Hybrid bonds	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Donations fund	Retained earnings: Fund for unrealised gains	Retained earnings: Other equity
Equity at 31.12.2020	**4,442.0**	**207.3**	**387.8**	**351.7**	**412.7**	**2,164.1**	**38.1**	**434.7**	**445.6**
Ordinary profit	375.4	0.0	0.0	14.1	91.3	217.2	0.0	38.9	14.0
Actuarial gains and losses on defined-benefit plans	9.1	0.0	0.0	0.0	2.6	6.2	0.0	0.0	0.4
Comprehensive income	**384.6**	**0.0**	**0.0**	**14.1**	**93.9**	**223.4**	**0.0**	**38.9**	**14.3**
Dividend to equity certificate holders 2020 – adopted	-93.3	0.0	0.0	0.0	-93.3	0.0	0.0	0.0	0.0
Grants for good causes 2020 – adopted	-25.9	0.0	0.0	0.0	0.0	-25.9	0.0	0.0	0.0
Interest paid on hybrid capital	-14.0	0.0	0.0	-14.0	0.0	0.0	0.0	0.0	0.0
Equity at 31.12.2021	**4,693.4**	**207.3**	**387.8**	**351.9**	**413.3**	**2,361.5**	**38.1**	**473.7**	**459.9**

Changes in equity – parent bank

(Amounts in NOK millions) 2022	Total equity	Paid-up equity: Equity certificate	Paid-up equity: Premium reserve	Hybrid capital: Hybrid bonds	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Donations fund	Retained earnings: Fund for unrealised gains	Retained earnings: Changes in value through CI as reclass.
Equity at 31.12.2021	**4,234.0**	**207.3**	**387.8**	**351.9**	**413.3**	**2,361.5**	**38.1**	**473.7**	**0.5**
Ordinary profit	344.7	0.0	0.0	18.7	115.0	287.3	0.0	-76.4	0.0
Change in lending at fair value through comprehensive income	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Actuarial gains and losses on defined-benefit plans	-19.3	0.0	0.0	0.0	-5.5	-13.8	0.0	0.0	0.0
Comprehensive income	**325.6**	**0.0**	**0.0**	**18.7**	**109.5**	**273.6**	**0.0**	**-76.4**	**0.2**
Dividend to equity certificate holders 2021 – adopted	-79.8	0.0	0.0	0.0	-79.8	0.0	0.0	0.0	0.0
Grants for good causes 2021 – adopted	-79.8	0.0	0.0	0.0	0.0	-79.8	0.0	0.0	0.0
Interest paid on hybrid capital	-17.6	0.0	0.0	-17.6	0.0	0.0	0.0	0.0	0.0
Equity at 31.12.2022	**4,382.3**	**207.3**	**387.8**	**352.9**	**443.0**	**2,555.3**	**38.1**	**397.3**	**0.7**

The year's proposed dividend to equity certificate holders of NOK 78.8 million (NOK 3.80 per equity certificate) remains part of the equalisation fund, and the year's provision for grants for good causes of NOK 196.8 million remains part of the primary capital until finally adopted. See also Note 41, Equity Certificates.

(Amounts in NOK millions) 2021	Total equity	Paid-up equity: Equity certificate	Paid-up equity: Premium reserve	Hybrid capital: Hybrid bonds	Retained earnings: Equalisation fund	Retained earnings: Primary capital	Retained earnings: Donations fund	Retained earnings: Fund for unrealised gains	Retained earnings: Changes in value through CI as reclass.
Equity at 31.12.2020	**3,996.5**	**207.3**	**387.8**	**351.7**	**412.6**	**2,164.1**	**38.1**	**434.7**	**0.2**
Ordinary profit	361.5	0.0	0.0	14.1	91.3	217.2	0.0	38.9	0.0
Change in lending at fair value through comprehensive income	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4

Actuarial gains and losses on defined-benefit plans	8.8	0.0	0.0	0.0	2.6	6.2	0.0	0.0	0.0
Comprehensive income	**370.6**	**0.0**	**0.0**	**14.1**	**93.9**	**223.4**	**0.0**	**38.9**	**0.4**
Dividend to equity certificate holders 2020 – adopted	-93.3	0.0	0.0	0.0	-93.3	0.0	0.0	0.0	0.0
Grants for good causes 2020 – adopted	-25.9	0.0	0.0	0.0	0.0	-25.9	0.0	0.0	0.0
Interest paid on hybrid capital	-14.0	0.0	0.0	-14.0	0.0	0.0	0.0	0.0	0.0
Equity at 31.12.2021	**4,234.0**	**207.3**	**387.8**	**351.9**	**413.3**	**2,361.5**	**38.1**	**473.7**	**0.5**

CASH FLOW STATEMENT

Group 2022	Group 2021	Figures in NOK millions	Note	Parent bank 2022	Parent bank 2021
		Operating activities			
381.9	454.7	Profit/loss before income tax		393.0	387.6
		Adjusted for:			
8.0	-1.6	Change in net interest income earned and accrued interest costs		-8.5	-8.5
0	0.0	Net receipt/disbursement of loans to financial institutions		-612.2	-369.0
2,621.4	-3,941.8	Net receipts/disbursements of loans to customers		1,204.6	-1,058.3
1,574.4	-407.6	Change in certificates and bonds		2,051.2	-166.8
38.7	-43.9	Changes in value of equities and units		38.7	-43.9
-73.2	-11.5	Change in other operating assets		-81.3	-13.4
0.0	0.0	Net receipt/disbursement of borrowing to financial institutions		-111.0	-33.8
-1,816.5	2,736.5	Net receipts/disbursement of deposits from customers		-1,819.8	2,733.7
-149.7	-212.5	Change in other operating liabilities		8.7	-153.1
-3.9	19.2	Non-cash items included in profit/loss before income tax		28.6	20.5
-5.3	-0.6	Net gains from investing activities		-5.3	-0.6
4.0	0.3	Net losses from financing activities		0.5	0.2
-82.5	-87.7	Taxes paid for the period		-30.9	-39.0
2,497.3	**-1,496.4**	**Net cash flow from operating activities**	**A**	**1,056.3**	**1,255.5**
		Investing activities			
-12.3	-11.2	Payments on purchases of property, plant and equipment		-8.8	-7.9
1.9	1.1	Receipts from sale of property, plant and equipment		1.5	0.8
-12.3	-10.6	Payments on the purchase of intangible assets		-6.6	-9.2
-15.0	0.0	Payments on purchases of financial investments		-15.0	0.0
33.7	6.4	Proceeds from sales of financial investments		33.7	6.4
0.0	0.0	Payment concerning investments in subsidiaries		-40.0	-200.0
-4.1	**-14.3**	**Net cash flow from investing activities**	**B**	**-35.3**	**-209.9**
		Financing activities			
-27.3	-300.0	Net receipts/disbursements for loans to/from financial institutions		-27.3	-300.0
-5,152.2	-2,554.5	Payments on repayment of securities	35, 38, 39	-2,148.4	-1,547.2
2,972.6	4,363.2	Receipts on issuance of securities	35, 38, 39	1,441.1	799.6
-79.8	-93.3	Payment of dividend		-79.8	-93.3
-17.6	-14.0	Interest paid on hybrid capital		-17.6	-14.0
-2,304.3	**1,401.4**	**Net cash flow from financing activities**	**C**	**-832.1**	**-1,154.8**
188.9	-109.3	Net change in cash and cash equivalents	**A+B+C**	189.0	-109.3
313.6	422.8	Cash and cash equivalents as at 1 Jan		313.6	422.8
502.5	**313.6**	**Holding of cash and cash equivalents as at 31 Dec**		**502.5**	**313.6**

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

Group	Group	Parent bank	Parent bank

2022	2021	Additional information on operating activities relating to interest and dividend income	2022	2021
1,322.1	957.4	Interest payments received	728.6	502.0
644.9	296.9	Interest payments made	309.6	159.4
53.9	71.4	Dividends received	225.0	235.1

		Additional information concerning cash and cash equivalents		
486.4	302.6	Cash and receivables from central banks	486.4	302.6
16.1	11.0	Loans to and receivables from financial institutions that are pure investments	16.1	11.0
502.5	**313.6**	**Total**	**502.5**	**313.6**

		Additional information concerning other assets in connection with operations		
-10.3	-16.2	Net change in financial derivatives (net assets and liabilities)	-10.3	-16.2
-62.9	4.6	Net change in other assets	-71.0	2.7
-73.2	**-11.5**	**Total**	**-81.3**	**-13.4**

		Additional information concerning non-cash items included in profit/loss before tax		
27.2	27.6	Depreciation/amortisation of property, plant and equipment, intangible assets and lease rights	25.8	26.7
-13.2	1.0	Write-downs of financial assets	2.1	-5.7
-17.9	-9.4	Amortisation of financing activities measured at amortised cost	0.7	-0.5
-3.9	**19.2**	**Total**	**28.6**	**20.5**

NOTE 1 - GENERAL INFORMATION

Sparebanken Øst is an equity certificate savings bank listed on the Oslo Stock Exchange. The bank is headquartered in Drammen, Norway. Its street address is Bragernes Torg 2, Drammen, Norway. The business address is Stasjonsgata 14, N-3300 Hokksund. Sparebanken Øst is non-aligned and has been operating savings bank activities without interruption since 1843.

At the end of 2022, 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 Stasjonsgaten 14 AS.

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

The annual financial statements for 2022 were reviewed and approved by the Board of Directors of Sparebanken Øst on 2 March 2023.

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

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.

2. AMENDMENTS TO ACCOUNTING POLICIES

The accounting policies applied are consistent with those applied in the annual report for 2021. There are no new standards that have come into force which apply to the 2022 financial year. However, there are minor changes to some current standards that have not had an effect on the 2022 financial statements.

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 Stasjonsgaten 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 ownership interests,
voting rights, ownership structure and relative strength, as well as options controlled by the Group and shareholder agreements or other agreements. The Group is reassessing 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 30 – 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 is written down as a result of a credit loss, interest income is recognised through profit and 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 that are measured at amortised cost, and balance sheet items that are measured at fair value through profit and loss.

5.2 Commission income and costs

Commission income and costs are recognised through profit and loss at the time the service is performed. 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 and loss accordingly.

5.3 Other operating income

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

5.4 Dividends received

Dividends received on equity instruments are recognised in income once the Group's right to receive payment has been determined, and are 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 and loss

6.3 Measurement

6.3.1 Initial recognition of financial instruments

Financial instruments measured at fair value through profit and loss are measured at fair value upon initial recognition. Fair value will normally be the transaction price. Financial assets and liabilities that 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 is measured at fair value. Other valuation methods are used where there are no observable market rates in an active market 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. 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. Financial assets 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/expenses are calculated according to the effective interest method, where 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 measured 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 measured at amortised cost".

Model-based expected credit loss

Expected credit losses are 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 default if the following criteria are met:

- Arrears over 90 days
- Amount due greater than NOK 1,000 for retail customers or greater than NOK 2,000 for business customers
- Arrears exceeding 1 per cent of the customer's total commitment

A commitment should also be classed as non-performing if situations arise which make it unlikely that the customer will be able to meet its obligations ("unlikeliness to pay" criteria), including:

- The commitment has been individually loss-assessed and written down because of impaired creditworthiness
- It is assumed that debt negotiations will be initiated, bankruptcy occurs, or the counterparty enters into public administration.
- The terms have been changed because of payment issues, and it is assumed that this will reduce the value of the cash flow by a not insignificant amount.
- A receivable is disposed of at a lower price and the reduction is not insignificant.
- It is assumed that the commitment will not be met for other reasons.

Commitments are reported as non-performing for a waiting period of at least three months after the default position ceased.

If a customer with a non-performing commitment has multiple commitments with the Bank, all of them will be treated as non-performing. For customers with joint commitments, default on the joint commitment will cause all joint commitments between the same customers to be treated as non-performing.

Non-performing commitments are assigned to Stage 3.

Declaring losses

Losses are only recognised when it is no longer considered possible to recover a commitment, when the bankruptcy of the debtor has been affirmed, when execution proceedings have not been successful, or when there is a final and enforceable judgement, or in instances in which the Bank has waived the loan or parts of it, or in other instances when it is highly likely that the losses are final. Established losses that are covered by previous provisions are recognised against those provisions. Established losses for which no previous individual 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 and loss.

6.4.2 Fixed-rate loans, certificates, and bonds

Fixed-rate loans are recognised and measured at fair value through profit and loss to avoid accounting discrepancies when interest rate 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 and 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 are included in the accounting line 'Dividends'.

6.4.4 Financial derivatives

Financial derivatives are contracts that are signed to mitigate 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 hedged item. The value adjustment and realised gains/losses on financial derivatives are otherwise 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 for 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 hedged item is amortised over the remaining maturity.

When the hedging is established, the relationship between the hedged item and hedging instrument is formally documented, including the risk that is hedged, the hedging objective and strategy, and why the company believes there is a relationship between the hedging instrument and the hedged item. 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 hedged item.

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 statement of income under 'Net value adjustments and profit/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 expected credit loss on the commitment amount consisting of loans, unused credit facilities and guarantees is calculated. Expected credit loss is calculated per commitment. The Group breaks down commitments into three stages when calculating expected credit loss. See Note 10 for model-based 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 by the change in the probability of default (PD), 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 significant increase in credit risk after initial calculation, measured by the change in the probability of default (PD), including commitments overdue by more than 30 days, 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 forbearance 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 system for measuring probability of default (PD), 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 that are in default or have objective evidence of loss, are included in Stage 3. The provisions for this stage consist of both individually assessed loan loss provisions and model-based expected credit loss. For commitments for which there is an individual loss assessment, 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. Where there are several probable outcomes, the probability-weighted present value of discounted future cash flows is used. 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 calculation of expected credit loss: Losses per commitment are calculated. The loss estimates are based on the estimated 12-month and lifelong probability of default (PD) per customer. The Bank's commitments are further classified into segments based on the product, security, and other criteria, so each segment contains commitments 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.

Probability of default (PD) at initial recognition: When a loan application is processed, a scoring model is used to estimate a 12-month probability of default for the customer. This probability forms the basis for measuring the material increase in credit risk, and is the probability of default (PD) used to calculate the expected credit loss in the first 6 months measured from the date of the loan application.

Probability of default (PD): In subsequent measurements, the portfolio scoring model is used, based on the estimated 12-month probability of default (PD). The portfolios are scored on a monthly basis with an updated probability of default (PD). 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. For risk classes J and K, which cover non-performing commitments, the probability of default is 100 per cent.

Loss given default (LGD): 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 (EAD): 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 Bank uses the change in the 12-month probability of default (PD) measured against the probability of default at initial recognition as the primary criterion for a material increase in credit risk. As a general principle, a doubling of the 12-month probability of default (PD) entails a significant increase in credit risk, assuming that the new probability of default (PD) is greater than 0.5 per cent. Loans with a significant increase in credit risk are transferred from Stage 1 to Stage 2. Non-performing commitments are assigned to Stage 3. The Bank 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 one month. For non-performing commitments in Stage 3, a quarantine period starts at least 90 days after the cause of the default has ceased. After the end of the quarantine period, the customer's behaviour and financial situation are assessed before they are given a clean bill of health.

Macroeconomic scenarios and probability weighting: Expected credit loss is calculated 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-based 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 are 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. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

Property, plant and equipment comprise buildings, land and operating assets. Intangible assets are capitalised acquisitions of software, licences etc. Buildings, operating assets and intangible assets are recognised on the balance sheet at cost, less ordinary accumulated depreciation/amortisation, and write-downs/impairment. 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. When determining a depreciation plan, allowance is made for the expected useful life and estimated residual value of the fixed asset. The Group's buildings are broken down into four components: building structure, technical installations, façades, and fixed inventory. Depreciation is calculated for each component based on the expected useful life and estimated residual value.

The Group's buildings for external rental, and buildings owned for investment purposes, are classified as investment properties. The Bank has valued investment properties at cost less accumulated depreciation. Cost on the date of recognition and annual depreciation are determined according to the same principles as described above for other properties.

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

- Properties: 10–100 years
- Machinery/equipment/vehicles/intang. assets, etc.: 2–10 years
- Intangible assets: 2–10 years
- Lease rights: 2–12 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.

<u>The Group as lessee</u>
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 lease payments are recognised in 'Other operating costs' in the income statement.

The lease liability is recognised at the present value of the lease payments for the right to use the underlying asset during 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 lease payments due to changes in indices or rates. The lease liabilities are presented as 'Lease liabilities' on the balance sheet. Variable lease payments are not included in lease liabilities. Variable lease 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' in the income statement. The amortisation cost of the asset is included in the line 'Depreciation/amortisation/write-downs/impairment of property, plant and equipment and intangible assets' in the income statement.

<u>The Group as lessor</u>
Financial leases are presented as 'Loans to 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 7. Assessment of loan loss provisions on guarantees issued by the Bank together with assessment of losses on lending. See also Note 10. 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 provide for a future pension of a specified amount. 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 'Salaries and personnel costs' in the income statement.

The actuarial calculations are based on several actuarial assumptions, see Note 37. When the present value of the liabilities and the 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 'Salaries and personnel costs' 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/deferred tax assets are calculated on the basis of temporary differences. The temporary 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 and deferred tax assets are calculated according to the tax rate expected to apply to temporary differences when they are reversed, based on applicable legislation at the time of reporting. Deferred tax and deferred tax assets are not discounted.
Deferred tax on transactions recognised in comprehensive income or equity is recognised with 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 under IAS 12 and is recognised on the line 'Other operating costs'.

13. SEGMENTS

For the purpose of management, the Group is organised into five operating segments based on its 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 pure investments. The indirect method is used to prepare the cash flow statement.

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 Bank'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 Bank's financial position on the balance sheet date, but which will affect the Bank'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 as irrelevant, 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 financial statements.

Changes in IAS 8 – Definition of accounting estimates
In February 2021, the IASB published changes to IAS 8, introducing a definition of "accounting estimates". The changes clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. The changes also clarify how entities should use measurement techniques and input to develop accounting estimates. The changes apply to financial periods beginning on or after 1 January 2023. Early application is permitted, but the Bank is not exercising this option. The changes are not expected to have a material impact on the Group.

Changes to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies
Following feedback to the effect that more guidance was needed to help companies decide what information on accounting polices to disclose, the IASB has published changes to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 on making materiality judgements. The changes require companies to disclose 'material information about accounting policies' instead of 'material accounting policies'. The changes provide guidance on how the concept of materiality should be applied to accounting policies. The changes apply to financial periods beginning on or after 1 January 2023. Early application is permitted, but the Bank is not exercising this option. The Bank is assessing how the changes will affect the disclosures on accounting policies.

Changes to IAS 1 – Classification of debt as current or non-current
The changes relate to presentation in the financial accounts and clarify how debt and other liabilities are to be classified as current or non-current. The changes are designed to promote consistent application of the requirements in order to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The changes have not been approved by the EU, but the intention of the IASB is for them to apply to accounting periods beginning on or after 1 January 2023. The Bank is assessing how the changes will affect the presentation in the financial accounts.

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.

In the Bank's financial statements, the use of such estimates relates in particular to the 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 estimate uncertainty is therefore associated with model-based expected credit loss. 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 for which the model is most sensitive and subject to the most uncertainty are: Probability of default, expected loss given default and probability weighting of the scenarios. Please see Note 10 for quantitative information and sensitivity analyses for model-calculated expected credit loss.

3.1.2 Individually assessed loan loss provisions

Loans are written down for credit losses on a case by case (individual) basis if there is objective evidence that such credit losses have occurred. Objective evidence is considered to exist where the debtor has substantial financial problems, is in default on payments or otherwise in material breach of contract, or in the case of deferral of payments or new credit to pay amounts due, agreed changes in interest rates or other terms and conditions as a consequence of problems faced by the debtor, likelihood of the debtor entering into debt negotiations, other financial restructuring or that the debtor's estate will be lost in 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. Where there are several probable outcomes, the probability-weighted present value of discounted future cash flows is used. 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 10.

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 where there are no observable market rates in an active market 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 25 for information about the measurement 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 37 for further information.

NOTE 4 – OPERATING 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 purpose of management, the Bank is organised into five operating segments based on its 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 operating segments are based on arm's length pricing equivalent to transactions with third parties. No single customer accounts for more than 10% of the Bank's total income in 2022 or 2021.

Income Statement

2022	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	365.7	139.6	-25.1	125.2	-0.2	81.1	-0.1	686.2
Other income	58.6	7.5	-94.3	-27.3	5.8	59.0	2.9	12.1
Operating costs	65.2	13.1	0.0	38.1	3.6	196.1	-6.5	309.7
Profit before losses	**359.1**	**134.1**	**-119.4**	**59.7**	**2.0**	**-56.0**	**9.2**	**388.6**
Losses on loans, unused credit and guarantees	2.4	-0.2	0.0	4.7	0.0	-0.1	0.0	6.8
Profit/loss before tax	**356.8**	**134.3**	**-119.4**	**55.0**	**2.0**	**-55.9**	**9.2**	**381.9**
Income tax	0.0	0.0	0.0	13.8	0.4	69.0	2.3	85.5
Profit/loss after tax	**356.8**	**134.3**	**-119.4**	**41.1**	**1.6**	**-124.9**	**6.9**	**296.4**

Income Statement

2021	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	348.8	127.6	-23.3	138.8	-0.5	39.1	0.8	631.3
Other operating income	57.6	8.1	-1.1	-25.9	5.4	87.9	-2.4	129.5
Operating costs	65.5	12.2	0.0	37.2	3.2	193.9	-6.2	305.7
Profit before losses	**340.9**	**123.5**	**-24.4**	**75.7**	**1.8**	**-66.9**	**4.5**	**455.2**
Losses on loans, unused credit and guarantees	4.4	-9.8	0.0	6.0	0.0	-0.1	0.0	0.5
Profit/loss before tax	**336.5**	**133.3**	**-24.4**	**69.7**	**1.8**	**-66.7**	**4.5**	**454.7**
Income tax	0.0	0.0	0.0	17.5	0.4	60.2	1.1	79.3
Profit/loss after tax	**336.5**	**133.3**	**-24.4**	**52.2**	**1.3**	**-126.9**	**3.4**	**375.4**

Balance sheet

2022	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Lending to customers	30,386.3	3,391.5	0.0	2,522.9	0.0	527.8	-28.3	36,800.2
Other assets	4.2	0.0	6,015.8	56.4	104.9	3,704.2	-2,607.3	7,278.2
Total assets	**30,390.5**	**3,391.5**	**6,015.8**	**2,579.3**	**104.9**	**4,232.0**	**-2,635.6**	**44,078.4**
Customer deposits	11,071.2	2,899.0	1,686.0	0.0	0.0	160.3	-55.1	15,761.3
Other liabilities/offsetting	19,319.3	492.6	4,329.8	2,127.8	31.8	-582.3	-2,194.2	23,524.8
Equity	0.0	0.0	0.0	451.4	73.2	4,654.1	-386.3	4,792.3
Total liabilities and equity	**30,390.5**	**3,391.5**	**6,015.8**	**2,579.3**	**104.9**	**4,232.0**	**-2,635.6**	**44,078.4**

Balance sheet

2021	Retail market	Corporate market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Lending to customers	32,159.0	4,397.9	0.6	2,416.3	0.0	440.8	-28.0	39,386.7
Other assets	3.7	0.0	7,763.4	49.1	105.5	3,803.9	-2,984.6	8,740.9
Total assets	**32,162.7**	**4,397.9**	**7,764.0**	**2,465.4**	**105.5**	**4,244.6**	**-3,012.7**	**48,127.6**
Customer deposits	12,271.9	2,862.6	2,321.0	0.0	0.0	180.0	-56.6	17,578.9
Other liabilities/offsetting	19,890.8	1,535.3	5,443.0	2,042.2	33.9	-487.0	-2,602.9	25,855.3
Equity	0.0	0.0	0.0	423.3	71.7	4,551.6	-353.2	4,693.4
Total liabilities and equity	**32,162.7**	**4,397.9**	**7,764.0**	**2,465.4**	**105.5**	**4,244.6**	**-3,012.7**	**48,127.6**

Lending, Guarantees and deposits by geographic area

Group Gross lending 2022	Group Gross lending 2021	Group Guarantees 2022	Group Guarantees 2021		Parent bank Gross lending 2022	Parent bank Gross lending 2021	Parent bank Guarantees 2022	Parent bank Guarantees 2021
7,289.6	7,344.9	17.0	17.6	Drammen	4,209.8	4,255.3	17.0	17.6
1,965.3	2,021.0	6.4	8.5	Øvre Eiker	1,186.2	1,261.7	6.4	8.5
5,765.8	5,921.5	15.0	17.0	Asker/Bærum	2,815.2	2,780.2	15.0	17.0
7,516.3	7,740.2	2.5	2.8	Rest of Viken	2,899.1	3,043.2	2.5	2.8
7,558.7	9,097.3	9.1	6.8	Oslo	3,139.7	3,875.9	9.1	6.8
3,313.8	3,384.5	0.7	6.0	Vestfold/Telemark	1,634.3	1,657.7	0.7	6.0
3,467.1	3,971.3	0.0	0.0	Rest of Norway	418.8	629.9	0.0	0.0
35.4	31.1	0.0	0.0	Abroad	21.5	13.6	0.0	0.0
36,912.1	**39,511.8**	**50.7**	**58.7**	**Total**	**16,324.6**	**17,517.4**	**50.7**	**58.7**

Group Deposits 2022	Group Deposits 2021		Parent bank Deposits 2022	Parent bank Deposits 2021
5,505.5	5,576.4	Drammen	5,575.4	5,647.3
2,303.0	2,250.7	Øvre Eiker	2,303.0	2,250.7
1,025.3	1,099.3	Asker/Bærum	1,025.3	1,099.3
1,777.5	1,882.7	Rest of Viken	1,777.5	1,882.7
2,484.7	3,197.1	Oslo	2,484.7	3,197.1
908.2	1,031.6	Vestfold/Telemark	908.2	1,032.5
1,657.6	2,421.6	Rest of Norway	1,657.6	2,423.0
99.4	119.4	Abroad	99.4	119.4
15,761.3	**17,578.9**	**Total**	**15,831.2**	**17,652.1**

Lending, Guarantees and deposits by sector and industry

Group	Gross lending 2022	Gross lending 2021	Guarantees 2022	Guarantees 2021	Potential exposure via overdraft facilities 2022	Potential exposure via overdraft facilities 2021
Salaried employees	33,341.2	35,007.9	1.0	1.0	3,613.9	3,228.9
Public administration	7.1	7.1	0.0	0.0	0.0	0.0
Agriculture, forestry, fishing, etc.	78.1	83.6	0.3	0.4	15.1	15.5
Industry and mining, power and water supply	49.3	59.0	0.3	0.5	3.0	5.4
Building and construction	457.0	730.8	21.1	32.6	33.9	47.7
Wholesale and retail/hotels and restaurants	97.6	117.2	6.9	8.5	24.0	28.8
Transport and communications	16.7	29.7	3.9	4.4	4.1	3.4
Business financial services	73.6	85.3	0.0	0.0	4.2	4.8
Other service industries	468.4	639.8	1.6	1.6	6.3	17.8
Real estate sales and operation	2,287.7	2,720.2	15.6	9.7	36.0	27.1
Abroad	35.4	31.1	0.0	0.0	3.1	0.0
Total	**36,912.1**	**39,511.8**	**50.7**	**58.7**	**3,743.6**	**3,379.3**

Parent bank	Gross lending 2022	Gross lending 2021	Guarantees 2022	Guarantees 2021	Potential exposure via overdraft facilities 2022	Potential exposure via overdraft facilities 2021
Salaried employees	12,920.5	13,180.9	1.0	1.0	820.7	867.1
Public administration	7.1	7.1	0.0	0.0	0.0	0.0
Agriculture, forestry, fishing, etc.	78.0	83.5	0.3	0.4	15.1	15.5
Industry and mining, power and water supply	41.1	52.3	0.3	0.5	3.0	5.4
Building and construction	417.5	689.7	21.1	32.6	30.7	43.8
Wholesale and retail/hotels and restaurants	68.0	92.1	6.9	8.5	24.0	28.8
Transport and communications	4.3	6.3	3.9	4.4	2.0	2.4
Business financial services	60.1	68.9	0.0	0.0	5.1	4.6
Other service industries	394.0	581.0	1.6	1.6	12.2	12.3
Real estate sales and operation	2,312.4	2,742.0	15.6	9.7	36.0	35.7
Abroad	21.5	13.6	0.0	0.0	0.6	0.0

Total		16,324.6	17,517.4	50.7	58.7	949.5	1,015.6

Group Deposits			Parent bank Deposits	
2022	2021		2022	2021
10,303.7	11,442.0	Salaried employees	10,303.6	11,440.4
401.5	445.2	Public administration	401.5	445.2
104.8	90.8	Agriculture, forestry, fishing, etc.	104.8	90.8
543.6	791.5	Industry and mining, power and water supply	543.6	791.5
662.2	560.9	Building and construction	662.2	560.9
408.4	528.2	Wholesale and retail/hotels and restaurants	408.4	528.2
169.1	154.1	Transport and communications	169.1	154.1
1,309.7	1,761.7	Business financial services	1,309.7	1,761.7
842.6	878.6	Other service industries	842.6	878.6
916.2	806.5	Real estate sales and operation	986.3	881.2
99.4	119.4	Abroad	99.4	119.4
15,761.3	**17,578.9**	**Total**	**15,831.2**	**17,652.1**

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 of Directors. The reporting describes the current status in relation to various set limits for risk, both internal and statutory. An internal risk committee has been established to handle and assess all significant risk areas that may affect the Group's operations and objectives, including financial and operational risk.

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.

Investments in interest-bearing securities for liquidity purposes are linked to the investment policy for portfolio management adopted by the Board of Directors. The adopted strategy and 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 24 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 at Sparebanken Øst by setting limits for exposure to industries and sectors, and commitment size.

Out of the Group’s ordinary lending activities as at 31.12.2022, 90.4 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. Exposure to property and property development accounts for a relatively large share of the corporate 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. Sales and the operation of real estate account for 64.7 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 6.2 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 which stipulate that the greatest exposure must not exceed 15 per cent of the business portfolio, the three largest exposures no more than 25 per cent, and the ten largest no more than 40 per cent. In its lending operations as at 31.12.22, 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 31.12.22, loans to the Group’s largest loan customer represented 0.7 per cent of gross lending. The group’s 10 largest borrowers represented 3.5 per cent of gross lending, and the group's 20 largest borrowers represented 4.7 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.

<u>Interest rate risk</u>
When there is a change in the market interest rate, Sparebanken Øst is unable to immediately change the interest rate for all balance sheet items if these have different 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.

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

<u>Currency risk</u>
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.

<u>Equities risk</u>
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 as at 31.12.2022 would have had a negative impact on earnings of NOK -79.6 million. By comparison, a 10 per cent drop in the value of equities at the end of 2021 would have had a negative impact on earnings of NOK -84.9 million. See Note 29 for specification of the Group’s shares and equity certificates.

Property risk

Property risk is the risk of loss as a result of the Bank's positions and direct ownership of real estate, including its own business premises. The Bank's property risk is continuously monitored and stress tests of property risk are regularly prepared in accordance with guidelines from the Financial Supervisory Authority of Norway.

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 commitments are considered to be well secured against real property, 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. In AS Financiering, the vehicles themselves mainly serve as collateral. The Bank has very 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 always seeks to diversify its sources of finance in order to be as independent as possible of events in individual markets. In addition to deposits from customers, the Norwegian certificate and bond market is the most important funding source, including the market for covered bonds.

Deposits are a key source of funding for the banks. Deposits reduced by 10.3 per cent in 2022, As at 31.12.22, deposits from customers account for 42.8 per cent of the Group's net lending, compared with 44.6 per cent as at 31.12.21.

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. The largest bond loans are generally 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.

Climate risk

Climate risk consists of physical climate risk and transition risk. Physical risk can be landslides, floods, rising sea levels, droughts or other risks related to climate change. Transition risk is the risk associated with the transition to a low-emission society, where changes in climate policy/regulation, development of new technology, changed customer preferences and investor demands may lead to abrupt changes in the market value of financial and other assets. Climate risk can lead to increased credit risk, financial losses or reduced access to capital. Increased exposure to climate risk also increases the risk of stranded assets. Stranded assets are defined as assets that have suffered from unanticipated or premature reductions in value.

Physical risk can lead to substantial financial losses, reduced asset values, impaired customer creditworthiness and negative impact on value chains through direct damage to assets or indirectly through the supply chain. Transition risk can lead to changes in the value of assets, lost reputation, increased costs, increased risk of payment defaults, reduced access to capital and stranded assets. Climate risk is assessed in the same way as other risks in the Bank's credit processes.

The Bank does not finance any carbon-sensitive industries such as oil, gas or shipping. The Bank has defined sectors and activities which the Bank does not wish to finance in the future: coal mining or energy production based on coal, controversial weapons, tobacco, pornography, oil sands/tar sands, shale oil and gas, and oil and gas extraction in the Arctic.

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 current CET1 capital ratio target is defined as follows: "The Sparebanken Øst Group's target for CET1 capital shall be equal to the regulatory requirement plus a margin of 1.0 percentage points." Targets for Tier 1 capital and capital adequacy will be similar, and the Group will seek to optimise its capital structure by using loss-absorbing debt instruments. The expected increase in the systemic risk buffer of 1.5 percentage points from the beginning of last year has been postponed by one year and will apply from the end of 2023. An increase in the countercyclical buffer from 2.0 to 2.5 per cent from 31 March 2023 has also been announced.

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 June 2020. A renewed decision on Pillar 2 requirements is expected in 2023. Regulatory amendments adopted with effect from 1 June 2022 related to the introduction of "Bank Package 2" affect the Bank's ability to choose to use different types of capital instruments to satisfy the risk-weighted Pillar 2 requirement. Pillar 2 must consist of a minimum of 56.25 per cent CET1 capital and 75 per cent Tier 1 capital, which corresponds to the capital composition requirement in Pillar 1.

The Group's CET1 capital ratio was 20.11 per cent as at 31.12.22. This level of capital provides growth capacity and room for manoeuvre in relation to regulatory requirements. See also Note 6 on capital adequacy.

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 secure the Group's access to capital when required to strengthen its equity.

NOTE 6 – CAPITAL ADEQUACY

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
		CET1 capital		
4,439.4	4,341.5	Book equity	4,029.4	3,882.1
		Deduction items in CET1 capital		
-6.9	-8.5	Additional value adjustments (prudent valuation requirement) (AVA)	-11.2	-12.0
-275.5	-159.6	Dividends	-275.5	-159.6
-227.3	-229.0	Goodwill in the valuation of significant investments	-227.3	-229.0
-33.9	-32.3	Intangible assets	-21.6	-22.9
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
-58.2	-46.8	Other deductions from CET1 capital	-58.2	-46.8
3,837.5	**3,865.3**	**Total CET1 capital**	**3,435.6**	**3,411.9**
		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**
4,187.5	**4,215.3**	**Total Tier 1 capital**	**3,785.6**	**3,761.9**
		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
0.0	0.0	Tier 2 capital instruments in other financial institutions (significant)	0.0	0.0
400.0	**400.0**	**Total Tier 2 capital**	**400.0**	**400.0**
4,587.5	**4,615.3**	**Net subordinated loan capital**	**4,185.6**	**4,161.9**
		Calculation basis		
0.0	0.0	Governments and central banks	0.0	0.0
0.0	33.5	Local and regional authorities	0.0	33.5
6.0	0.0	Publicly owned companies	6.0	0.0
0.0	0.0	Multilateral development banks	0.0	0.0
77.3	39.0	Institutions	759.1	631.9
66.4	243.1	Companies	68.1	243.1
2,925.9	2,825.3	Mass market accounts	961.4	937.1
12,832.3	14,268.2	Accounts secured against property	6,331.9	7,281.2
151.7	225.2	Accounts due	26.7	93.0
163.9	438.1	High-risk commitments	163.9	438.1
424.1	542.8	Covered bonds	2,023.1	2,339.3
0.0	0.0	Shares in securities fund	0.0	0.0
808.5	905.9	Equity positions	2,653.7	2,711.0
192.6	184.3	Other exposures	172.5	149.1
0.0	0.0	Securitisation	0.0	0.0
17,648.7	**19,705.3**	**Calculation basis for credit and counterparty risk**	**13,166.3**	**14,857.3**
0.0	**0.0**	**Calculation basis for currency risk**	**0.0**	**0.0**
1,411.3	**1,454.4**	**Calculation basis for operational risk**	**931.0**	**963.2**
27.0	**30.3**	**Calculation basis for impaired counterparty credit valuation adjustment (CVA)**	**16.0**	**12.7**
19,087.0	**21,190.0**	**Total calculation basis**	**14,113.3**	**15,833.2**
20.11%	18.24%	CET1 capital ratio	24.34%	21.55%
21.94%	19.89%	Tier 1 capital ratio	26.82%	23.76%
24.03%	21.78%	Capital adequacy	29.66%	26.29%

Group 2022	Group 2021	Buffers	Parent bank 2022	Parent bank 2021
477.2	529.7	Capital conservation buffer	352.8	395.8
381.7	211.9	Countercyclical buffer	282.3	158.3
572.6	635.7	Systemic risk buffer	423.4	475.0
0.0	0.0	Buffer for systemically important banks	0.0	0.0
1,431.5	**1,377.3**	**Total buffer requirements**	**1,058.5**	**1,029.2**
2,978.6	**2,911.8**	**Available buffer capital**	**2,800.5**	**2,699.4**
9.27%	8.60%	Leverage ratio	8.39%	7.68%

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 standardised approach (SA-CCR).

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 2022	Group 2021		Parent bank 2022	Parent bank 2021
		Liabilities		
512.5	456.2	Loan pledges	470.5	419.4
3,742.5	3,378.7	Overdraft facilities	3,058.9	3,477.7
50.2	58.3	Guarantees to customers	50.2	58.3
0.0	0.0	Guarantee for all covered bond liabilities in the mortgage credit company*	16,150.0	17,650.0
4,305.3	**3,893.2**	**Total liabilities**	**19,729.6**	**21,605.5**

* 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 16,150.0 million as at 31.12.22 compared with a nominal value of NOK 17,650.0 million as at 31.12.21. The parent bank's holdings of covered bonds with a nominal value of NOK 0.0 million (NOK 500.0 million as at 31.12.21) have been excluded.

For more information on maximum credit exposure associated with the different classes of financial instruments, refer to the notes below up to and including Note 10.

Credit risk

Sparebanken Øst's credit strategy provides the basis for the credit activities of 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 that the Bank updates its assessments at least once a year for the majority of the portfolio. In addition to the customary credit assessment, 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 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. In the Group, the risk classification of customers is performed using a credit scoring model. See Note 9 for further details of the risk classification of customers.

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 to A are deemed low risk, BBB is deemed medium risk and BB to C are deemed higher risk.

Group as at 31.12.22

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Lending						
Loans to and receivables from financial institutions	16.1					16.1
Lending to customers						
- Financial leases	16.0	2.4	1.0	0.0	0.0	19.3
- Overdraft facilities and operating credits	8,071.6	93.9	6.0	1.9	0.3	8,173.7
- Building loans	202.0	13.3	2.7	0.0	0.0	218.0
- Repayment loans	26,025.9	1,854.9	354.3	126.8	27.4	28,389.2
Total loans	**34,331.6**	**1,964.5**	**363.9**	**128.6**	**27.6**	**36,816.3**
Financial investments						
Listed government bonds						0.0
Listed other bonds	5,633.2	0.0	0.0			5,633.2
Unlisted bonds	0.0	0.0	2.0			2.0
Total financial investments	**5,633.2**	**0.0**	**2.0**	**0.0**	**0.0**	**5,635.3**

Group as at 31.12.21

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total

Lending						
Loans to and receivables from financial institutions	11.0					11.0
Lending to customers						
- Financial leases	15.1	5.5	0.0	0.0	0.0	20.5
- Overdraft facilities and operating credits	7,992.9	88.0	15.0	3.7	0.3	8,099.9
- Building loans	141.1	16.9	2.7	0.0	0.0	160.7
- Repayment loans	28,815.7	1,771.1	314.4	196.9	7.3	31,105.5
Total loans	**36,975.7**	**1,881.5**	**332.2**	**200.7**	**7.6**	**39,397.6**
Financial investments						
Listed government bonds						0.0
Listed other bonds	7,038.6	0.0	0.0			7,038.6
Unlisted bonds	159.9	0.0	0.4			160.3
Total financial investments	**7,198.5**	**0.0**	**0.4**	**0.0**	**0.0**	**7,198.9**

Parent bank as at 31.12.22

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Lending						
Loans to and receivables from financial institutions	3,217.4					3,217.4
Lending to customers						
- Financial leases	0.0	0.0	0.0	0.0	0.0	0.0
- Overdraft facilities and operating credits	2,001.9	49.6	2.9	0.5	0.3	2,055.2
- Building loans	202.0	13.3	2.7	0.0	0.0	218.0
- Repayment loans	13,575.7	319.8	88.5	23.5	27.4	14,034.8
Total loans	**18,996.9**	**382.7**	**94.1**	**24.0**	**27.6**	**19,525.4**
Financial investments						
Listed government bonds						0.0
Listed other bonds	5,341.6	0.0	0.0			5,341.6
Unlisted bonds	0.0	0.0	2.0			2.0
Total financial investments	**5,341.6**	**0.0**	**2.0**	**0.0**	**0.0**	**5,343.7**

Parent bank as at 31.12.21

Book values	Low risk	Moderate risk	High risk	Stage 3	Unclassified	Total
Lending						
Loans to and receivables from financial institutions	2,599.4					2,599.4
Lending to customers						
- Financial leases	0.0	0.0	0.0	0.0	0.0	0.0
- Overdraft facilities and operating credits	1,968.9	52.6	8.9	2.5	0.3	2,033.1
- Building loans	141.1	16.9	2.7	0.0	0.0	160.7
- Repayment loans	14,862.6	292.0	60.4	86.8	7.3	15,309.0
Total loans	**19,571.9**	**361.5**	**72.0**	**89.3**	**7.6**	**20,102.2**
Financial investments						
Listed government bonds						0.0
Listed other bonds	7,225.4	0.0	0.0			7,225.4
Unlisted bonds	159.9	0.0	0.4			160.3
Total financial investments	**7,385.3**	**0.0**	**0.4**	**0.0**	**0.0**	**7,385.7**

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 of Directors, as described in the credit strategy, are followed up via the quarterly risk reports and presented to the Bank's Board.

Risk classification of retail and business customers is an integral part of the credit process for retail customers for the approval and overall management of the portfolio. Customers are risk-classified based on scoring models developed using statistical methods that estimate the probability of default (PD). The models are based on information about the customer's finances and behaviour. Risk classification is performed when new loan applications are assessed, then reviewed each month based on available information about the customer's finances and behaviour. The risk classification scale consists of 11 categories from A to K, where risk class A represents the lowest credit risk and risk class I represents the highest risk for customers not in default. 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. Risk class U (unallocated) covers credit commitments without any risk classification.

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.

Probability of default (12-month PD) by risk class

Risk class	From	To
A	0.00%	0.10%
B	0.10%	0.25%
C	0.25%	0.50%
D	0.50%	0.75%
E	0.75%	1.50%
F	1.50%	2.75%
G	2.75%	5.00%
H	5.00%	10.00%
I	10.00%	99.99%
Y and K	99.99%	100.00%

Credit risk by risk class 2022 – Group

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	13,761.5	19.5	1,345.6	15,126.6	37.2	15,081.0	1.0	45.6	0.0	0.0	0.0
B	15,312.1	23.7	2,210.3	17,546.1	43.1	17,427.7	3.4	118.4	0.1	0.0	0.0
C	4,016.4	3.0	139.1	4,158.5	10.2	4,054.2	2.0	104.3	0.1	0.0	0.0
D	1,259.8	1.2	28.4	1,289.4	3.2	1,052.9	0.8	236.5	0.7	0.0	0.0
E	875.5	0.3	7.8	883.5	2.2	682.4	0.8	201.1	1.0	0.0	0.0
F	743.5	0.4	7.7	751.7	1.8	558.1	1.1	193.6	1.7	0.0	0.0
G	352.1	0.0	0.5	352.6	0.9	256.9	0.9	95.7	0.8	0.0	0.0
H	152.5	0.1	0.3	152.8	0.4	50.0	0.3	102.8	1.4	0.0	0.0
I	223.5	0.0	3.5	226.9	0.6	22.8	0.9	204.2	9.5	0.0	0.0
J	43.6	0.1	0.0	43.7	0.1	0.0	0.0	0.0	0.0	43.7	0.0
K	171.4	0.5	0.0	171.9	0.4	0.0	0.0	0.0	0.0	171.9	86,7
Unallocated	0.3	1.9	0.4	2.6	0.0	2.6	0.0	0.0	0.0	0.0	0.0
Total	**36,912.1**	**50.7**	**3,743.6**	**40,706.3**	**100.0**	**39,188.5**	**11.2**	**1,302.3**	**15.3**	**215.6**	**86.7**

* Stage 3 provisions include individually assessed loss write-downs of NOK 86.8 million.

Credit risk by risk class 2021 – Group

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	13,181.3	24.5	1,143.4	14,349.2	33.4	14,336.6	1.0	12.6	0.0	0.0	0.0
B	17,390.7	9.1	1,987.9	19,387.7	45.1	19,334.3	4.1	53.4	0.0	0.0	0.0
C	5,007.0	19.3	194.6	5,220.9	12.2	5,158.9	2.3	62.0	0.1	0.0	0.0
D	1,402.8	2.2	32.6	1,437.6	3.3	1,163.1	0.9	274.5	1.1	0.0	0.0
E	927.8	1.6	11.8	941.2	2.2	755.6	1.2	185.6	1.0	0.0	0.0
F	665.7	0.0	2.3	668.0	1.6	521.9	1.4	146.1	1.0	0.0	0.0
G	294.6	0.6	3.9	299.1	0.7	195.4	0.9	103.8	1.2	0.0	0.0
H	145.2	0.0	0.9	146.2	0.3	34.6	0.3	111.5	1.8	0.0	0.0
I	198.8	0.2	1.8	200.9	0.5	31.9	1.3	168.9	8.6	0.0	0.0
J	113.5	0.2	0.0	113.7	0.3	0.0	0.0	0.0	0.0	113.7	0.0
K	184.1	1.0	0.0	185.0	0.4	0.0	0.0	0.0	0.0	185.0	98.2
Unallocated	0.3	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Total	**39,511.8**	**58.7**	**3,379.3**	**42,949.8**	**100.0**	**41,532.5**	**13.5**	**1,118.5**	**14.8**	**298.8**	**98.2**

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

Retail customers – parent bank and mortgage credit company

The risk classification system is used for decision-making support, monitoring and reporting. Risk classification of mortgage customers is an integral part of the credit process for granting loans and overall management of the portfolio. Customers are classified according to the rules set out in Sparebanken Øst’s credit handbook for the retail market, based on an automatic scoring model for retail customers which estimates the probability of default (PD) from information about the customer’s finances and behaviour.

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

Credit risk by risk class 2022 – retail at parent bank and mortgage credit company

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	11,435.7	0.8	1,271.4	12,708.0	36.9	12,673.6	0.7	34.4	0.0	0.0	0.0
B	14,594.9	0.1	2,175.7	16,770.8	48.7	16,661.0	3.1	109.8	0.1	0.0	0.0
C	3,232.8	0.1	127.5	3,360.4	9.8	3,263.7	1.3	96.8	0.1	0.0	0.0
D	829.9	0.0	18.6	848.6	2.5	649.8	0.5	198.8	0.4	0.0	0.0
E	272.1	0.0	3.4	275.5	0.8	138.8	0.2	136.7	0.5	0.0	0.0
F	198.0	0.0	2.7	200.7	0.6	50.5	0.1	150.1	1.1	0.0	0.0
G	71.2	0.0	0.4	71.7	0.2	30.7	0.1	41.0	0.5	0.0	0.0
H	37.0	0.0	0.0	37.0	0.1	3.4	0.0	33.6	0.6	0.0	0.0
I	108.1	0.0	3.4	111.4	0.3	17.1	0.7	94.4	5.6	0.0	0.0
J	41.1	0.0	0.0	41.1	0.1	0.0	0.0	0.0	0.0	41.1	0.0
K	4.3	0.0	0.0	4.3	0.0	0.0	0.0	0.0	0.0	4.3	3.7
Unallocated	0.3	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Total	**30,825.3**	**1.0**	**3,603.3**	**34,429.6**	**100.0**	**33,488.8**	**6.7**	**895.5**	**9.0**	**45.3**	**3.7**

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

Credit risk by risk class 2021 – retail at parent bank and mortgage credit company

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	10,714.9	0.6	1,091.0	11,806.5	33.0	11,795.1	0.7	11.5	0.0	0.0	0.0
B	16,109.2	0.0	1,936.6	18,045.8	50.4	17,992.4	3.3	53.4	0.0	0.0	0.0
C	4,181.2	0.1	175.0	4,356.2	12.2	4,295.1	1.6	61.2	0.1	0.0	0.0
D	859.9	0.0	27.3	887.2	2.5	738.0	0.5	149.2	0.3	0.0	0.0
E	340.9	0.3	3.9	345.1	1.0	191.3	0.2	153.8	0.6	0.0	0.0
F	151.6	0.0	1.9	153.5	0.4	42.9	0.1	110.6	0.8	0.0	0.0
G	44.0	0.0	1.5	45.5	0.1	0.5	0.0	45.0	0.6	0.0	0.0
H	37.6	0.0	0.4	38.0	0.1	0.0	0.0	38.0	0.6	0.0	0.0
I	77.7	0.0	1.6	79.3	0.2	23.3	0.9	56.1	3.1	0.0	0.0
J	42.7	0.0	0.0	42.7	0.1	0.0	0.0	0.0	0.0	42.7	0.0
K	4.6	0.0	0.0	4.6	0.0	0.0	0.0	0.0	0.0	4.6	3.6
Unallocated	0.2	0.0	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Total	**32,564.6**	**1.0**	**3,239.3**	**35,804.8**	**100.0**	**35,078.7**	**7.3**	**678.7**	**6.1**	**47.3**	**3.7**

* Stage 3 provisions include individually assessed loss write-downs of NOK 3.4 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 risk pricing. The risk classification is central to the management and control of the current portfolio, and is based on an automatic scoring model for enterprises which estimates the probability of default (PD) based on information about the customer's finances and behaviour.

Credit risk by risk class 2022 – business

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	2,346.5	18.7	85.2	2,450.4	66.2	2,439.3	0.3	11.1	0.0	0.0	0.0
B	508.5	23.6	34.5	566.7	15.3	558.9	0.3	7.8	0.0	0.0	0.0
C	449.5	2.9	11.6	464.0	12.5	457.1	0.6	6.9	0.0	0.0	0.0
D	82.0	1.2	9.8	93.0	2.5	57.6	0.1	35.3	0.2	0.0	0.0
E	80.3	0.3	4.3	84.9	2.3	28.6	0.1	56.3	0.5	0.0	0.0
F	21.9	0.4	5.0	27.4	0.7	7.6	0.1	19.8	0.5	0.0	0.0
G	3.2	0.0	0.1	3.3	0.1	3.1	0.0	0.1	0.0	0.0	0.0
H	0.4	0.1	0.3	0.7	0.0	0.4	0.0	0.3	0.0	0.0	0.0
I	1.6	0.0	0.1	1.7	0.0	1.7	0.1	0.0	0.0	0.0	0.0
J	2.5	0.1	0.0	2.6	0.1	0.0	0.0	0.0	0.0	2.6	0.0
K	6.6	0.5	0.0	7.1	0.2	0.0	0.0	0.0	0.0	7.1	1.8
Unallocated	0.0	1.9	0.4	2.3	0.1	2.3	0.0	0.0	0.0	0.0	0.0
Total	**3,503.0**	**49.7**	**151.2**	**3,703.9**	**100.0**	**3,556.6**	**1.6**	**137.7**	**1.3**	**9.6**	**1.8**

* Stage 3 provisions include individually assessed loss write-downs of NOK 1.7 million.

Credit risk by risk class 2021 – business

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	2,485.6	24.0	62.8	2,572.3	55.2	2,571.1	0.3	1.2	0.0	0.0	0.0
B	1,094.4	9.1	51.3	1,154.8	24.8	1,154.8	0.8	0.0	0.0	0.0	0.0
C	498.6	19.2	19.7	537.5	11.5	536.6	0.5	0.9	0.0	0.0	0.0
D	213.0	2.2	5.2	220.5	4.7	96.2	0.1	124.4	0.8	0.0	0.0
E	72.0	1.3	7.9	81.2	1.7	54.2	0.2	27.0	0.3	0.0	0.0
F	7.8	0.0	0.4	8.2	0.2	0.4	0.0	7.8	0.1	0.0	0.0
G	1.5	0.6	2.4	4.5	0.1	0.5	0.0	4.0	0.2	0.0	0.0
H	5.1	0.0	0.5	5.6	0.1	0.5	0.0	5.1	0.1	0.0	0.0
I	4.5	0.2	0.2	5.0	0.1	2.6	0.2	2.4	0.3	0.0	0.0
J	71.3	0.2	0.0	71.5	1.5	0.0	0.0	0.0	0.0	71.5	0.0
K	0.5	1.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	1.5	0.8
Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**4,454.4**	**57.8**	**150.4**	**4,662.6**	**100.0**	**4,416.9**	**2.3**	**172.8**	**1.9**	**73.0**	**0.8**

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

AS Financiering

Risk classification is an integral part of the credit process for granting loans and for overall management of the portfolio and is based on an automatic scoring model adapted to AS Financiering's portfolio which estimates the probability of default (PD) based on information about the customer's finances and behaviour.

Credit risk by risk class 2022 – AS Financiering

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	7.5	0.0	0.0	7.5	0.3	7.4	0.0	0.1	0.0	0.0	0.0
B	208.7	0.0	0.0	208.7	8.0	207.8	0.0	0.9	0.0	0.0	0.0
C	334.0	0.0	0.0	334.0	12.8	333.4	0.1	0.6	0.0	0.0	0.0
D	347.9	0.0	0.0	347.9	13.3	345.5	0.2	2.4	0.0	0.0	0.0
E	523.1	0.0	0.0	523.1	20.0	515.0	0.5	8.2	0.0	0.0	0.0
F	523.6	0.0	0.0	523.6	20.0	500.0	0.9	23.7	0.1	0.0	0.0
G	277.7	0.0	0.0	277.7	10.6	223.0	0.7	54.6	0.3	0.0	0.0
H	115.1	0.0	0.0	115.1	4.4	46.2	0.3	68.9	0.7	0.0	0.0
I	113.8	0.0	0.0	113.8	4.4	4.0	0.1	109.8	3.9	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	160.6	0.0	0.0	160.6	6.1	0.0	0.0	0.0	0.0	160.6	81.2
Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2,612.1**	**0.0**	**0.0**	**2,612.1**	**100.0**	**2,182.3**	**2.9**	**269.2**	**5.1**	**160.6**	**81.2**

* Stage 3 provisions include individually assessed loss write-downs of NOK 80.6 million.

Credit risk by risk class 2021 – AS Financiering

	Gross lending	Gross guarantee liability	Overdraft facilities	Commitments	%	Commitments Stage 1	Loss provisions Stage 1	Commitments Stage 2	Loss provisions Stage 2	Commitments Stage 3	Loss provisions Stage 3*
A	8.8	0.0	0.0	8.8	0.4	8.8	0.0	0.0	0.0	0.0	0.0
B	187.1	0.0	0.0	187.1	7.4	187.1	0.0	0.0	0.0	0.0	0.0
C	327.2	0.0	0.0	327.2	13.0	327.2	0.2	0.0	0.0	0.0	0.0
D	329.9	0.0	0.0	329.9	13.1	328.9	0.3	1.0	0.0	0.0	0.0
E	514.9	0.0	0.0	514.9	20.4	510.2	0.8	4.7	0.0	0.0	0.0
F	506.3	0.0	0.0	506.3	20.1	478.6	1.3	27.7	0.1	0.0	0.0
G	249.1	0.0	0.0	249.1	9.9	194.4	0.9	54.7	0.5	0.0	0.0
H	102.5	0.0	0.0	102.5	4.1	34.1	0.3	68.4	1.0	0.0	0.0
I	116.5	0.0	0.0	116.5	4.6	6.1	0.2	110.5	5.2	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	178.5	0.0	0.0	178.5	7.1	0.0	0.0	0.0	0.0	178.5	93.8
Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2,520.8**	**0.0**	**0.0**	**2,520.8**	**100.0**	**2,075.3**	**3.9**	**267.0**	**6.9**	**178.5**	**93.8**

* Stage 3 provisions include individually assessed loss write-downs of NOK 92.8 million.

Collateral in relation to loans to customers

Maximum exposure to credit risk	Group 2022	Group 2021	Parent bank 2022	Parent bank 2021
Gross loans to customers incl. unused overdraft facilities and guarantees for customers	40,706.3	42,949.8	17,324.8	18,591.7

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. For commercial property, the security's cash flow will provide a guide as to the estimated market value. The estimated market values for all other 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 individually 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 154.2 million (NOK 164.5 million in 2021) and the associated individually assessed loan loss provisions NOK 86.8 million (NOK 96.8 million in 2021). For commitments in the parent bank, the corresponding sum of gross commitments totals NOK 9.2 million (NOK 4.3 million in 2021) and the associated individually assessed loan loss provisions NOK 5.2 million (NOK 4.1 million in 2021). The commitments in the parent bank and the mortgage credit company are largely secured by collateral in real estate. AS Financiering has an estimated 40.4 per cent (37.7 per cent in 2021) collateral cover for loans that have been individually 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 loan loss provisions in the Group totals NOK 41.1 million (NOK 94.5 million in 2021). The estimated fair value of the collateral amounts to NOK 90.8 million (NOK 432.6 million in 2021). In the parent bank, exposures amounted to NOK 18.4 million (NOK 87.0 million in 2021) and the value of the collateral to NOK 22.9 million (NOK 414.4 million in 2021). 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 2022		Group 2021			Parent bank 2022		Parent bank 2021	
NOK millions	Per cent	NOK millions	Per cent	Non-performing commitments without loan loss provisions as a percentage of collateral value	NOK millions	Per cent	NOK millions	Per cent
16.1	39.1%	80.3	84.9%	Less than 50%	4.9	26.6%	74.4	85.5%
14.9	36.2%	8.5	9.0%	50% to 70%	4.0	21.5%	6.9	7.9%
10.1	24.5%	0.0	0.0%	70% to 85%	9.5	51.5%	0.0	0.0%
0.1	0.2%	5.7	6.0%	85% to 100%	0.1	0.4%	5.7	6.6%
0.0	0.0%	0.0	0.0%	More than 100%	0.0	0.0%	0.0	0.0%
0.0	0.0%	0.0	0.0%	Unsecured	0.0	0.0%	0.0	0.0%
41.1	**100.0%**	**94.5**	**100.0%**	**Total**	**18.4**	**100.0%**	**87.0**	**100.0%**

NOTE 10 – LOSSES ON LOANS, UNUSED CREDIT AND GUARANTEES

Loss costs

	Group 31.12.22	Group 31.12.21	Parent bank 31.12.22	Parent bank 31.12.21
Change in model-based provisions, Stage 1	-2.3	-10.0	-0.9	-5.6
Change in model-based provisions, Stage 2	0.4	2.6	1.7	0.0
Change in model-based provisions, Stage 3	-0.5	1.0	0.0	0.0
Increase in existing individual loan loss provisions	9.4	10.2	0.0	0.0
New individual loan loss provisions	9.4	8.3	1.2	0.0
Established losses covered by previous individual loan loss provisions	23.2	4.0	0.1	0.0
Reversals of previous individual loan loss provisions	-29.9	-10.9	-0.1	-0.1
Established losses not covered by previous individual loan loss provisions	1.0	0.5	0.3	0.1
Recovery of previously identified losses	-4.1	-5.3	-0.3	-1.2
Amortisation costs for the period	0.1	0.0	0.1	0.0
Losses on loans, unused credit and guarantees	**6.8**	**0.5**	**1.9**	**-6.9**
- of which losses on unused credit and guarantees	-0.1	0.2	-0.3	-0.1

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

Loss cost in Group

	Retail 2022	Retail 2021	Business 2022	Business 2021	ASF 2022	ASF 2021
Change in model-based provisions, Stage 1	-0.6	0.4	-0.7	-6.3	-0.9	-4.1
Change in model-based provisions, Stage 2	2.8	4.0	-0.6	-2.4	-1.8	0.9
Change in model-based provisions, Stage 3	-0.1	0.0	0.0	0.0	-0.4	1.0
Increase in existing individual loan loss provisions	0.0	0.0	0.0	0.0	9.4	10.2
New individual loan loss provisions	0.1	0.0	1.1	0.0	8.1	8.3
Established losses covered by previous individual loan loss provisions	0.0	0.0	0.1	0.0	23.1	4.0
Reversals of previous individual loan loss provisions	0.0	-0.1	-0.1	0.0	-29.8	-10.8
Established losses not covered by previous individual loan loss provisions	0.3	0.1	0.0	0.0	0.8	0.5
Recovery of previously identified losses	-0.1	-0.9	-0.2	-0.3	-3.8	-4.1
Amortisation costs for the period	0.0	0.0	0.1	0.0	0.0	0.0
Losses on loans, unused credit and guarantees	**2.3**	**3.4**	**-0.3**	**-8.9**	**4.7**	**6.0**
- of which losses on unused credit and guarantees	0.1	0.4	-0.2	-0.2	0.0	0.0

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

Changes in loan loss provisions – Group

Changes in loan loss provisions 2022	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.22	**13.5**	**14.8**	**98.2**	**126.5**
Transferred to Stage 1	4.2	-3.6	-0.6	0.0
Transferred to Stage 2	-0.6	1.3	-0.7	0.0
Transferred to Stage 3	-0.2	-1.3	1.5	0.0
Net change	-5.5	3.6	9.8	7.9
New losses	6.4	6.4	2.1	14.9
Deducted losses	-5.7	-4.8	-23.3	-33.8
Change in risk model/parameters	-0.9	-1.2	-0.2	-2.3
Opening balance as at 31.12.22	**11.2**	**15.3**	**86.7**	**113.2**
- of which loan loss provisions for unused credit and guarantees	0.7	0.3	0.3	1.3
Model-based loan loss provisions	11.2	15.3	0.9	27.4
Individual loan loss provisions	0.0	0.0	85.8	85.8

Changes in loan loss provisions 2021	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.21	**23.4**	**12.3**	**89.6**	**125.3**
Transferred to Stage 1	5.8	-5.0	-0.8	0.0
Transferred to Stage 2	-1.1	1.5	-0.4	0.0
Transferred to Stage 3	-0.3	-1.2	1.5	0.0
Net change	-13.8	4.8	11.9	3.0
New losses	7.1	4.4	1.5	13.0
Deducted losses	-7.6	-2.5	-5.0	-15.1
Change in risk model/parameters	-0.1	0.6	0.0	0.4
Opening balance as at 31.12.21	**13.5**	**14.8**	**98.2**	**126.5**
- of which loan loss provisions for unused credit and guarantees	0.8	0.4	0.3	1.4
Model-calculated loan loss provisions	13.5	14.8	1.3	29.7
Individual loan loss provisions	0.0	0.0	96.8	96.8

Changes in gross lending – Group

Change in gross lending by stage, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.21	**37,848.4**	**1,091.5**	**298.2**	**39,238.1**
Transferred to Stage 1	313.0	-307.4	-5.6	0.0

Transferred to Stage 2	-598.4	625.5	-27.0	0.0
Transferred to Stage 3	-35.6	-36.8	72.4	0.0
Net change	-101.5	-99.4	-21.2	-222.0
New loans	16,964.3	475.1	18.3	17,457.7
Deducted lending	-19,260.8	-476.5	-119.9	-19,857.2
Opening balance as at 31.12.22	**35,129.5**	**1,272.1**	**215.0**	**36,616.5**
- of which loans with forbearance	0.0	254.0	19.3	273.3

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

Change in gross lending by stage, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.21	**34,247.1**	**761.3**	**200.4**	**35,208.8**
Transferred to Stage 1	357.6	-350.6	-7.0	0.0
Transferred to Stage 2	-727.2	734.0	-6.7	0.0
Transferred to Stage 3	-102.5	-62.5	165.0	0.0
Net change	-899.6	-71.6	-39.2	-1,010.3
New loans	20,405.4	286.8	16.0	20,708.2
Deducted lending	-15,432.4	-205.9	-30.2	-15,668.6
Opening balance as at 31.12.21	**37,848.4**	**1,091.5**	**298.2**	**39,238.1**
- of which loans with forbearance	0.0	154.2	26.3	180.4

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

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

Changes in loan loss provisions 2022	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.22	**7.3**	**6.1**	**3.7**	**17.2**
Transferred to Stage 1	1.2	-1.2	0.0	0.0
Transferred to Stage 2	-0.2	0.2	0.0	0.0
Transferred to Stage 3	-0.1	-0.2	0.3	0.0
Net change	-1.5	2.7	-0.2	0.9
New losses	2.6	2.5	0.0	5.1
Deducted losses	-2.7	-1.8	-0.1	-4.7
Change in risk model/parameters	0.1	0.7	0.0	0.8
Opening balance as at 31.12.22	**6.7**	**9.0**	**3.7**	**19.3**
- of which loan loss provisions for unused credit and guarantees	0.7	0.2	0.0	0.9
Model-calculated loan loss provisions	6.7	9.0	0.2	15.8
Individual loan loss provisions	0.0	0.0	3.5	3.5

Changes in loan loss provisions 2021	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.21	**7.0**	**2.1**	**3.8**	**12.9**
Transferred to Stage 1	1.0	-1.0	0.0	0.0
Transferred to Stage 2	-0.2	0.2	0.0	0.0
Transferred to Stage 3	0.0	-0.5	0.5	0.0
Net change	-0.9	4.0	-0.4	2.6
New losses	3.4	1.4	0.0	4.8
Deducted losses	-2.5	-0.3	-0.2	-2.9
Change in risk model/parameters	-0.3	0.2	0.0	-0.2
Opening balance as at 31.12.21	**7.3**	**6.1**	**3.7**	**17.2**
- of which loan loss provisions for unused credit and guarantees	0.7	0.1	0.0	0.9
Model-calculated loan loss provisions	7.3	6.1	0.3	13.8
Individual loan loss provisions	0.0	0.0	3.4	3.4

Changes in gross lending – retail at parent bank and mortgage credit company

Change in gross lending by stage, 2022	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**31,590.8**	**660.5**	**47.5**	**32,298.8**
Transferred to Stage 1	173.8	-173.8	0.0	0.0
Transferred to Stage 2	-407.2	423.9	-16.7	0.0
Transferred to Stage 3	-18.2	-13.7	31.9	0.0
Net change	255.8	-53.4	0.4	202.8
New loans	14,841.1	336.2	3.7	15,181.1
Deducted lending	-16,830.0	-303.6	-19.0	-17,152.6
Opening balance as at 31.12.22	**29,606.2**	**876.1**	**47.8**	**30,530.1**
- of which loans with forbearance	0.0	237.8	19.2	257.0

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

Change in gross lending by stage, 2021	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**27,715.6**	**201.5**	**21.7**	**27,938.8**
Transferred to Stage 1	70.3	-67.5	-2.8	0.0
Transferred to Stage 2	-466.0	469.1	-3.1	0.0

Transferred to Stage 3	-10.2	-29,0	39.2	0.0
Net change	-468.8	-23.5	-3.0	-495.3
New loans	18,248.6	164.9	3.9	18,417.4
Deducted lending	-13,498.8	-55.0	-8.2	-13,562.1
Opening balance as at 31.12.21	**31,590.8**	**660.5**	**47.5**	**32,298.8**
- of which loans with forbearance	0.0	149.0	23.1	172.1

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

Changes in loan loss provisions – business

Changes in loan loss provisions 2022	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.22	**2.3**	**1.9**	**0.8**	**4.9**
Transferred to Stage 1	0.7	-0.7	0.0	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	-1.1	0.3	1.2	0.4
New losses	0.6	0.6	0.0	1.2
Deducted losses	-1.0	-1.0	-0.1	-2.1
Change in risk model/parameters	0.1	0.1	0.0	0.3
Opening balance as at 31.12.22	**1.6**	**1.3**	**1.8**	**4.7**
- of which loan loss provisions for unused credit and guarantees	-0.1	0.2	0.3	0.4
Model-calculated loan loss provisions	1.6	1.3	0.1	2.9
Individual loan loss provisions	0.0	0.0	1.7	1.7

Changes in loan loss provisions 2021	**Expected credit loss Stage 1**	**Expected credit loss Stage 2**	**Expected credit loss Stage 3**	**Total**
Opening balance as at 01.01.21	**8.5**	**4.2**	**0.8**	**13.5**
Transferred to Stage 1	1.6	-1.6	0.0	0.0
Transferred to Stage 2	-0.2	0.2	0.0	0.0
Transferred to Stage 3	-0.1	0.0	0.1	0.0
Net change	-6.0	-0.8	-0.1	-6.9
New losses	0.7	0.1	0.0	0.8
Deducted losses	-2.7	-0.9	0.0	-3.6
Change in risk model/parameters	0.4	0.6	0.0	1.1
Opening balance as at 31.12.21	**2.3**	**1.9**	**0.8**	**4.9**
- of which loan loss provisions for unused credit and guarantees	0.0	0.2	0.3	0.6
Model-calculated loan loss provisions	2.3	1.9	0.1	4.2
Individual loan loss provisions	0.0	0.0	0.7	0.7

Changes in gross lending – business

Change in gross lending by stage, 2022	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**4,182.2**	**164.1**	**72.1**	**4,418.4**
Transferred to Stage 1	38.4	-38.4	0.0	0.0
Transferred to Stage 2	-75.2	78.0	-2.8	0.0
Transferred to Stage 3	0.0	-0.1	0.1	0.0
Net change	-39.7	-6.5	0.0	-46.2
New loans	1,130.9	39.2	0.0	1,170.1
Deducted lending	-1,895.7	-109.5	-62.7	-2,067.9
Opening balance as at 31.12.22	**3,341.0**	**126.8**	**6.6**	**3,474.4**
- of which loans with forbearance	0.0	14.8	0.0	14.8

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

Change in gross lending by stage, 2021	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**4,745.1**	**228.0**	**9.2**	**4,982.3**
Transferred to Stage 1	136.5	-136.2	-0.3	0.0
Transferred to Stage 2	-146.5	146.5	0.0	0.0
Transferred to Stage 3	-70.4	-3.3	73.7	0.0
Net change	-144.5	-7.3	-3.3	-155.1
New loans	1,140.8	9.2	1.2	1,151.2
Deducted lending	-1,478.7	-72.9	-8.5	-1,560.0
Opening balance as at 31.12.21	**4,182.2**	**164.1**	**72.1**	**4,418.4**
- of which loans with forbearance	0.0	3.7	2.8	6.6

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

Changes in loan loss provisions – AS Financiering

Changes in loan loss provisions 2022	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.22	**3.9**	**6.9**	**93.8**	**104.5**
Transferred to Stage 1	2.3	-1.7	-0.6	0.0
Transferred to Stage 2	-0.3	1.0	-0.7	0.0
Transferred to Stage 3	-0.1	-1.1	1.1	0.0
Net change	-3.2	1.0	8.8	6.7
New losses	2.5	2.3	2.1	6.9
Deducted losses	-1.0	-1.4	-23.1	-25.4
Change in risk model/parameters	-1.2	-2.0	-0.2	-3.4
Opening balance as at 31.12.22	**2.9**	**5.1**	**81.2**	**89.2**
- of which loan loss provisions for unused credit and guarantees	0.0	0.0	0.0	0.0
Model-calculated loan loss provisions	2.9	5.1	0.6	8.6
Individual loan loss provisions	0.0	0.0	80.6	80.6

Changes in loan loss provisions 2021	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.21	**7.9**	**5.9**	**85.1**	**98.9**
Transferred to Stage 1	3.2	-2.4	-0.8	0.0
Transferred to Stage 2	-0.7	1.1	-0.4	0.0
Transferred to Stage 3	-0.2	-0.6	0.8	0.0
Net change	-6.7	1.9	12.5	7.7
New losses	2.5	2.5	1.5	6.5
Deducted losses	-2.1	-1.2	-4.8	-8.1
Change in risk model/parameters	-0.2	-0.3	0.0	-0.5
Opening balance as at 31.12.21	**3.9**	**6.9**	**93.8**	**104.5**
- of which loan loss provisions for unused credit and guarantees	0.0	0.0	0.0	0.0
Model-calculated loan loss provisions	3.9	6.9	1.0	11.7
Individual loan loss provisions	0.0	0.0	92.8	92.8

Changes in gross lending – AS Financiering

Change in gross lending by stage, 2022	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**2,075.3**	**267.0**	**178.5**	**2,520.8**
Transferred to Stage 1	100.8	-95.1	-5.6	0.0
Transferred to Stage 2	-116.0	123.5	-7.5	0.0
Transferred to Stage 3	-17.4	-23.0	40.4	0.0
Net change	-317.6	-39.4	-21.5	-378.6
New loans	992.3	99.8	14.5	1,106.6
Deducted lending	-535.1	-63.5	-38.2	-636.7
Opening balance as at 31.12.22	**2,182.3**	**269.2**	**160.6**	**2,612.1**
- of which loans with forbearance	0.0	1.5	0.1	1.5

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

Change in gross lending by stage, 2021	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**1,786.3**	**331.8**	**169.5**	**2,287.6**
Transferred to Stage 1	150.7	-146.8	-3.9	0.0
Transferred to Stage 2	-114.7	118.3	-3.6	0.0
Transferred to Stage 3	-21.8	-30.3	52.1	0.0
Net change	-286.3	-40.8	-32.9	-359.9
New loans	1,016.0	112.8	10.8	1,139.6
Deducted lending	-454.9	-78.1	-13.5	-546.4
Opening balance as at 31.12.21	**2,075.3**	**267.0**	**178.5**	**2,520.8**
- of which loans with forbearance	0.0	1.5	0.3	1.8

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

Changes in loan loss provisions – parent bank

Changes in loan loss provisions 2022	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.22	**5.8**	**5.3**	**4.4**	**15.5**
Transferred to Stage 1	1.2	-1.2	0.0	0.0
Transferred to Stage 2	-0.1	0.1	0.0	0.0
Transferred to Stage 3	0.0	-0.2	0.2	0.0
Net change	-1.5	2.1	1.1	1.7
New losses	2.3	2.2	0.0	4.4
Deducted losses	-2.8	-1.9	-0.2	-5.0
Change in risk model/parameters	0.1	0.6	0.0	0.7
Opening balance as at 31.12.22	**4.9**	**7.0**	**5.5**	**17.4**
- of which loan loss provisions for unused credit and guarantees	0.3	0.2	0.3	0.8
Model-calculated loan loss provisions	4.9	7.0	0.3	12.2
Individual loan loss provisions	0.0	0.0	5.2	5.2

Changes in loan loss provisions 2021	Expected credit loss Stage 1	Expected credit loss Stage 2	Expected credit loss Stage 3	Total
Opening balance as at 01.01.21	**11.4**	**5.3**	**4.5**	**21.3**
Transferred to Stage 1	2.2	-2.2	0.0	0.0
Transferred to Stage 2	-0.3	0.3	0.0	0.0
Transferred to Stage 3	-0.1	-0.2	0.3	0.0
Net change	-6.0	1.4	-0.3	-4.9
New losses	2.3	1.0	0.0	3.3
Deducted losses	-4.0	-1.0	-0.2	-5.1
Change in risk model/parameters	0.2	0.7	0.0	0.9
Opening balance as at 31.12.21	**5.8**	**5.3**	**4.4**	**15.5**
- of which loan loss provisions for unused credit and guarantees	0.4	0.3	0.3	1.0
Model-calculated loan loss provisions	5.8	5.3	0.3	11.5
Individual loan loss provisions	0.0	0.0	4.1	4.1

Changes in gross lending – parent bank

Change in gross lending by stage, 2022	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**16,695.5**	**455.1**	**93.0**	**17,243.6**
Transferred to Stage 1	112.3	-112.2	0.0	0.0
Transferred to Stage 2	-242.1	250.5	-8.4	0.0
Transferred to Stage 3	-5.9	-6.9	12.8	0.0
Net change	-151.8	-7.8	0.0	-159.6
New loans	8,019.9	181.6	0.0	8,201.5
Deducted lending	-8,962.4	-226.0	-68.2	-9,256.5
Opening balance as at 31.12.22	**15,465.6**	**534.3**	**29.2**	**16,029.1**
- of which loans with forbearance	0.0	111.9	8.3	120.2

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

Change in gross lending by stage, 2021	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.21	**15,756.5**	**311.9**	**29.3**	**16,097.8**
Transferred to Stage 1	168.7	-165.6	-3.1	0.0
Transferred to Stage 2	-335.3	338.5	-3.1	0.0

Transferred to Stage 3	-78.9	-8.4	87.3	0.0
Net change	-117.7	-9.1	-4.2	-131.0
New loans	8,402.2	82.1	2.0	8,486.2
Deducted lending	-7,100.0	-94.2	-15.1	-7,209.3
Opening balance as at 31.12.21	**16,695.5**	**455.1**	**93.0**	**17,243.6**
- of which loans with forbearance	0.0	57.6	3.7	61.3

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

Model-based expected credit loss

With clear signs of a turnaround in the Norwegian economy, along with prospects of slower growth both nationally and internationally, we are facing a different economic outlook at the end of 2022 from what was assumed when the annual financial statements for 2021 were presented. The ongoing invasion of Ukraine is having major economic repercussions both in Europe and around the world and, combined with increased inflation and rising interest rates/costs, this is contributing to greater uncertainty about future developments.

The probability weighting of the macro scenarios used to calculate the model-based expected credit loss changed at the end of 2022 compared with what was used in the preparation of the annual financial statements for 2021. The probability of a pessimistic scenario has been increased from 25 per cent to 30 per cent, while the expected scenario has decreased from 75 per cent to 70 per cent. The change was implemented at the end of Q3 2022 and its impact amounted to NOK 1.3 million in increased loan loss provisions, of which NOK 1.2 million relates to increased provisions in Stage 1 and Stage 2. The factors for the different scenarios, which express the amount of expected credit loss in the optimistic and pessimistic scenarios compared with expected credit loss in the expected scenario, remained unchanged at the end of 2022 compared with what was used in the preparation of the annual financial statements for 2021.

Sensitivity analyses of model-based expected credit loss

Macroeconomic scenarios and probability weighting

For measuring expected losses in the Group, commitments are divided into segments. The major segments are commercial property, other commercial loans, mortgages and AS Financiering. When measuring model-calculated expected credit loss per segment, assessments are made of 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 (among other things). These assessments require a large amount of discretion. 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 are 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 600. 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 factors for the different scenarios, which express the amount of expected credit loss in the optimistic and pessimistic scenarios compared with the expected loss in the expected scenario, are unchanged for all segments compared with 31.12.2021.

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 different scenarios.

Group – 31.12.2022	Probability weighting	Stage 1	Stage 2	Stage 3	Total
Retail at parent bank and mortgage credit company					
Optimistic scenario	0%	4.1	5.5	3.6	13.1
Expected scenario	70%	5.1	6.8	3.6	15.5
Pessimistic scenario	30%	10.4	13.9	3.8	28.1
Loan loss provisions (probability-weighted)	**100%**	**6.7**	**9.0**	**3.7**	**19.3**
Business					
Optimistic scenario	0%	0.6	0.5	1.8	2.9
Expected scenario	70%	0.8	0.6	1.8	3.2
Pessimistic scenario	30%	3.5	2.8	2.0	8.2
Loan loss provisions (probability-weighted)	**100%**	**1.6**	**1.3**	**1.8**	**4.7**
AS Financiering					
Optimistic scenario	0%	1.8	3.1	80.9	85.9
Expected scenario	70%	2.3	3.9	81.0	87.2
Pessimistic scenario	30%	4.5	7.8	81.5	93.8
Loan loss provisions (probability-weighted)	**100%**	**2.9**	**5.1**	**81.2**	**89.2**
Total Group					
Optimistic scenario	0%	6.5	9.1	86.3	101.9
Expected scenario	70%	8.2	11.3	86.4	105.9
Pessimistic scenario	30%	18.4	24.5	87.3	130.1
Loan loss provisions (probability-weighted)	**100%**	**11.2**	**15.3**	**86.7**	**113.2**

Group – 31.12.21	Probability weighting	Stage 1	Stage 2	Stage 3	Total
Retail at parent bank and mortgage credit company					
Optimistic scenario	0%	4.7	3.9	3.5	12.1
Expected scenario	75%	5.9	4.9	3.6	14.3
Pessimistic scenario	25%	11.8	10.0	4.0	25.8
Loan loss provisions (probability-weighted)	**100%**	**7.3**	**6.1**	**3.7**	**17.2**
Business					
Optimistic scenario	0%	1.0	0.9	0.7	2.6
Expected scenario	75%	1.2	1.1	0.7	3.0
Pessimistic scenario	25%	5.5	4.2	0.8	10.5
Loan loss provisions (probability-weighted)	**100%**	**2.3**	**1.9**	**0.8**	**4.9**
AS Financiering					
Optimistic scenario	0%	2.5	4.4	93.4	100.3
Expected scenario	75%	3.1	5.5	93.6	102.1
Pessimistic scenario	25%	6.2	11.0	94.3	111.5
Loan loss provisions (probability-weighted)	**100%**	**3.9**	**6.9**	**93.8**	**104.5**
Total Group					
Optimistic scenario	0%	8.1	9.1	97.7	114.9
Expected scenario	75%	10.2	11.4	97.9	119.4
Pessimistic scenario	25%	23.5	25.1	99.2	147.7
Loan loss provisions (probability-weighted)	**100%**	**13.5**	**14.8**	**98.2**	**126.5**

Parent bank – 31.12.2022	Probability weighting	Stage 1	Stage 2	Stage 3	Total
Optimistic scenario	0%	2.6	4.0	5.3	11.9
Expected scenario	70%	3.3	5.0	5.4	13.6
Pessimistic scenario	30%	8.6	11.8	5.8	26.1
Loan loss provisions (probability-weighted)	**100%**	**4.9**	**7.0**	**5.5**	**17.4**

Parent bank – 31.12.21	Probability weighting	Stage 1	Stage 2	Stage 3	Total
Optimistic scenario	0%	3.2	3.0	4.2	10.5
Expected scenario	75%	4.0	3.8	4.3	12.1
Pessimistic scenario	25%	11.2	9.8	4.7	25.8
Loan loss provisions (probability-weighted)	**100%**	**5.8**	**5.3**	**4.4**	**15.5**

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

An increase in the probability of default assumes a doubling of the estimated 12-month probability of default (PD). For expected loss given default (LGD), an increase of 50 per cent is used. The assumption used in setting the pessimistic scenario's probability weighting is that the probability will increase by 50 per cent and that the expected scenario will be reduced correspondingly.

Group – 31.12.2022	Doubling of probability of default (PD)	50% increase in loss given default (LGD)	50% increase in probability weight for pessimistic scenario
Business	4.1	1.5	0.8
Retail at parent bank and mortgage credit company	17.3	7.9	1.9
AS Financiering	10.0	4.3	1.0
Total	**31.5**	**13.7**	**3.6**

Group – 31.12.21	Doubling of probability of default (PD)	50% increase in loss given default (LGD)	50% increase in probability weight for pessimistic scenario
Business	6.2	2.1	0.9
Person in parent bank and mortgage credit company	16.6	6.9	1.4
AS Financiering	14.1	5.9	1.2
Total	**36.9**	**14.8**	**3.5**

Parent bank – 31.12.2022	Doubling of probability of default (PD)	50% increase in loss given default (LGD)	50% increase in probability weight for pessimistic scenario
Business	4.1	1.4	0.7
Retail	9.8	4.6	1.1
Total	**13.8**	**6.1**	**1.9**

Parent bank – 31.12.21	Doubling of probability of default (PD)	50% increase in loss given default (LGD)	50% increase in probability weight for pessimistic scenario
Business	6.0	2.1	0.9
Retail	8.5	3.7	0.8
Total	**14.5**	**5.7**	**1.7**

Non-performing commitments, customers

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
		Payments over 90 days past due		
7.0	7.2	Business	7.0	7.2
10.2	8.0	Retail	7.3	5.3
145.0	160.2	AS Financiering	0.0	0.0
162.3	**175.3**	**Gross payment defaults**	**14.4**	**12.5**
86.1	97.2	Loan loss provisions	5.5	4.4
76.2	**78.1**	**Net payment defaults**	**8.9**	**8.1**
53%	55%	Provisions ratio	38%	35%
		Other non-performing commitments		
0.1	65.6	Business	0.1	63.2
37.6	39.6	Retail	15.3	18.0
15.6	18.3	AS Financiering	0.0	0.0
53.3	**123.6**	**Gross other non-performing commitments**	**15.4**	**81.2**
0.6	1.0	Loan loss provisions	0.0	0.0
52.7	**122.5**	**Net other non-performing commitments**	**15.4**	**81.2**
1%	1%	Provisions ratio	0%	0%
		Total non-performing commitments		
7.1	72.8	Business	7.1	70.3
47.8	47.5	Retail	22.6	23.3
160.6	178.5	AS Financiering	0.0	0.0
215.6	**298.8**	**Gross non-performing commitments**	**29.7**	**93.6**
86,7	98.2	Loan loss provisions	5.5	4.4
128.9	**200.7**	**Net non-performing commitments**	**24.2**	**89.3**
40%	33%	Provisions ratio	18%	5%

NOTE 11 – INTEREST RATE RISK

Interest rate risk related to deposits from and loans to financial institutions, deposits from customers 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.

Loans to and deposits from retail customers in reality entail a 2-month fixed-rate period (Section 3-13, paragraph 2, of the Norwegian Financial Contracts Act).

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, 31.12.22, amounting to one 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 31.12.22

Currency	Increase in basis points	Sensitivity of profit	Sensitivity of equity	Decrease in basis points	Sensitivity of profit	Sensitivity of equity
NOK	+100	49.9	0.0	-100	-49.9	0.0
Total		**49.9**	**0.0**	**-100**	**-49.9**	**0.0**

Interest rate sensitivity – Group as at 31.12.21

Currency	Increase in basis points	Sensitivity of profit	Sensitivity of equity	Decrease in basis points	Sensitivity of profit	Sensitivity of equity
NOK	+100	48.2	0.0	-100	-48.2	0.0
Total		**48.2**	**0.0**	**-100**	**-48.2**	**0.0**

Time until expected rate change as at 31.12.22 – 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	469.9					16.1	485.9
	FCY						0.5	0.5
Loans to and receivables from financial institutions	NOK	16.1						16.1
Lending to customers	NOK	3,492.3	32,999.5	28.7	186.6	26.9		36,734.0
Certificates and bonds	NOK	1,124.4	4,095.4	148.3	244.6			5,612.8
Financial derivatives	NOK						2.5	2.5
Accrued interest, not yet due	NOK						130.6	130.6
Other asset items	NOK						868.9	868.9
	FCY						47.4	47.4
Total		**5,102.8**	**37,094.9**	**177.0**	**431.2**	**26.9**	**1,065.9**	**43,898.6**
Liabilities								
Liabilities to financial institutions	NOK			272.6				272.6
Customer deposits	NOK	5,057.8	10,703.0					15,760.7
Financial derivatives	NOK						136.3	136.3
Securities issued	NOK	1,461.3	19,807.2					21,268.5
Subordinated senior bonds	NOK		891.3					891.3
Subordinated loan capital	NOK		419.9					419.9
Accrued interest	NOK						110.5	110.5
Other liabilities	NOK						43.5	43.5
Total		**6,519.1**	**31,821.4**	**272.6**	**0.0**	**0.0**	**290.3**	**38,903.4**
Net interest rate exposure on balance sheet		**-1,416.3**	**5,273.4**	**-95.6**	**431.2**	**26.9**	**775.6**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	40.0	545.0	-175.0	-375.0	-35.0		
Net exposure		**-1,376.3**	**5,818.4**	**-270.6**	**56.2**	**-8.1**	**775.6**	

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 31.12.21 – 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	285.1					17.1	302.3
	FCY						0.3	0.3
Loans to and receivables from financial institutions	NOK	11.0						11.0
Lending to customers	NOK	4,398.8	34,673.7	25.3	223.5	20.9		39,342.2
Certificates and bonds	NOK	998.3	5,614.6	325.7	248.6			7,187.2
Financial derivatives	NOK						112.1	112.1
Accrued interest, not yet due	NOK						100.6	100.6
Other asset items	NOK						844.5	844.5
	FCY						50.1	50.1
Total		**5,693.1**	**40,288.3**	**351.0**	**472.1**	**20.9**	**1,124.8**	**47,950.2**
Liabilities								
Liabilities to financial institutions	NOK			299.8				299.8
Customer deposits	NOK	5,358.4	12,027.2	191.6				17,577.2
Financial derivatives	NOK						23.5	23.5
Securities issued	NOK	1,905.2	22,301.2					24,206.4
Subordinated senior bonds	NOK		399.7					399.7
Subordinated loan capital	NOK		399.8					399.8
Accrued interest	NOK						72.5	72.5
Other liabilities	NOK						152.3	152.3
Total		**7,263.6**	**35,127.9**	**491.4**	**0.0**	**0.0**	**248.3**	**43,131.2**
Net interest rate exposure on balance sheet		**-1,570.5**	**5,160.4**	**-140.4**	**472.1**	**20.9**	**876.5**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	40.0	350.0		-365.0	-25.0		
Net exposure		**-1,530.5**	**5,510.4**	**-140.4**	**107.1**	**-4.1**	**876.5**	

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 31.12.22

Currency	Increase in basis points	Sensitivity of profit	Sensitivity of equity	Decrease in basis points	Sensitivity of profit	Sensitivity of equity
NOK	+100	24.9	0.0	-100	-24.9	0.0
Total		**24.9**	**0.0**		**-24.9**	**0.0**

Interest rate sensitivity – parent bank as at 31.12.21

Currency	Increase in basis points	Sensitivity of profit	Sensitivity of equity	Decrease in basis points	Sensitivity of profit	Sensitivity of equity

NOK	+100	23.7	0.0	-100	-23.7	0.0
Total		**23.7**	**0.0**		**-23.7**	**0.0**

Time until expected rate change as at 31.12.22 – 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	469.9					16.1	485.9
	FCY						0.5	0.5
Loans to and receivables from financial institutions	NOK	3,171.4	45.0					3,216.4
Lending to customers	NOK	3,369.2	12,671.5	28.7	186.6	26.9		16,282.8
Certificates and bonds	NOK	1,046.4	3,882.9	148.3	244.6			5,322.3
Financial derivatives	NOK							0.0
Accrued interest, not yet due	NOK						88.1	88.1
Other asset items	NOK						2,697.2	2,697.2
	FCY						47.4	47.4
Total		**8,056.9**	**16,599.5**	**177.0**	**431.2**	**26.9**	**2,849.2**	**28,140.7**
Liabilities								
Liabilities to financial institutions	NOK	724.3	0.7	272.6				997.6
Customer deposits	NOK	5,127.7	10,703.0					15,830.6
Financial derivatives	NOK						121.8	121.8
Securities issued	NOK	708.0	4,337.8					5,045.7
Subordinated senior bonds	NOK		891.3					891.3
Subordinated loan capital	NOK		419.9					419.9
Accrued interest	NOK						67.8	67.8
Other liabilities	NOK						72.3	72.3
Total		**6,559.9**	**16,352.7**	**272.6**	**0.0**	**0.0**	**262.0**	**23,447.2**
Net exposure on balance sheet		**1,497.0**	**246.8**	**-95.6**	**431.2**	**26.9**	**2,587.2**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	40.0	545.0	-175.0	-375.0	-35.0		
Net exposure		**1,537.0**	**791.8**	**-270.6**	**56.2**	**-8.1**	**2,587.2**	

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 31.12.21 – 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	285.1					17.1	302.3
	FCY						0.3	0.3
Loans to and receivables from financial institutions	NOK	2,554.1	45.0					2,599.1
Lending to customers	NOK	4,300.5	12,919.1	25.3	223.5	20.9		17,489.3
Certificates and bonds	NOK	881.5	5,917.8	325.7	248.6			7,373.5
Financial derivatives	NOK						31.3	31.3
Accrued interest, not yet due	NOK						64.0	64.0
Other asset items	NOK						2,635.0	2,635.0
	FCY						50.1	50.1
Total		**8,021.3**	**18,881.9**	**351.0**	**472.1**	**20.9**	**2,797.8**	**30,545.0**
Liabilities								
Liabilities to financial institutions	NOK	473.9	0.7	299.8			361.4	1,135.8
Customer deposits	NOK	5,431.6	12,027.2	191.6				17,650.4
Financial derivatives	NOK						23.5	23.5
Securities issued	NOK	1,148.9	5,254.7					6,403.6
Subordinated senior bonds	NOK		399.7					399.7
Subordinated loan capital	NOK		399.8					399.8
Accrued interest	NOK						52.3	52.3
Other liabilities	NOK						117.9	117.9
Total		**7,054.4**	**18,082.0**	**491.5**	**0.0**	**0.0**	**555.1**	**26,183.0**
Net exposure on balance sheet		**966.8**	**799.9**	**-140.5**	**472.1**	**20.9**	**2,242.7**	
Contract sum for financial derivatives, without hedge accounting, that affects interest rate exposure	NOK	40.0	350.0		-365.0	-25.0		
Net exposure		**1,006.8**	**1.149.9**	**-140.5**	**107.1**	**-4.1**	**2,242.7**	

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

NOTE 12 – 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 2022 was considered low.

The Bank has deliberately sought to reduce the Bank's liquidity risk by, among other things, distributing borrowing over several 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 2022, the Bank had an NSFR of 130.1% compared with 122.3% a year ago.

The liquidity coverage ratio (LCR) amounted to 217.3% as at 31.12.22, compared with 249.7% 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 Bank has also pledged bonds as security for borrowing facilities with Norges Bank.

The Group's deposits measured as a percentage of net lending amounted to 42.8% as at 31.12.22, compared with 44.6% one 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 nominal value of the Group's financial liabilities is shown below. 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 31.12.22. 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 31.12.22 – Group

	Up to 1 month	From 1–3 months	From 3 months–1 year	From 1–5 years	Over 5 years	No term	Total
Liabilities to financial institutions			67.5	269.9			337.4
Customer deposits	13,036.8	2,320.5	405.2				15,762.5
Securities issued	8.2	181.3	3,620.5	17,774.5	2,155.4		23,739.8
Other liabilities			290.9				290.9
Subordinated senior bonds		9.7	29.0	998.6			1,037.3
Subordinated loan capital		25.4	213.2	245.4			484.0
Loan pledges	512.5						512.5
Unused credit						50.7	50.7
Guarantees	3,742.5						3,742.5
Financial liabilities excl. derivatives	**17,300.1**	**2,536.9**	**4,626.3**	**19,288.3**	**2,155.4**	**50.7**	**45,957.7**
Financial derivatives (outflows)	2.3	45.9	147.9	366.8	56.0		618.9
Financial liabilities	**17,302.3**	**2,582.9**	**4,774.2**	**19,655.1**	**2,211.4**	**50.7**	**46,576.6**
Financial derivatives (inflows)	8.6	40.5	90.9	0.0	74.9		214.8

Maturity analysis of financial liabilities as at 31.12.21 – Group

	Up to 1 month	From 1–3 months	From 3 months–1 year	From 1–5 years	Over 5 years	No term	Total
Liabilities to financial institutions			4.6	18.4	304.6		327.6
Customer deposits	13,544.6	3,642.5	398.9	0.2			17,586.2
Securities issued	439.8	798.3	3,434.9	17,956.2	3,933.1		26,562.2
Other liabilities			331.4				331.4
Subordinated senior bonds			7.5	434.8			442.3
Subordinated loan capital		2.2	6.7	404.7			413.6
Loan pledges	456.2						456.2
Unused credit	3,378.7						3,378.7
Guarantees						58.7	58.7
Financial liabilities excl. derivatives	**17,819.3**	**4,443.0**	**4,184.0**	**18,814.2**	**4,237.7**	**58.7**	**49,557.0**
Financial derivatives (outflows)	5.1	13.7	54.0	136.2	7.7		216.7
Financial liabilities	**17,824.4**	**4,456.7**	**4,238.1**	**18,950.5**	**4,245.4**	**58.7**	**49,773.7**
Financial derivatives (inflows)	18.6	35.4	65.2		15.6		134.9

Maturity analysis of financial liabilities as at 31.12.22 – parent bank

	Up to 1 month	From 1–3 months	From 3 months–1 year	From 1–5 years	Over 5 years	No term	Total
Liabilities to financial institutions			67.5	269.9		725.8	1,063.2
Customer deposits	13,118.6	2,320.5	405.2				15,844.3
Securities issued	8.2	40.9	1,160.2	2,769.9	1,722.0		5,701.3
Other liabilities			452.4				452.4
Subordinated senior bonds		9.7	29.0	998.6			1,037.3
Subordinated loan capital		25.4	213.2	245.4			484.0
Loan pledges	470.5						470.5

Unused credit						50.7	50.7
Guarantees	3,058.9						3,058.9
Financial liabilities excl. derivatives	**16,656.3**	**2,396.6**	**2,327.6**	**4,283.7**	**1,722.0**	**776.5**	**28,162.7**
Financial derivatives (outflows)	2.3	45.9	147.9	366.9	56.1		619.1
Financial liabilities	**16,658.6**	**2,442.5**	**2,475.5**	**4,650.7**	**1,778.1**	**776.5**	**28,781.8**
Financial derivatives (inflows)	8.6	40.5	90.8	309.0	74.8		523.8

Maturity analysis of financial liabilities as at 31.12.21 – parent bank

	Up to 1 month	From 1–3 months	From 3 months–1 year	From 1–5 years	Over 5 years	No term	Total
Liabilities to financial institutions			4.6	18.4	304.6	835.3	1,162.9
Customer deposits	13,617.8	3,642.5	398.9	0.2			17,659.4
Securities issued	439.8	742.6	675.4	4,542.9	415.0		6,815.9
Other liabilities			230.9				230.9
Subordinated senior bonds			7.5	434.8			442.3
Subordinated loan capital		2.2	6.7	404.7			413.6
Loan pledges	419.4						419.4
Unused credit	3,477.7						3,477.7
Guarantees						58.7	58.7
Financial liabilities excl. derivatives	**17,954.8**	**4,387.4**	**1,324.0**	**5,401.0**	**719.6**	**894.1**	**30,680.8**
Financial derivatives (outflows)	5.1	13.7	54.0	136.2	7.7		216.8
Financial liabilities	**17,959.9**	**4,401.1**	**1,378.1**	**5,537.2**	**727.4**	**894.1**	**30,897.6**
Financial derivatives (inflows)	18.6	35.4	65.2	240.1	15.6		374.8

NOTE 13 – CURRENCY RISK

Market risk associated with currency risk as at 31.12.22

Currency	Increase in exchange rate, %	Effect on profit before tax	Effect on equity	Decrease in exchange rate, %	Effect on profit before tax	Effect on equity
USD	+10	0.8	0.0	-10	-0.8	0.0
Total		**0.8**	**0.0**		**-0.8**	**0.0**

Market risk associated with currency risk as at 31.12.21

Currency	Increase in exchange rate, %	Effect on profit before tax	Effect on equity	Decrease in exchange rate, %	Effect on profit before tax	Effect on equity
USD	+10	1.4	0.0	-10	-1.4	0.0
Total		**1.4**	**0.0**		**-1.4**	**0.0**

The Bank has little currency exposure. As at 31.12.22, the Bank's open net position was NOK 8.4 million (NOK 13.8 million as at 31.12.21). 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 23 – Financial Derivatives.

NOTE 14 – NET INTEREST INCOME

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
5.7	0.3	Interest income and similar income from loans to and receivables from financial institutions	77.2	30.6
1.1	0.8	Interest income and similar income from finance leases	0.0	0.0
1,186.6	887.4	Interest income and similar income from loans to customers	312.4	292.8
		Interest income and similar income from financial assets that are impaired		
0.0	0.0	Loans to and receivables from financial institutions	0.0	0.0
7.7	8.4	Loans to and receivables from customers	0.1	0.3
1,201.1	896.9	Total interest income and similar income for instruments at amortised cost	389.7	323.6
8.5	8.6	Interest income and similar income from loans at fair value	214.3	111.5
145.9	61.1	Interest income and similar income from certificates, bonds, etc.	147.0	66.4
154.3	69.7	Total interest income and similar income for instruments at fair value through profit and loss	361.3	177.9
1,355.5	**966.6**	**Interest income and similar income**	**751.0**	**501.6**
6.7	6.3	Interest costs and similar costs for liabilities to financial institutions	15.1	8.8
136.4	86.0	Interest costs and similar costs for deposits from customers	137.1	86.0
479.0	218.7	Interest costs and similar costs for securities issued	129.0	82.6
19.6	3.7	Interest costs and similar costs for senior subordinated bonds issued	19.6	3.7
12.8	7.3	Interest costs and similar costs for subordinated loan capital	12.8	7.3
14.7	13.3	Other interest costs and similar costs	12.3	11.5
669.3	**335.3**	**Interest costs and similar costs for instruments at amortised cost**	**325.9**	**199.9**
686.2	**631.3**	**Net interest income**	**425.1**	**301.6**

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

Group 2022			Parent bank 2022	
Avg. interest-bearing balance	Avg. interest rate, %		Avg. interest-bearing balance	Avg. interest rate, %
		Assets		
481.7	1.18	Net lending to financial institutions*	3,154.2	2.45
37,758.7	3.19	Net lending to customers	16,406.1	3.21
6,517.5	2.24	Certificates and bonds	6,723.1	2.19
		Liabilities		
293.1	2.27	Liabilities to financial institutions	1,026.6	1.47
17,017.9	0.80	Customer deposits	17,013.7	0.81
23,055.6	2.16	Securities issued	5,290.1	2.44
727.7	2.69	Senior subordinated bonds	727.7	2.69
402.4	3.18	Subordinated loan capital	402.4	3.18

* Including receivables from central banks.

Group 2021			Parent bank 2021	
Avg. interest-bearing balance	Avg. interest rate, %		Avg. interest-bearing balance	Avg. interest rate, %
		Assets		
365.1	0.08	Net lending to financial institutions*	2,973.1	1.03
38,716.9	2.34	Net lending to customers	17,700.3	2.29
6,800.3	0.90	Securities, investments	7,302.7	0.91
		Liabilities		
359.8	0.92	Liabilities to financial institutions	1,318.4	0.44
16,648.9	0.52	Customer deposits	16,723.4	0.51
24,061.6	0.92	Securities issued	7,411.1	1.11
334.5	1.12	Senior subordinated bonds	334.5	1.12
400.5	1.82	Subordinated loan capital	400.5	1.82

* Including receivables from central banks.

Average interest rate is calculated by dividing interest recognised in the year by the average balance.

NOTE 15 – NET COMMISSION INCOME

Group 2022	Group 2021	Amounts in NOK millions	Parent bank 2022	Parent bank 2021
57.3	52.7	Fees, money-transfer services	57.3	52.7
0.9	1.1	Fees, guarantees	0.9	1.1
28.1	25.6	Other commissions and fees	51.9	50.7
86.2	**79.4**	**Commission income, etc.**	**110.1**	**104.5**
13.5	12.7	Costs, money-transfer services	13.5	12.7
35.3	33.3	Other commissions and fees	3.7	4.9
48.8	**46.1**	**Commission costs, etc.**	**17.2**	**17.6**
37.4	**33.3**	**Net commission income, etc.**	**92.9**	**86.9**

NOTE 16 – DIVIDENDS AND OTHER INCOME FROM SECURITIES WITH VARIABLE YIELDS

Group 2022	Group 2021	Amounts in NOK millions	Parent bank 2022	Parent bank 2021
53.9	71.4	Dividend from equity instruments	53.9	71.4
0.0	0.0	Dividends and Group contributions from subsidiaries	171.1	163.7
53.9	**71.4**	**Dividends and other operating income from securities with variable yields**	**225.0**	**235.1**

NOTE 17 – NET CHANGES IN VALUE AND GAINS/LOSSES ON FINANCIAL INSTRUMENTS

Recognised through profit and loss

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
		Change in value and gain/loss on financial instruments at fair value through profit and loss		
-17.6	-22.8	Change in value of certificates and bonds	-12.0	-21.5

-32.9	-12.0	Realised gains/losses on certificates and bonds	-43.7	-14.5
-81.9	37.6	Change in value of equity instruments	-81.9	37.6
48.7	5.3	Realised gains/losses on equity instruments	48.7	5.3
10.3	16.2	Change in value of derivatives, hedge accounting not used	10.3	16.2
-5.3	-1.4	Realised gains/losses on derivatives, hedge accounting not used	-5.3	-1.4
-6.3	-7.9	Change in value of fixed-rate loans	-6.3	-7.9
-84.9	**15.1**	**Net change in value and gain/loss on financial instruments at fair value**	**-90.1**	**13.8**
-232.6	-224.2	Financial derivatives, hedge accounting	-139.9	-146.7
232.6	224.2	Financial liabilities, hedged	139.9	146.7
0.0	**0.0**	**Total net hedged items***	**0.0**	**0.0**
		Change in value and gains/losses on financial instruments at amortised cost		
-3.9	-0.3	Realised gain/loss on securities issued	-0.5	-0.2
-3.9	**-0.3**	**Total realised gain/loss on securities issued and senior subordinated bonds at amortised cost**	**-0.5**	**-0.2**
		Currency trading		
3.7	1.1	- Net translation gain	3.7	1.1
2.6	2.5	- Net transaction gain	2.6	2.5
6.3	**3.6**	**Total net income from currency trading**	**6.3**	**3.6**
-82.6	**18.4**	**Net change in value and gain/loss on financial instruments**	**-84.3**	**17.3**

* For hedged financial liabilities, the hedged risk is measured at fair value, while the rest of the instrument is measured at amortised cost. Hedging derivatives are measured at fair value. The Group uses hedge accounting on fixed-rate bonds. Borrowing is hedged on a one-to-one basis.

See also Note 16 for dividends and other operating income from securities with variable yields.

Recognised through comprehensive income

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
		Change in value of financial instruments through OCI		
0.0	0.0	Lending at fair value	0.2	0.5
0.0	**0.0**	**Net change in value of financial instruments through OCI**	**0.2**	**0.5**

NOTE 18 – OTHER OPERATING INCOME

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
0.4	0.5	Rental income, investment properties	0.0	0.0
0.6	0.5	Operating income, real estate	0.0	0.0
0.7	2.9	Profit from sale of real estate	0.0	0.0
1.6	2.5	Other operating income	5.0	5.8
3.4	**6.4**	**Other operating income**	**5.0**	**5.8**

NOTE 19 – SALARIES AND PERSONNEL COSTS

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
121.1	130.5	Salaries	107.4	116.6
27.1	27.6	National insurance contributions	24.1	24.7
		Pensions		
6.2	6.7	- defined-benefit	5.8	6.2
6.8	6.2	- defined-contribution and similar	6.3	6.0
7.3	4.9	Social security costs	6.2	4.4
168.5	**175.8**	**Total salaries and personnel costs**	**149.9**	**157.8**
180	187	No. of full-time equivalents as at 31.12	163	168
186	191	No. of employees as at 31.12	168	172
171	177	Average no. of full time equivalents	154	159
174	178	Average no. of employees	157	160

For the remuneration of senior executives, see the published report on executive pay for 2022

NOTE 20 – OTHER OPERATING COSTS

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
46.5	43.2	IT costs	40.8	38.2
17.4	17.8	Other administrative costs	12.5	12.0
10.1	8.0	Operating costs, properties and premises	10.3	8.1
40.0	33.3	Other operating costs	29.4	23.1
114.1	**102.3**	**Total other operating costs**	**93.0**	**81.5**

Remuneration to auditor

Group 2022	Group 2021	Figures in NOK thousands	Parent bank 2022	Parent bank 2021
3,177	3,034	Audit	2,125	2,159
426	340	Other certification services	170	133
93	160	Tax consulting	93	44
0	94	Other services	0	94
3,696	**3,628**	**Total remuneration to auditor**	**2,388**	**2,429**

NOTE 21 – TAXES

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
		Income tax for the year in the income statement		
81.1	77.5	Tax payable on profit for the year	48.0	25.8
4.5	0.7	Recognised deferred tax	0.3	-1.0
0.0	1.1	Excess/deficit tax, previous year	0.0	1.3
85.5	**79.3**	**Income tax for the year**	**48.3**	**26.2**
		Tax on other income and costs recognised in comprehensive income		
		Change in net deferred tax		
-6.7	3.0	- Actuarial gains and losses on defined-benefit plans	-6.4	2.9
0.0	0.0	- Lending at fair value	0.1	0.1
-6.7	**3.0**	**Tax on other income and costs**	**-6.4**	**3.0**
		Change in net deferred tax		
4.5	0.7	Recognised deferred tax in the income statement	0.3	-1.0
-6.7	3.0	Recognised deferred tax in comprehensive income	-6.4	3.0
-2.3	**3.7**	**Total change in net deferred tax**	**-6.1**	**2.1**
		Reconciliation of income tax for the year		
381.9	454.7	Profit before tax	393.0	387.6
92.6	109.0	Tax at the nominal rate of 22–25%	98.3	96.9
-7.1	-31.1	Tax effect of permanent differences	-49.9	-72.1
0.0	1.3	Excess/deficit tax, previous year	0.0	1.3
85.5	**79.3**	**Income tax**	**48.3**	**26.2**
		Tax payable in the balance sheet is as follows:		
81.1	77.5	Tax payable on profit for the year	48.0	25.8
9.0	5.9	Wealth tax for the year	9.0	5.9
90.1	**83.4**	**Total tax payable**	**57.0**	**31.7**

Group		Group		Deferred tax liability/deferred tax asset	Parent bank		Parent bank	
2022	2021	Change 2022	Change 2021		2022	2021	Change 2022	Change 2021
				Positive temporary differences				
35.1	31.3	-3.8	-1.7	Property, plant and equipment	4.5	3.1	-1.4	-0.4
20.0	25.0	5.0	6.3	Gains and losses account	2.0	2.5	0.5	0.6
0.0	6.7	6.7	26.5	Securities	0.0	7.2	7.2	26.0
0.0	96.0	96.0	208.9	Financial derivatives	0.0	9.0	9.0	131.2
0.0	-0.1	-0.1	7.9	Lending	0.0	0.6	0.6	7.4
179.6	0.0	-179.6	0.0	Securities issued	135.6	0.0	-135.6	0.0
234.7	159.0	-75.7	247.7	Total positive temporary differences	142.1	22.4	-119.7	164.9
56.3	**35.8**	**-20.5**	**59.4**	**Deferred tax**	**35.5**	**5.6**	**-29.9**	**41.2**
				Negative temporary differences				
1.1	1.0	-0.1	-0.2	Finance leases	2.0	1.7	-0.3	-0.4
8.9	0.8	-8.2	-0.7	Securities	3.9	0.0	-3.9	0.0
132.9	0.0	-132.9	0.0	Financial derivatives	121.7	0.0	-121.7	0.0
2.1	3.4	1.3	-0.5	Other assets	0.0	0.0	0.0	0.0
6.3	0.0	-6.3	0.0	Lending	5.4	0.0	-5.4	0.0
0.0	81.9	81.9	236.2	Securities issued	0.0	3.7	3.7	147.3
19.2	16.6	-2.6	1.4	Other liabilities/other negative differences	5.0	4.7	-0.3	0.8
52.7	35.4	-17.3	26.3	Pension liability	51.1	34.8	-16.3	25.4
223.2	139.0	-84.2	262.5	Total negative temporary differences	189.1	45.0	-144.1	173.1
54.9	**32.1**	**-22.7**	**63.1**	**Deferred tax asset**	**47.3**	**11.2**	**-36.0**	**43.3**
-1.4	**-3.7**	**-2.3**	**3.7**	**Net deferred tax (-) / net deferred tax asset (+)**	**11.8**	**5.6**	**-6.1**	**2.1**

Deferred tax/tax asset as at 31.12.22 is recognised at a tax rate of 25 per cent for the parent bank. Deferred tax/tax asset as at 31.12.22 in the Group is recognised at a tax rate in the range of 22–25 per cent. Net deferred tax/tax asset is reported in its entirety on the balance sheet as the Group expects to be able to utilise negative temporary differences in the future.

NOTE 22 – CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Fair value through profit and loss			
Group as at 31.12.22	**Mandatory**	**Designated**	**Measured at amortised cost***	**Total**
Cash and receivables from central banks	0.0	0.0	486.4	486.4
Loans to and receivables from financial institutions	0.0	0.0	16.1	16.1
Lending to customers	0.0	295.5	36,504.7	36,800.2
Certificates and bonds	5,635.3	0.0	0.0	5,635.3
Shares and units	796.0	0.0	0.0	796.0
Financial derivatives**	44.4	0.0	0.0	44.4
Total financial assets	**6,475.7**	**295.5**	**37,007.2**	**43,778.4**
Liabilities to financial institutions	0.0	0.0	274.1	274.1
Customer deposits	0.0	0.0	15,761.3	15,761.3
Financial derivatives**	131.7	0.0	0.0	131.7
Securities issued	0.0	0.0	21,375.7	21,375.7
Lease liabilities	0.0	0.0	42.2	42.2
Subordinated senior bonds	0.0	0.0	896.2	896.2
Subordinated loan capital	0.0	0.0	420.9	420.9
Total financial liabilities	**131.7**	**0.0**	**38,770.4**	**38,902.1**

* Includes hedged liabilities
** Includes derivatives for which hedge accounting is used

Group as at 31.12.21	Fair value through profit and loss			
	Mandatory	Designated	Measured at amortised cost*	Total
Cash and receivables from central banks	0.0	0.0	302.6	302.6
Loans to and receivables from financial institutions	0.0	0.0	11.0	11.0
Lending to customers	0.0	273.7	39,113.0	39,386.7
Certificates and bonds	7,198.9	0.0	0.0	7,198.9
Shares and units	848.6	0.0	0.0	848.6
Financial derivatives**	156.5	0.0	0.0	156.5
Total financial assets	**8,204.0**	**273.7**	**39,426.5**	**47,904.2**
Liabilities to financial institutions	0.0	0.0	300.3	300.3
Customer deposits	0.0	0.0	17,578.9	17,578.9
Financial derivatives**	15.4	0.0	0.0	15.4
Securities issued	0.0	0.0	24,283.8	24,283.8
Lease liabilities	0.0	0.0	42.2	42.2
Subordinated senior bonds	0.0	0.0	400.2	400.2
Subordinated loan capital	0.0	0.0	400.4	400.4
Total financial liabilities	**15.4**	**0.0**	**43,005.6**	**43,021.2**

* Includes hedged liabilities
** Includes derivatives for which hedge accounting is used

Parent bank as at 31.12.22	Fair value through profit and loss				
	Mandatory	Designated	Fair value through comprehensive income	Measured at amortised cost*	Total
Cash and receivables from central banks	0.0	0.0	0.0	486.4	486.4
Loans to and receivables from financial institutions	0.0	0.0	0.0	3,217.4	3,217.4
Lending to customers	0.0	295.5	4,609.5	11,402.9	16,308.0
Certificates and bonds	5,343.7	0.0	0.0	0.0	5,343.7
Shares and units	796.0	0.0	0.0	0.0	796.0
Financial derivatives**	29.2	0.0	0.0	0.0	29.2
Total financial assets	**6,168.9**	**295.5**	**4,609.5**	**15,106.7**	**26,180.7**
Liabilities to financial institutions	0.0	0.0	0.0	999.0	999.0
Customer deposits	0.0	0.0	0.0	15,831,2	15,831,2
Financial derivatives**	105.4	0.0	0.0	0.0	105.4
Securities issued	0.0	0.0	0.0	5,110.7	5,110.7
Lease liabilities	0.0	0.0	0.0	71.6	71.6
Subordinated senior bonds	0.0	0.0	0.0	896.2	896.2
Subordinated loan capital	0.0	0.0	0.0	420.9	420.9
Total financial liabilities	**105.4**	**0.0**	**0.0**	**23,329.6**	**23,435.0**

* Includes hedged liabilities
** Includes derivatives for which hedge accounting is used

Parent bank as at 31.12.21	Fair value through profit and loss Mandatory	 Designated	Fair value through comprehensive income	Measured at amortised cost*	Total
Cash and receivables from central banks	0.0	0.0	0.0	302.6	302.6
Loans to and receivables from financial institutions	0.0	0.0	0.0	2,599.4	2,599.4
Lending to customers	0.0	273.7	3,361.3	13,867.9	17,502.9
Certificates and bonds	7,385.7	0.0	0.0	0.0	7,385.7
Shares and units	848.6	0.0	0.0	0.0	848.6
Financial derivatives**	69.4	0.0	0.0	0.0	69.4
Total financial assets	**8,303.7**	**273.7**	**3,361.3**	**16,769.8**	**28,708.5**
Liabilities to financial institutions	0.0	0.0	0.0	1,136.4	1,136.4
Customer deposits	0.0	0.0	0.0	17,652.1	17,652.1
Financial derivatives**	15.4	0.0	0.0	0.0	15.4
Securities issued	0.0	0.0	0.0	6,460.7	6,460.7
Lease liabilities	0.0	0.0	0.0	73.4	73.4
Subordinated senior bonds	0.0	0.0	0.0	400.2	400.2
Subordinated loan capital	0.0	0.0	0.0	400.4	400.4
Total financial liabilities	**15.4**	**0.0**	**0.0**	**26,123.1**	**26,138.5**

* Includes hedged liabilities
** Includes derivatives for which hedge accounting is used

NOTE 23 – 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 2022 and 2021. The change in value of financial derivatives used for hedge accounting was NOK -232.6 million (NOK -224.2 million in 2021), with an equivalent opposite change in value for hedged objects. For recognised changes in value, gains/losses, see note 17.

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

Group 2022	Contractual totals	Book value of hedged item	Fair value of hedging instruments Assets	 Liabilities	Value adjust. of hedged item Liabilities
Fair value through profit and loss					
Forward exchange contracts	39.0		0.0	0.6	
Interest rate swaps (IRS)	665.0		11.2	0.0	
Total at fair value through profit and loss	**704.0**		**11.2**	**0.6**	
Used for hedge accounting					
Interest rate swaps (IRS)	5,675.0		33.2	131.1	0.0
Securities issued		5,636.1			-146.1
Total used for hedge accounting	**5,675.0**	**5,636.1**	**33.2**	**131.1**	**-146.1**
Total		**5,636.1**	**44.4**	**131.7**	**-146.1**

See Note 17 for the period's recognised change in hedging instruments and hedged items. The difference between the fair value of hedging instruments and the value adjustment of a hedged item is due to accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See Note 35.

Group 2021	Contractual totals	Book value of hedged item	Fair value of hedging instruments Assets	Liabilities	Value adjust. of hedged item Liabilities
Fair value through profit and loss					
Forward exchange contracts	69.8		1.0	0.0	
Interest rate swaps (IRS)	690.0		1.9	3.5	
Total at fair value through profit and loss	**759.8**		**2.9**	**3.5**	
Used for hedge accounting					
Interest rate swaps (IRS)	5,725.0	0.0	153.6	11.9	0.0
Securities issued		5,864.6			86.6
Total used for hedge accounting	**5,725.0**	**5,864.6**	**153.6**	**11.9**	**86.6**
Total		**5,864.6**	**156.5**	**15.4**	**86.6**

See Note 17 for the period's recognised change in hedging instruments and hedged items. The difference between the fair value of hedging instruments and the value adjustment of a hedged item is due to accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See Note 35.

Parent bank 2022	Contractual totals	Book value of hedged item	Fair value of hedging instruments Assets	Liabilities	Value adjust. of hedged item Liabilities
Fair value through profit and loss					
Forward exchange contracts	39.0		0.0	0.6	
Interest rate swaps (IRS)	665.0		11.2	0.0	
Total at fair value through profit and loss	**704.0**		**11.2**	**0.6**	
Used for hedge accounting					
Interest rate swaps (IRS)	4,525.0		18.0	104.7	0.0
Securities issued		4,455.9			-134.1
Total used for hedge accounting	**4,525.0**	**4,455.9**	**18.0**	**104.7**	**-134.1**
Total		**4,455.9**	**29.2**	**105.4**	**-134.1**

See Note 17 for the period's recognised change in hedging instruments and hedged items. The difference between the fair value of hedging instruments and the value adjustment of a hedged item is due to accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See Note 35.

Parent bank 2021	Contractual totals	Book value of hedged item	Fair value of hedging instruments Assets	Liabilities	Value adjust. of hedged item Liabilities
Fair value through profit and loss					
Forward exchange contracts	69.8		1.0	0.0	
Interest rate swaps (IRS)	690.0		1.9	3.5	
Total at fair value through profit and loss	**759.8**		**2.9**	**3.5**	
Used for hedge accounting					
Interest rate swaps (IRS)	4,575.0	0.0	66.5	11.9	0.0
Securities issued		4,624.6			5.8
Total used for hedge accounting	**4,575.0**	**4,624.6**	**66.5**	**11.9**	**5.8**
Total		**4,624.6**	**69.4**	**15.4**	**5.8**

See Note 17 for the period's recognised change in hedging instruments and hedged items. The difference between the fair value of hedging instruments and the value adjustment of a hedged item is due to accrued interest. The book value of the hedging instrument includes value adjustments and accrued interest. See Note 35.

NOTE 24 – FINANCIAL DERIVATIVES – OFFSETTING

The Group's offsetting 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 disclosure requirements for offsetting, no offset amounts are recognised on the balance sheet.

Group – 31.12.2022	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Financial derivatives, assets	44.4	0.0	44.4	-36.7	0.0	7.7
Financial derivatives, liabilities	131.7	0.0	131.7	-36.7	-79.1	16.0

Group – 31.12.21	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Financial derivatives, assets	156.5	0.0	156.5	-14.0	-108.7	33.8
Financial derivatives, liabilities	15.4	0.0	15.4	-14.0	-4.8	-3.4

Parent bank – 31.12.2022	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Financial derivatives, assets	29.2	0.0	29.2	-26.5	0.0	2.7
Financial derivatives, liabilities	105.4	0.0	105.4	-26.5	-79.1	-0.2

Parent bank – 31.12.21	Gross amount	Offset	Capitalised amount	Amount subject to net settlement	Exchanged collateral security	Amount in accordance with any net settlement
Financial derivatives, assets	69.4	0.0	69.4	-14.0	-43.5	12.0
Financial derivatives, liabilities	15.4	0.0	15.4	-14.0	-4.8	-3.4

NOTE 25 – 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 using a hierarchy involving 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
The Bank's portfolio of certificates and bonds is valued based on prices obtained 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 to 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.

Group – 31.12.2022	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value				
Lending to customers	0.0	0.0	295.5	295.5
Certificates and bonds	0.0	5,635.3	0.0	5,635.3
Shares and units	65.1	10.9	720.0	796.0

Financial derivatives	0.0	44.4	0.0	44.4
Total assets at fair value	**65.1**	**5,690.6**	**1,015.5**	**6,771.2**
Financial derivatives	0.0	131.7	0.0	131.7
Total liabilities at fair value	**0.0**	**131.7**	**0.0**	**131.7**

Movement in level 3	**Fixed interest loans**	**Shares and units**	**Total**
Balance sheet as at 01.01.22	273.7	780.8	1,054.5
Net realised gains	0.0	0.0	0.0
Additions	82.3	15.0	97.3
Disposals	54.2	33.7	87.9
Changes in value	-6.3	-31.2	-37.5
Transferred from levels 1 and 2	0.0	-10.9	-10.9
Balance sheet as at 31.12.22	**295.5**	**720.0**	**1,015.5**

Shares and units
The shares in Frende Holding AS were valued at NOK 456.1 million at the end of 2022. 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 2022. 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.

Group – 31.12.21	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets and liabilities measured at fair value				
Lending to customers	0.0	0.0	273.7	273.7
Certificates and bonds	0.0	7,198.9	0.0	7,198.9
Shares and units	67.8	0.0	780.8	848.6
Financial derivatives	0.0	156.5	0.0	156.5
Total assets at fair value	**67.8**	**7,355.4**	**1,054.5**	**8,477.7**
Financial derivatives	0.0	15.4	0.0	15.4
Total liabilities at fair value	**0.0**	**15.4**	**0.0**	**15.4**

Movement in level 3	**Fixed-rate loans**	**Shares through profit and loss**	**Total**
Balance sheet as at 01.01.21	359.1	746.9	1,106.0
Net realised gains	0.0	0.0	0.0
Additions	70.1	2.2	72.3
Disposals	147.7	8.7	156.3
Changes in value	-7.9	40.4	32.5
Transferred from levels 1 and 2	0.0	0.0	0.0
Balance sheet as at 31.12.21	**273.7**	**780.8**	**1,054.5**

31.12.2022 – parent bank	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets and liabilities measured at fair value				
Lending to customers*	0.0	0.0	4,905.1	4,905.1
Certificates and bonds	0.0	5,343.7	0.0	5,343.7
Shares and units	65.1	10.9	720.0	796.0
Financial derivatives	0.0	29.2	0.0	29.2
Total assets at fair value	**65.1**	**5,383.8**	**5,625.1**	**11,074.0**
Financial derivatives	0.0	105.4	0.0	105.4
Total liabilities at fair value	**0.0**	**105.4**	**0.0**	**105.4**

* In the parent bank, loans at fair value with a change in value through comprehensive income are included.

31.12.2021 – parent bank	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets and liabilities measured at fair value				
Lending to customers*	0.0	0.0	3,635.0	3,635.0
Certificates and bonds	0.0	7,385.7	0.0	7,385.7
Shares and units	67.8	0.0	780.8	848.6

Financial derivatives	0.0	69.4	0.0	69.4
Total assets at fair value	**67.8**	**7,455.1**	**4,415.8**	**11,938.7**
Financial derivatives	0.0	15.4	0.0	15.4
Total liabilities at fair value	**0.0**	**15.4**	**0.0**	**15.4**

* In the parent bank, loans at fair value with a change in value through comprehensive income are included.

NOTE 26 – 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 Norwegian Act on Financial Contracts and Financial Assignments usually permits re-pricing with eight weeks' notice. 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, senior subordinated bonds and subordinated loan capital

Securities issued, senior subordinated bonds 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 rates and credit spread assessments from Nordic Bond Pricing and makes reasonability assessments of the rates used based on actual transactions and spreads.

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.

Group – 31.12.2022	Fair value	Book value
Assets and liabilities measured at amortised cost		
Cash and receivables from central banks	486.4	486.4
Loans to and receivables from financial institutions	16.1	16.1
Lending to customers	36,515.3	36,504.7
Total assets at amortised cost	**37,017.8**	**37,007.2**
Liabilities to financial institutions	274.1	274.1
Customer deposits	15,761.3	15,761.3
Securities issued	21,355.4	21,375.7
Lease liabilities	42.2	42.2
Subordinated senior bonds	879.3	896.2
Subordinated loan capital	421.5	420.9
Total liabilities at amortised cost	**38,733.8**	**38,770.4**

Group – 31.12.21	Fair value	Book value
Assets and liabilities measured at amortised cost		
Cash and receivables from central banks	302.6	302.6
Loans to and receivables from financial institutions	11.0	11.0
Lending to customers	39,125.7	39,113.0
Total assets at amortised cost	**39,439.2**	**39,426.5**
Liabilities to financial institutions	300.3	300.3
Customer deposits	17,578.9	17,578.9
Securities issued	24,011.5	24,283.8
Lease liabilities	42.2	42.2
Subordinated senior bonds	399.8	400.2
Subordinated loan capital	404.4	400.4
Total liabilities at amortised cost	**42,737.0**	**43,005.7**

Parent bank – 31.12.2022	Fair value	Book value

Assets and liabilities measured at amortised cost		
Cash and receivables from central banks	486.4	486.4
Loans to and receivables from financial institutions	3,217.4	3,217.4
Lending to customers	11,407.6	11,403.0
Total assets at amortised cost	**15,111.3**	**15,106.7**
Liabilities to financial institutions	999.0	999.0
Customer deposits	15,831,2	15,831,2
Securities issued	5,117.6	5,110.7
Lease liabilities	71.6	71.6
Subordinated senior bonds	879.3	896.2
Subordinated loan capital	421.5	420.9
Total liabilities at amortised cost	**23,320.2**	**23,329.6**

31.12.2021 – Parent bank	**Fair value**	**Book value**
Assets and liabilities measured at amortised cost		
Cash and receivables from central banks	302.6	302.6
Loans to and receivables from financial institutions	2,599.4	2,599.4
Lending to customers	13,873.3	13,867.9
Total assets at amortised cost	**16,775.2**	**16,769.8**
Liabilities to financial institutions	1,136.4	1,136.4
Customer deposits	17,652.1	17,652.1
Securities issued	6,107.2	6,460.7
Lease liabilities	73.4	73.4
Subordinated senior bonds	399.8	400.2
Subordinated loan capital	404.4	400.4
Total liabilities at amortised cost	**25,773.2**	**26,123.1**

NOTE 27 – LOANS TO AND RECEIVABLES FROM CUSTOMERS IN RELATION TO FINANCE LEASES

The Group has finance 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 2022	**Group 2021**		**Parent bank 2022**	**Parent bank 2021**
0.9	4.2	Within 1 year	0.0	0.0
19.0	15.7	Between 1 and 5 years	0.0	0.0
0.0	1.2	After 5 years	0.0	0.0
19.8	**21.1**	**Gross receivables from finance leases**	**0.0**	**0.0**
2.4	2.1	Non-accrued income from finance leases		
17.4	**19.0**	**Net investments associated with finance leases**	**0.0**	**0.0**
0.3	3.6	Within 1 year	0.0	0.0
17.1	14.3	Between 1 and 5 years	0.0	0.0
0.0	1.0	After 5 years	0.0	0.0
17.4	**19.0**	**Net investments associated with finance leases**	**0.0**	**0.0**
0.0	0.0	Accumulated loan loss provisions for outstanding minimum lease amounts	0.0	0.0

NOTE 28 – CERTIFICATES AND BONDS

All certificates and bonds in 2022 and 2021 are measured at fair value through profit and loss.

Certificates and bonds by issuing sector, Group	Nominal value 2022	Fair value 2022	Nominal value 2021	Fair value 2021
State and state-guaranteed	1,337.0	1,362.0	1,587.0	1,610.7
Other public issuers	30.0	30.1	160.0	160.3
Covered bonds	4,201.0	4,241.1	5,373.0	5,427.6
Financial institutions	2.0	2.0	0.4	0.4
Non-financial enterprises	0.0	0.0	0.0	0.0
Total certificates and bonds	**5,570.0**	**5,635.3**	**7,120.4**	**7,198.9**

Certificates and bonds by issuing sector, parent bank	Nominal value 2022	Fair value 2022	Nominal value 2021	Fair value 2021
State and state-guaranteed	1,252.0	1,273.2	1,467.0	1,488.4
Other public issuers	30.0	30.1	160.0	160.3
Covered bonds	4,001.0	4,038.4	5,673.0	5,736.6
Financial institutions	2.0	2.0	0.4	0.4
Non-financial enterprises	0.0	0.0	0.0	0.0
Total certificates and bonds	**5,285.0**	**5,343.7**	**7,300.4**	**7,385.7**

The Bank pledges bonds as security for borrowing facilities with Norges Bank. At the end of 2022, the total security pledged with Norges Bank amounted to NOK 1,317.0 million, compared with NOK 1,340.0 million in 2021.

Certificates and bonds by maturity as at 31.12.22 – Group

	Accrued interest	Up to 6 months	6–12 months	1–5 years	5–10 years	Total
State and state-guaranteed	8.3	236.7	73.9	1,043.1	0.0	1,362.0
Other public issuers	0.1	0.0	30.0	0.0	0.0	30.1
Covered bonds	14.1	50.1	25.0	4,151.9	0.0	4,241.1
Financial institutions	0.0	0.0	0.0	0.0	2.0	2.0
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**22.5**	**286.7**	**129.0**	**5,195.0**	**2.0**	**5,635.3**

Certificates and bonds by maturity as at 31.12.22 – parent bank

	Accrued interest	Up to 6 months	6–12 months	1–5 years	5–10 years	Total
State and state-guaranteed	7.5	226.7	73.9	965.1	0.0	1,273.2
Other public issuers	0.1	0.0	30.0	0.0	0.0	30.1
Covered bonds	13.8	50.1	25.0	3,949.5	0.0	4,038.4
Financial institutions	0.0	0.0	0.0	0.0	2.0	2.0
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**21.4**	**276.7**	**129.0**	**4,914.6**	**2.0**	**5,343.7**

Certificates and bonds by maturity as at 31.12.21 – Group

	Accrued interest	Up to 6 months	6–12 months	1–5 years	5–10 years	Total
State and state-guaranteed	5.9	541.5	225.9	752.9	84.4	1,610.7
Other public issuers	0.5	60.0	99.8	0.0	0.0	160.3
Covered bonds	5.4	387.1	330.9	4,550.1	154.1	5,427.6
Financial institutions	0.0	0.0	0.4	0.0	0.0	0.4
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**11.8**	**988.6**	**657.0**	**5,303.0**	**238.5**	**7,198.9**

Certificates and bonds by maturity as at 31.12.21 – parent bank

	Accrued interest	Up to 6 months	6–12 months	1–5 years	5–10 years	Total
State and state-guaranteed	5.6	456.5	225.9	716.1	84.4	1,488.4
Other public issuers	0.5	60.0	99.8	0.0	0.0	160.3
Covered bonds	6.1	387.1	330.9	4,345.4	667.1	5,736.6
Financial institutions	0.0	0.0	0.4	0.0	0.0	0.4
Non-financial enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Total certificates and bonds	**12.2**	**903.6**	**657.0**	**5,061.5**	**751.5**	**7,385.7**

Modified duration

Group 2022	Group 2021	Modified duration	Parent bank 2022	Parent bank 2021
0.53	0.40	State and state-guaranteed	0.57	0.42
0.18	0.47	Other public issuers	0.18	0.47
0.16	0.18	Covered bonds	0.16	0.17
0.17	0.03	Financial institutions	0.17	0.03
0.00	0.00	Non-financial enterprises	0.00	0.00
0.25	**0.24**	**Total duration**	**0.26**	**0.23**

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

NOTE 29 – SHARES AND EQUITY CERTIFICATES

Specification of shares and equity certificates as at 31.12.22

	No. of shares	Stake in %	Book cost	Fair value
Fair value through profit and loss				
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	880,523	13.03	123.1	456.1
Kraft Bank ASA	2,875,000	6.85	23.0	26.0
Kredittforeningen for Sparebanker	2,760	5.52	2.8	0.7
Norne Securities AS	387,914	2.10	1.2	0.8
Norsk Gjeldsinformasjon AS	4,322	0.83	0.3	0.3
Norwegian Block Exchange AS (NBX)	6,437,768	9.43	15.0	10.9
Spama AS	302	0.96	0.0	0.0
Vipps Holding AS	10,613	0.71	58.2	58.2
Visa C Shares	4,739	0.00	2.0	39.1
Visa Norge Forvaltning AS	0	0.00	1.9	4.7
VN Norge AS	6.4 trillion	0.64	0.0	3.6
Other shares			0.5	0.5
Total shares and Equity certificates			**367.6**	**796.0**

NOTE 30 – OWNERSHIP INTERESTS IN GROUP COMPANIES

Subsidiary	Acquisition date	Registered office	Stake	Share of votes
Sparebanken Øst Eiendom AS	29.12.88	Drammen	100%	100%
AS Financiering	01.10.91	Oslo	100%	100%
Øst Prosjekt AS	22.12.97	Drammen	100%	100%
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**	28.10.2014	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 31 – INTANGIBLE ASSETS

Intangible assets as at 31.12.22

	Group	Parent bank
Acquisition cost as at 1 Jan	113.5	87.6
Additions	11.9	6.3
Disposals	1.3	1.3
Acquisition cost as at 31 Dec	**124.1**	**92.6**
Total ordinary depreciation and write-downs	90.2	71.0
Book value as at 31.12.	**33.9**	**21.6**
Ordinary depreciation for the year	10.3	7.6
Write-downs for the year	0.0	0.0
Economic life	2–10 years	2–10 years
Depreciation plan	Straight line	Straight line

Intangible assets as at 31.12.21

	Group	Parent bank
Acquisition cost as at 1 Jan	102.9	78.4
Additions	10.6	9.2
Disposals	0.0	0.0
Acquisition cost as at 31 Dec	**113.5**	**87.6**
Total ordinary depreciation and write-downs	81.2	64.7
Book value as at 31.12.	**32.3**	**22.9**
Ordinary depreciation for the year	5.6	3.4
Write-downs for the year	0.0	0.0
Economic life	2–10 years	2–10 years
Depreciation plan	Straight line	Straight line

NOTE 32 – PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LEASE RIGHTS

Property, plant and equipment as at Group – 31.12.2022

	Machinery/equipment /vehicles	Properties	Investment properties	Lease rights
Acquisition cost as at 1 Jan	82.7	141.2	14.8	62.8
Additions	7.3	5.4	0.0	9.8
Disposals	6.9	0.1	0.0	4.4
Acquisition cost as at 31 Dec	**83.0**	**146.5**	**14.8**	**68.2**
Total ordinary depreciation and write-downs	58.5	50.5	3.4	27.1
Book value as at 31.12.	**24.6**	**96.0**	**11.4**	**41.1**
Ordinary depreciation for the year	4.7	2.4	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 Parent bank – 31.12.2022

	Machinery/equipment /vehicles	Properties	Investment properties	Lease rights
Acquisition cost as at 1 Jan	65.0	54.9	0.0	102.3
Additions	6.6	2.5	0.0	10.9
Disposals	6.4	0.1	0.0	5.4
Acquisition cost as at 31 Dec	**65.3**	**57.3**	**0.0**	**107.8**
Total ordinary depreciation and write-downs	36.4	14.9	0.0	38.2
Book value as at 31.12.	**28.9**	**42.4**	**0.0**	**69.5**
Ordinary depreciation for the year	4.4	1.1	0.0	12.7
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 Group – 31.12.21

	Machinery/equipment /vehicles	Properties	Investment properties	Lease rights
Acquisition cost as at 1 Jan	78.2	135.0	14.8	60.7
Additions	5.0	6.2	0.0	7.1
Disposals	0.5	0.0	0.0	5.1
Acquisition cost as at 31 Dec	**82.7**	**141.2**	**14.8**	**62.8**
Total ordinary depreciation and write-downs	59.6	48.0	3.1	21.6
Book value as at 31.12.	**23.1**	**93.2**	**11.7**	**41.2**
Ordinary depreciation for the year	9.9	2.2	0.3	9.5
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 Parent bank – 31.12.21

	Machinery/equipment /vehicles	Properties	Investment properties	Lease rights
Acquisition cost as at 1 Jan	61.4	59.0	0.0	99.7
Additions	4.2	3.7	0.0	7.7
Disposals	0.2	0.0	0.0	5.1
Acquisition cost as at 31 Dec	**65.3**	**62.7**	**0.0**	**102.3**
Total ordinary depreciation and write-downs	43.5	15.9	0.0	30.6
Book value as at 31.12.	**21.8**	**46.8**	**0.0**	**71.6**
Ordinary depreciation for the year	9.6	1.1	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 31.12.22	15.5	11.4
Investment properties at fair value as at 31.12.21	15.5	11.7

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 18 – Other operating income and Note 20 – Other operating costs.

Real estate for own activities 2022

Group				Parent bank		
Area – m2		Book value		Area – m2		Book value
Own use	**Leasing**	**31.12.22***	**Commercial buildings**	**Own use**	**Leasing**	**31.12.22***
3,143	0	47.3	Drammen	2,087	0	32.9
4,364	791	30.4	Øvre Eiker	0	0	0.0
7,507	**791**	**77.6**	**Total commercial buildings**	**2,087**	**0**	**32.9**

* 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 2021

Group				Parent bank		
Area – m2		Book value		Area – m2		Book value
Own use	**Leasing**	**31.12.21***	**Commercial buildings**	**Own use**	**Leasing**	**31.12.21***
3,143	0	44.6	Drammen	2,087	0	31.5
4,775	380	30.0	Øvre Eiker	0	0	0.0
7,918	**380**	**74.6**	**Total commercial buildings**	**2,087**	**0**	**31.5**

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

NOTE 33 – OTHER ASSETS

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
0.0	0.0	Earned but not received income	2.2	2.5
9.2	13.5	Other prepaid non-accrued costs	8.5	11.9
79.1	4.8	Exchange of collateral	79.1	4.8
4.8	3.6	Other assets	1.5	1.1
93.0	**21.9**	**Total other assets**	**91.3**	**20.3**

NOTE 34 – LIABILITIES TO FINANCIAL INSTITUTIONS

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
0.0	0.0	Loans and deposits from financial institutions without agreed term or notice period	724.3	835.3
274.1	300.3	Loans and receivables from financial institutions with agreed term or notice period	274.7	301.0
274.1	**300.3**	**Liabilities to financial institutions**	**999.0**	**1,136.4**

Loans from credit institutions by maturity – Group

	Loans from financial institutions
2023	0.0
2024	54.5
2025	54.5
2026	54.5
2027	54.5
2028	54.5
2029	0.0
2030	0.0
2031 and after	0.0
Gross borrowing	272.7
Accrued interest	1.5
Direct costs and premium/discount	-0.1
Value adjustments	0.0
Net borrowing	274.1

Call/put loans by call/put date.

Loans from credit institutions by maturity – parent bank

	Loans from financial institutions
2023	725.0
2024	54.5
2025	54.5
2026	54.5
2027	54.5
2028	54.5
2029	0.0
2030	0.0
2031 and after	0.0
Gross borrowing	997.7
Accrued interest	1.5
Direct costs and premium/discount	-0.1
Value adjustments	0.0
Net borrowing	999.0

Call/put loans by call/put date.

NOTE 35 – SECURITIES ISSUED

Change in securities issued 2022

	31.12.21	Issued	Due/redeemed	Other changes incl. currency	31.12.22
Ordinary senior bonds, nominal value	6,397.8	734.6	1,968.4	15.7	5,179.8
Covered bonds, nominal value	17,722.0	1,531.5	3,002.9	-15.9	16,234.7
Value adjustments	86.6	0.0	0.0	-232.6	-146.1
Accrued interest	77.4	0.0	0.0	29.8	107.2
Total securities issued	**24,283.8**	**2,266.1**	**4,971.3**	**-203.0**	**21,375.7**

Change in securities issued 2021

	31.12.20	Issued	Due/redeemed	Other changes incl. currency	31.12.21
Ordinary senior bonds, nominal value	7,545.6	400.0	1,547.2	-0.7	6,397.8
Covered bonds, nominal value	15,174.2	4,078.0	1,522.0	-8.2	17,722.0
Value adjustments	310.8	0.0	0.0	-224.2	86.6
Accrued interest	80.3	0.0	0.0	-2.9	77.4
Total securities issued	**23,111.0**	**4,478.0**	**3,069.2**	**-236.0**	**24,283.8**

Group	Outstanding volume 31.12.22*	Av erage balance 2022	Weighted effective interest rate 2022	Outstanding volume 31.12.21*	Av erage balance 2021	Weighted effective interest rate 2021
Bond loans	21,414.6	22,217.6	2.16%	24,119.9	24,266.1	0.90%
Securities issued	**21,414.6**	**22,217.6**	**2.16%**	**24,119.9**	**24,266.1**	**0.90%**

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

Parent bank	Outstanding volume 31.12.22*	Av erage balance 2022	Weighted effective interest rate 2022	Outstanding volume 31.12.21*	Av erage balance 2021	Weighted effective interest rate 2021
Bond loans	5,179.8	5,347.7	2.41%	6,397.8	7,415.6	1.11%
Securities issued	**5,179.8**	**5,347.7**	**2.41%**	**6,397.8**	**7,415.6**	**1.11%**

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

Securities issued by maturity – Group

	Senior bonds	Covered bonds	Total
2023	1,055.0	2,000.0	3,055.0
2024	1,700.0	2,500.0	4,200.0
2025	525.0	2,500.0	3,025.0
2026	750.0	4,750.0	5,500.0
2027	0.0	4,000.0	4,000.0
2028	400.0	0.0	400.0
2029	750.0	0.0	750.0
2030	0.0	400.0	400.0
2031 and after	0.0	0.0	0.0
Gross borrowing	5,180.0	16,150.0	21,330.0
Accrued interest	65.0	42.2	107.2
Direct costs and premium/discount	-0.2	84.7	84.6
Value adjustments	-134.1	-11.9	-146.1
Net borrowing	**5,110.7**	**16,265.0**	**21,375.7**

Call/put loans by call/put date.

Securities issued by maturity – Parent bank

	Senior bonds
2023	1,055.0
2024	1,700.0
2025	525.0
2026	750.0
2027	0.0
2028	400.0
2029	750.0
2030	0.0
2031 and after	0.0
Gross borrowing	5,180.0
Accrued interest	65.0
Direct costs and premium/discount	-0.2
Value adjustments	-134.1
Net borrowing	**5,110.7**

Call/put loans by call/put date.

NOTE 36 – OTHER LIABILITIES

Group 2022	Group 2021		Parent bank 2022	Parent bank 2021
0.2	0.8	Liabilities related to payment obligations	0.2	0.8
153.0	98.5	Provisions for social dividends	153.0	98.5
14.1	14.1	Accounts payable	11.0	12.2
0.0	108.7	Exchanged collateral	0.0	43.5
32.5	24.5	Other liabilities	125.3	27.7
38.7	42.6	Accrued expenses and deferred income	30.5	34.8
238.4	**289.2**	**Other liabilities**	**319.9**	**217.5**

NOTE 37 – PENSION LIABILITIES

Mandatory Occupational Pensions (OTP) are obligatory, 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 at 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 185 persons: 49 active employees, 115 retirement pensioners and 21 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 1 January 2007, Sparebanken Øst introduced a defined-contribution pension scheme for all new employees in the Bank. The scheme is managed by Storebrand Livsforsikring AS. 5 per cent of salaries up to 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. The defined-contribution scheme covers 124 employees at the end of the year, 7 of whom are disabled. The premiums for these are paid and expensed in 'Salaries, etc.' in the accounts on an ongoing basis.

Subsidiary

AS Financiering has a collective defined-benefit scheme which covers 15 persons, 7 of whom are active and 8 disabled/retired. The scheme has been closed. Thirteen employees have defined-contribution schemes, of which one is disabled. Sparebanken Øst Eiendom AS has a defined-benefit scheme that covers one pensioner. The scheme has been closed. Two employees corresponding to 1.2 FTEs have a defined-contribution scheme. Øst Prosjekt AS has 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 is a member of the AFP scheme, which is a collective pension scheme for the sector regulated by tariff agreements in Norway. The AFP scheme is based on a tripartite collaboration between employer organisations, employee organisations and the state. The state covers 1/3 of the AFP pension costs, while companies that are members of the scheme 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 'Salaries and other personnel expenses', and comprised NOK 1.8 million in 2022 and NOK 1.9 million in 2021. The contributions for 2023 are estimated at NOK 2.0 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 2022, the premium was 2.6 per cent of salary between 1G and 7.1G. The premium rate for 2023 is unchanged and will be 2.6 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 initially only applied to people born between 1955 and 1960 inclusive and was to be closed to new participants at the end of 2022. In the main negotiations in 2022, the scheme was amended and it has now been agreed between the parties that the scheme will be closed to new participants in 2024 and will end in 2034. The scheme came into effect on 1 January 2019 and to be entitled to the supplement an employee's income must not have exceeded an average of 6G in the last three 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 2034. At the end of 2022, 12 people were receiving payments under the scheme. A further 23 people had the right to claim a transitional supplement within the duration of the scheme at the end of 2024. In 2022, NOK 0.2 million was paid in transitional supplements.
The future obligation related to the transitional supplement increased by NOK 0.4 million during 2022 and amounts to NOK 4.0 million at the end of 2022. The liability is recognised under "Other liabilities" on the balance sheet.

Further information about defined-benefit schemes

Remaining qualification period

For the secured schemes, the calculations for Sparebanken Øst and AS Financiering are based on a remaining qualification period for active members of 8 years and 7 years respectively. Sparebanken Øst Eiendom AS has no active members in the scheme.

Actuarial assumptions

Calculations are based on mortality 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, 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	**2022**	**2021**
Expected return on pension funds, %	3.00	1.90
Discount rate	3.00	1.90
Annual salary growth, %	3.00	2.25
Annual G adjustment	3.25	2.50
Annual pension regulation, %	1.50	0.00

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's pension assets are affected by the actual return on pension funds. A reduction in actual return will therefore result in increased liability for the Group.

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 2022	Group 2021		Parent bank 2022	Parent bank 2021
		Net pension costs, defined-benefit scheme		
5.7	5.6	Present value of annual pension savings	5.2	5.2
0.6	1.0	Interest costs for pension liabilities	0.6	1.0
6.3	**6.7**	**Net pension costs including employers' National Insurance contribution**	**5.8**	**6.2**
0.6	-0.1	Payments and changes in provisions for transitional supplement for AFP	0.6	-0.1
4.3	4.4	Premium payment, defined-contribution scheme	3.9	4.1
1.8	1.9	Premium payment, AFP scheme	1.8	1.9
13.0	**12.9**	**Total pension costs in ordinary result**	**12.1**	**12.1**

Specification of pension liabilities and pension funds – Group

	2022				2021	
Funded	Unfunded	Total		Funded	Unfunded	Total
			Change in gross pension liability:			
256.4	25.8	282.2	Pension liability as at 1.1.	273.2	28.3	301.6
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
5.2	0.0	5.2	Costs of current period's pension earnings	5.4	0.0	5.4
4.8	0.5	5.3	Interest costs	4.6	0.5	5.1
6.9	1.4	8.3	Actuarial gains and losses	-16.1	-0.5	-16.5
0.0	0.0	0.0	Employee transfer from subsidiary	0.0	0.0	0.0
-9.9	-2.3	-12.2	Disbursement of pension/paid-up policies	-10.8	-2.6	-13.4
263.5	**25.3**	**288.7**	**Gross pension liability as at 31.12**	**256.4**	**25.8**	**282.2**
			Change in gross pension funds:			
246.8	0.0	246.8	Fair value of pension funds as at 1.1	239.9	0.0	239.9
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
4.2	0.0	4.2	Estimated return on pension funds	3.8	0.0	3.8
-18.7	0.0	-18.7	Actuarial gains and losses	-4.3	0.0	-4.3
13.5	0.0	13.5	Premium payments	18.1	0.0	18.1
-9.8	0.0	-9.8	Disbursement of pensions/paid-up policies	-10.7	0.0	-10.7
236.0	**0.0**	**236.0**	**Fair value of pension funds as at 31.12**	**246.8**	**0.0**	**246.8**
27.5	**25.3**	**52.7**	**Net pension liability (+)/- pension funds (-)**	**9.6**	**25.8**	**35.4**

2022		2021
35.4	**Net pension liability as at 1.1**	**61.7**
0.0	Employee transfer from subsidiary	6.7
6.3	Recognised pension costs (in ordinary result)	0.0
0.0	Additions and disposals	0.0
26.9	Actuarial gains and losses	-12.2
-13.5	Paid-in pension premiums	-18.1
-2.4	Pension payments	-2.7
52.7	**Net pension liabilities on balance sheet as at 31.12**	**35.4**
12.7	Expected premium payment next year, defined-benefit scheme	12.8
5.5	Expected premium payment next year, defined-contribution scheme	5.0
2.0	Expected premium payment next year, contractual early retirement pension scheme (AFP)	2.1

	Investment of pension funds in per cent	
4.0%	Shares	12.0%
6.0%	Bonds	7.4%
15.0%	Loans	14.9%
41.0%	Facilities	39.4%
16.0%	Money market	9.3%
3.0%	Business loans	1.6%
14.0%	Property	13.3%
2.0%	Alternative investments	2.1%
-3.1%	**Total value-adjusted return**	**3.7%**

Sensitivity analysis, defined-benefit schemes

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

	Discount rate		**Annual growth in salary/basic amount**		**Annual pension regulation**	
Change in percentage points	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0.5%**
Percentage change in pension						
- Pension liability (PBO)	-7.1%	8.0%	1.7%	-1.6%	6.2%	-5.7%
- Net pension costs for the period	-9.8%	11.2%	4.1%	-3.9%	6.8%	-6.2%

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 points will increase the pension liability by around 8.0 per cent. An increase in salary adjustments and pension regulation will result in an increase in the pension liability.

The maturity structure for the Group's pension liability for the next 10 years was as follows as at 31.12.22.

	Amount	As a percentage of gross pension liability
Under 1 year	9.5	3.3%
Year 2	9.7	3.4%
Year 3	10.1	3.5%
Year 4	10.4	3.6%
Year 5	11.1	3.9%
Years 6–10	72.6	25.1%
Total	123.3	42.7%

Specification of pension liabilities and pension funds – parent bank

	2022				2021	
Funded	Unfunded	Total		Funded	Unfunded	Total
			Change in gross pension liability:			
239.9	25.3	265.2	Pension liability as at 1.1.	256.6	27.9	284.4
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
4.7	0.0	4.7	Costs of current period's pension earnings	5.0	0.0	5.0
4.5	0.5	5.0	Interest costs	4.3	0.5	4.8
6.5	1.3	7.8	Actuarial gains and losses	-15.9	-0.5	-16.3
0.0	0.0	0.0	Employee transfer from subsidiary	0.0	0.0	0.0
-9.2	-2.3	-11.5	Disbursement of pension/paid-up policies	-10.2	-2.5	-12.7
246.4	**24.8**	**271.2**	Gross pension liability as at 31.12	**239.9**	**25.3**	**265.2**
			Change in gross pension funds:			
230.4	0.0	230.4	Fair value of pension funds as at 1.1	224.2	0.0	224.2
0.0	0.0	0.0	Additions and disposals	0.0	0.0	0.0
3.9	0.0	3.9	Estimated return on pension funds	3.6	0.0	3.6
-17.9	0.0	-17.9	Actuarial gains and losses	-4.6	0.0	-4.6
13.0	0.0	13.0	Premium payments	17.3	0.0	17.3
-9.2	0.0	-9.2	Disbursement of pensions/paid-up policies	-10.2	0.0	-10.2
220.1	**0.0**	**220.1**	Fair value of pension funds as at 31.12	**230.4**	**0.0**	**230.4**
26.3	**24.8**	**51.1**	**Net pension liability (+)/- pension funds (-)**	**9.5**	**25.3**	**34.8**

2022		2021
34.8	**Net pension liability as at 1.1**	**60.2**
0.0	Employee transfer from subsidiary	0.0
5.8	Recognised pension costs (in ordinary result)	6.2
0.0	Additions and disposals	0.0
25.8	Actuarial gains and losses	-11.7
-13.0	Paid-in pension premiums	-17.3
-2.3	Pension payments	-2.5
51.1	**Net pension liabilities on balance sheet as at 31.12**	**34.8**

11.9	Expected premium payment next year, defined-benefit scheme	11.9
4.9	Expected premium payment next year, defined-contribution scheme	4.5
2.0	Expected premium payment next year, contractual early retirement pension scheme (AFP)	2.1

	Investment of pension funds in per cent	
4.0%	Shares	12.0%
6.0%	Bonds	7.4%
15.0%	Loans	14.9%
41.0%	Facilities	39.4%
16.0%	Money market	9.3%
3.0%	Business loans	1.6%
14.0%	Property	13.3%
2.0%	Alternative investments	2.1%
-3.1%	**Total value-adjusted return**	**3.7%**

Sensitivity analysis, defined-benefit schemes

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

	Discount rate		Annual growth in salary/basic amount		Annual pension regulation	
Change in percentage points	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0.5%**	**+ 0.5%**	**- 0.5%**
Percentage change in pension						
- Pension liability (PBO)	-7.2%	8.1%	1.7%	-1.6%	6.3%	-5.8%
- Net pension costs for the period	-10.5%	12.0%	4.6%	-4.4%	7.1%	-6.5%

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 points will increase the pension liability by around 8.1 per cent. An increase in salary adjustments and pension regulation will result in an increase in the pension liability.

The maturity structure for the parent bank's pension liability for the next 10 years was as follows as at 31.12.22.

	Amount	As a percentage of gross pension liability
Under 1 year	8.8	3.3%
Year 2	9.0	3.3%
Year 3	9.4	3.5%
Year 4	9.7	3.6%
Year 5	10.3	3.8%
Years 6–10	67.2	24.8%
Total	114.6	42.2%

NOTE 38 – SENIOR SUBORDINATED BONDS

Change in senior subordinated bonds 2022

	31.12.21	Issued	Due/redeemed	Other changes incl. currency	31.12.22
Senior subordinated bonds, nominal value	399.7	491.1	0.0	0.6	891.3
Value adjustments	0.0	0.0	0.0	0.0	0.0
Accrued interest	0.5	0.0	0.0	4.3	4.8
Total	**400.2**	**491.1**	**0.0**	**4.9**	**896.2**

Change in senior subordinated bonds 2021

	31.12.20	Issued	Due/redeemed	Other changes incl. currency	31.12.21
Senior subordinated bonds, nominal value	0.0	399.6	0.0	0.1	399.7
Value adjustments	0.0	0.0	0.0	0.0	0.0
Accrued interest	0.0	0.0	0.0	0.5	0.5
Total	**0.0**	**399.6**	**0.0**	**0.6**	**400.2**

	Outstanding volume 31.12.22*	Av erage balance 2022	Weighted effective interest rate 2022	Outstanding volume 31.12.21*	Av erage balance 2021	Weighted effective interest rate 2021
Senior subordinated bonds (SNPs)	891.3	727.9	2.69%	399.7	334.2	1.12%
Senior subordinated bonds (SNPs)	**891.3**	**727.9**	**2.69%**	**399.7**	**334.2**	**1.12%**

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

Senior subordinated bonds by maturity

	Senior subordinated bonds
2023	0.0
2024	0.0
2025	0.0
2026	0.0
2027	400.0
2028	500.0
2029	0.0
2030	0.0
2031 and after	0.0
Gross borrowing	900.0
Accrued interest	4.8
Direct costs and premium/discount	-8.7
Value adjustments	0.0
Net borrowing	**896.2**

Call/put loans by call/put date.

NOTE 39 – SUBORDINATED LOAN CAPITAL

Change in subordinated loan capital 2022

	31.12.21	Issued	Due/redeemed	Other changes incl. currency	31.12.22
Ordinary subordinated loan capital, nominal value	399.8	200.0	180.1	0.2	419.9
Value adjustments	0.0	0.0	0.0	0.0	0.0
Accrued interest	0.6	0.0	0.0	0.4	1.0
Total subordinated loan capital	**400.4**	**200.0**	**180.1**	**0.6**	**420.9**

Change in subordinated loan capital 2021

	31.12.20	Issued	Due/redeemed	Other changes incl. currency	31.12.21
Ordinary subordinated loan capital, nominal value	399.7	0.0	0.0	0.1	399.8
Value adjustments	0.0	0.0	0.0	0.0	0.0
Accrued interest	0.5	0.0	0.0	0.1	0.6
Total subordinated loan capital	**400.0**	**0.0**	**0.0**	**0.4**	**400.4**

	Outstanding volume 31.12.22*	Av erage balance 2022	Weighted effective interest rate 2022	Outstanding volume 31.12.21*	Av erage balance 2021	Weighted effective interest rate 2021
Subordinated bond loan	419.9	401.3	3.19%	399.8	400.0	1.82%
Subordinated loan capital	**419.9**	**401.3**	**3.19%**	**399.8**	**400.0**	**1.82%**

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

Subordinated loan capital by maturity

	Subordinated loan capital
2023	220.0
2024	0.0
2025	0.0
2026	0.0
2027	0.0
2028	200.0
2029	0.0
2030	0.0
2031 and after	0.0
Gross borrowing	420.0
Accrued interest	1.0
Direct costs and premium/discount	-0.1
Value adjustments	0.0
Net borrowing	**420.9**

Call/put loans by call/put date.

NOTE 40 – ADDITIONAL TIER 1 CAPITAL

Additional Tier 1 capital and interest earned on additional Tier 1 capital are presented as equity.

Change in additional Tier 1 capital 2022

	31.12.21	Issued	Due/redeemed	Other changes	31.12.22
Additional Tier 1 capital, nominal value	350.0	0.0	0.0	0.0	350.0
Value adjustments	0.0	0.0	0.0	0.0	0.0
Accrued interest	1.9	0.0	0.0	1.1	2.9
Hybrid Tier 1 capital loans	**351.9**	**0.0**	**0.0**	**1.1**	**352.9**

Change in additional Tier 1 capital 2021

	31.12.20	Issued	Due/redeemed	Other changes	31.12.21
Additional Tier 1 capital, nominal value	350.0	0.0	0.0	0.0	350.0
Value adjustments	0.0	0.0	0.0	0.0	0.0
Accrued interest	1.7	0.0	0.0	0.2	1.9
Hybrid Tier 1 capital loans	**351.7**	**0.0**	**0.0**	**0.2**	**351.9**

	Outstanding volume 2022*	Av erage balance 2022	Weighted effective interest rate 2022	Outstanding volume 2021*	Av erage balance 2021	Weighted effective interest rate 2021
Additional Tier 1 capital	350.0	350.0	5.34%	350.0	350.0	4.02%
Additional Tier 1 capital	**350.0**	**350.0**	**5.34%**	**350.0**	**350.0**	**4.02%**

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

NOTE 41 – EQUITY CERTIFICATES

Earnings per equity certificate

Earnings per equity certificate are calculated by dividing the part of the profit 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 2022	Group 2021		Parent bank 2022	Parent bank 2021
277.7	361.4	Equity certificate holders' and primary capital share of profits	326.0	347.4
79.4	106.9	Profit after tax attributable to equity certificate holders	93.2	102.8
20.7	20.7	Weighted average number of outstanding equity certificates	20.7	20.7
3.83	5.16	Earnings per equity certificate (NOK)	4.50	4.96

Weighted number of equity certificates

2022	
No. of equity certificates in 2022	20,731,183
Total no. of equity certificates in 2022	20,731,183
2021	
No. of equity certificates in 2021	20,731,183
Total no. of certificates in 2021	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. Of the 32 members of the Board of Trustees, 11 are elected by the owners of equity certificates. Owners of equity certificates are eligible to vote in elections from among their number to be members and deputy members of the Board of Trustees of the savings bank. Each equity certificate carries one vote, but no one can vote for more than 10% of all equity certificates or cast more than 20% of the votes represented at the election meeting.

Ownership fraction, parent bank

	01.01.2023	01.01.2022
Equity certificate capital	207.3	207.3
Premium reserve	387.8	387.8
Equalisation fund (excl. dividend)	364.2	333.4
Share of fund for unrealised gains	113.8	135.5
Total numerator (A)	1,073.1	1,064.1
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3,753.8	3,722.5
Total denominator (B)	3,753.8	3,722.5
Ownership fraction (A/B) in per cent	**28.59**	**28.59**

The Board's proposed dividend

NOK	2022	2021
Total dividend paid out	78,778,495	79,815,055
Paid out per equity certificate	3.80	3.85

The largest equity certificate holders as at 31.12.22

	Name	Number	%		Name	Number	%
1	MP Pensjon	1,437,815	6.94%	11	Active Portfolio AS	210,000	1.01%
2	Directmarketing Invest AS	999,500	4.82%	12	Intertrade Shipping AS	205,000	0.99%
3	VPF Eika Egenkapitalbevis	910,332	4.39%	13	Profond AS	162,107	0.78%
4	KLP	621,465	3.00%	14	Morgan Stanley & Co. Intern.	142,297	0.69%
5	Foretakskonsulenter AS	507,841	2.45%	15	Teigen, Anne Kristine	121,025	0.58%
6	Hansen, Asbjørn Rudolf	445,502	2.15%	16	Spesialfondet Borea Utbytte	120,400	0.58%
7	Jag Holding AS	395,897	1.91%	17	Seriana AS	120,000	0.58%
8	Wenaasgruppen AS	273,000	1.32%	18	Juel, Iver Albert	105,000	0.51%
9	BKK Pensjonskasse	250,000	1.21%	19	Wergeland Holding AS	104,933	0.51%
10	AS Andersen Eiendomselskap	238,900	1.15%	20	Sørby, Leif Ove	102,399	0.49%

Board of Trustees

Board of Directors and related parties

Jon Aas	27,031
Ole Jørgen Smedsrud	0
Tor Flesaker	0
May-Britt Andersen	0
Knut Andersen	0
Morten Ranvik	0
Thomas F. Halvorsen	0
Nina Paulsen Viland	0
Cato Brekke	0
Kim Mogen Myhre	0
Thor Sigurd Syvaldsen	0
Syed Wali Haider Gilani	0
Trine Astrid Borge Johansen	0
Brynulf Kopperud	0
Ann Kristin Plomås	0
Anne Siri Rhoden Jensen	416
Camilla Schenk	0
Gunnar Sanden	428
Nathalie Evans	0
Knut Helge Jakobsen	0
Asbjørn R. Hansen	445,502
Johan H. Vister	13,360
Svein L. Syversen	38,000
Kristin Nystrøm	39,728
Erlend Ramnefjell (representing Investmaer AS)	4,000
Morten A. Yttreeide (representing Yttreeide AS)	10,000
Lars M. Lunde	3,000
Per Fjeld-Olsen (representing Simplian AS)	5,000
Frank Borgen	33,123
Erik Hansen (representing Norsk Hussoppforsikring)	45,000

Øivind Andersson (Chair)	55,000
Cecilie Hagby (Deputy Chair)	0
Jorund Rønning Indrelid	34,485
Arne K. Stokke	6,012
Ole B. Hoen	32,584
Lina Andal Sørby	3,543
Sissel Album Fjeld	175
Håvard Saastad	0

Executive personnel and related parties	
Pål Strand	40,000
Kjell Engen	0
Ole Sivertsen	0
Espen Sollien	0
Arnljot Lien	0
Anne-Siri Rhoden Jensen	416
Thor-Henning Bråthen	2,000
Frode Lindbeck	428
Kristoffer Volden	0

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

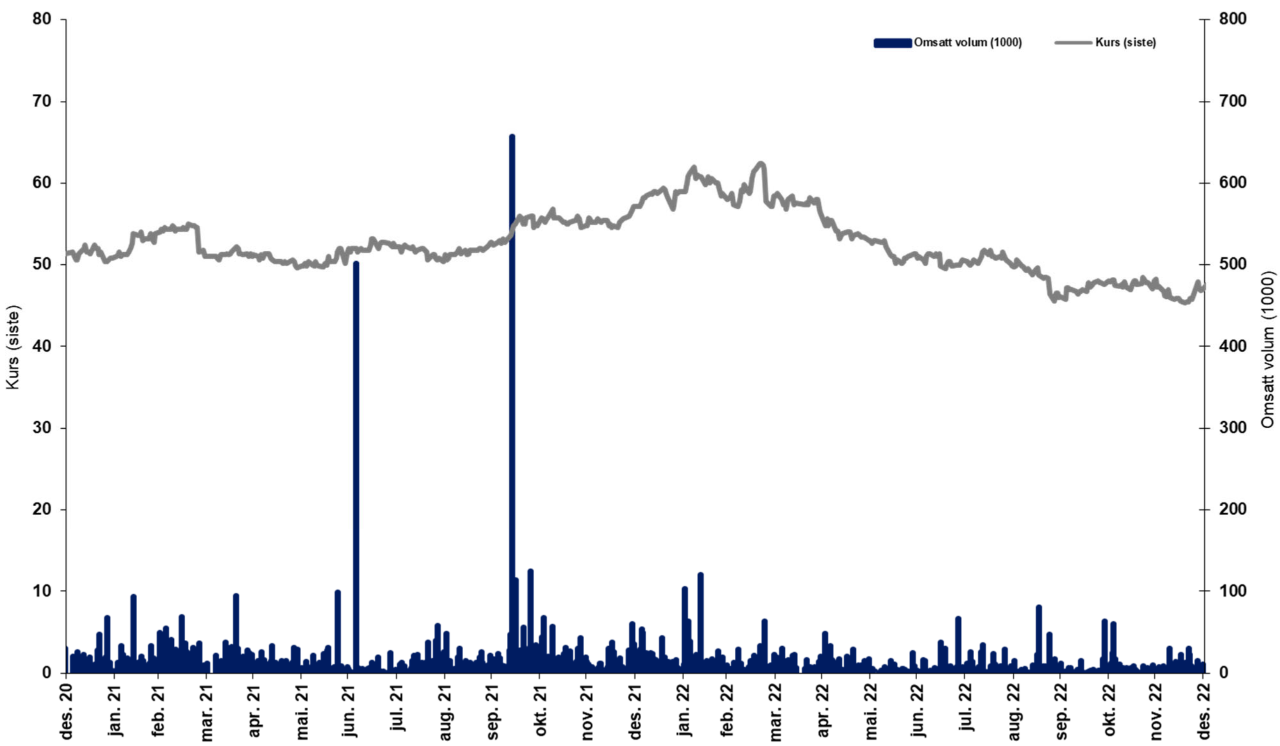
Owner statistics – geographical distribution

	No. of owners	%	No. of equity certificates	%
Abroad	98	2.7%	941,038	4.5%
Drammen	394	11.0%	3,154,033	15.2%
Øvre Eiker	241	6.8%	660,159	3.2%
Asker/Bærum	233	6.5%	927,333	4.5%
Rest of Viken	555	15.6%	1,307,247	6.3%
Oslo	668	18.7%	7,335,530	35.4%
Trondheim	90	2.5%	278,912	1.3%
Bergen	172	4.8%	850,451	4.1%
Rest of Norway	1,116	31.3%	5,276,480	25.5%
Total	**3,567**	**100.0%**	**20,731,183**	**100.0%**

Distribution of equity certificates

No. of equity certificates per owner	No. of owners	%	No. of equity certificates	%
1–100	701	19.7%	30,091	0.1%
101–1,000	1,378	38.6%	642,342	3.1%
1,001–10,000	1,162	32.6%	4,359,604	21.0%
10,001–100,000	306	8.6%	8,225,733	39.7%
100,001+	20	0.6%	7,473,413	36.0%
Total	**3,567**	**100.0%**	**20,731,183**	**100.0%**

Sales and price trend in last 2 years



NOTE 42 – RELATED PARTY TRANSACTIONS

Transactions with Group companies

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

Sparebanken Øst sells mortgages to Sparebanken Øst Boligkreditt AS to replenish the cover pool in the mortgage company. This is either to increase the cover pool in connection with the issuance of new covered bonds or to compensate for mortgages that have been moved to other banks or back to the parent bank. In 2022, Sparebanken Øst Boligkreditt AS purchased mortgages from Sparebanken Øst at a net value of NOK 4,098 million, of which purchased mortgages amount to NOK 6,282 million and mortgages sold back amount to NOK 2,184 million. In 2021, the corresponding net value was NOK 7,962 million, of which purchased mortgages amounted to NOK 10,109 million and mortgages sold back amounted to NOK 2,147 million.

Income statement	**2022**	**2021**
Interest income and similar income		
Interest certificates and covered bonds from subsidiaries	9.6	9.3
Interest income from subsidiaries	72.5	31.0
Interest costs and similar costs		
Interest and commission to subsidiaries	9.1	2.6
Commission income and income from banking services		
Other operating income from subsidiaries	32.8	31.8
Other operating income		
Rent from subsidiaries	2.0	2.1
Other operating costs		
Rent to subsidiaries	3.7	3.5
Other costs to subsidiaries	0.9	0.6

Balance sheet	**2022**	**2021**
Loans to and receivables from financial institutions		
Loans to subsidiaries	3,186.0	2,588.4
Lending to customers		
Loans to subsidiaries	27.4	27.3
Certificates and bonds		
Investment in covered bonds in subsidiaries	0.0	513.9
Other assets		
Other receivables	2.2	3.9
Liabilities to financial institutions		
Deposits from subsidiaries	725.0	836.0
Customer deposits		
Deposits from subsidiaries	70.8	74.8
Other liabilities		
Other liabilities to subsidiaries	103.6	13.5

Transactions with the executive management team, the Board of Directors and the Board of Trustees

	Executive management team		Board of Directors		Board of Trustees	
Figures in NOK thousands	2022	2021	2022	2021	2022	2021
Loans						
Outstanding loans as at 01.01.	24,250	22,474	11,253	4,059	47,950	31,649
Net change in loans during the period	-5,140	1,776	8,290	7,194	-15,600	16,301
Outstanding loans as at 31.12.	**19,109**	**24,250**	**19,543**	**11,253**	**32,350**	**47,950**
Interest income	320	255	423	111	693	631
Loan losses	0	0	0	0	0	0
Deposits						
Deposits as at 01.01.	3,186	1,519	9,409	11,488	24,780	25,056
Net change in deposits during the period	135	1,667	938	-2,079	-3,822	-277
Deposits as at 31.12.	**3,321**	**3,186**	**10,346**	**9,409**	**20,957**	**24,780**
Interest costs	11	8	61	44	376	396
Other operating income	0	0	0	0	0	0
Guarantees issued	0	0	0	0	0	0

None of the commitments were non-performing as at 31.12.22 or as at 31.12.21

NOTE 43 – COVERED BONDS AND PROVISION OF COLLATERAL

Through its subsidiary Sparebanken Øst Boligkreditt AS, the Group has pledged assets as collateral for issuing covered bonds. The Group has issued a nominal value of NOK 16,150.0 million as at 31.12.2022, and NOK 18,150.0 million as at 31.12.2021.

Pursuant to Section 11-7 of the Norwegian Financial Institutions Regulations, Sparebanken Øst Boligkreditt AS must at all times have an over-collateralisation of the cover pool of at least five per cent of the nominal value of outstanding covered bonds. The cover pool consists mainly of secured mortgage loans, but this also includes derivative contracts and substitute assets in the form of a liquidity buffer. Secured mortgage loans in the cover pool had a loan-to-value ratio of 75 per cent or lower at the time of acquisition. Non-performing loans (stage 3), loan loss provisions and loans with a loan-to-value ratio of more than 75 per cent are excluded from the cover pool.

	Sparebanken Øst Boligkreditt AS	
	2022	2021
Preferential rights in accordance with Section 11-15 of the Financial Institutions Act (nominal value)	**16,150.0**	**18,150.0**

	Sparebanken Øst Boligkreditt AS	
Cover pool	2022	2021
Qualified lending secured against property*	17,968.0	19,467.0
Financial derivatives (net)	-11.2	21.9
Other substitute assets (bank deposits)	968.5	825.2
Total cover pool	**18,925.3**	**20,314.0**
Cover pool utilisation	116%	111%

* NOK 35.7 million of gross lending at Sparebanken Øst Boligkreditt AS does not qualify for the cover pool as at 31.12.22 (NOK 34.6 million as at 31.12.21).

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

We hereby confirm that the annual financial statements for the period from 1 January to 31 December 2022 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 December 2022
Drammen, 2 March 2023

Øivind Andersson Chair	Cecilie Hagby Deputy Chair	Lina Andal Sørby Board member
Jorund Rønning Indrelid Board member	Arne K. Stokke Board member	Ole B. Hoen Board member
Håvard Saastad Employee representative	Sissel Album Fjeld Employee representative	Pål Strand CEO

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