Sparebanken Øst
Boligkreditt AS

# Annual Report 2023

Fifteenth year of trading

# Contents

# Key figures

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| 1 Return on equity* | 5.01 | 4.24 | 7.37 | 7.70 | 6.83 |
| 2 Net interest income as a % of average total assets (GFK) | 0.77 | 0.68 | 0.95 | 1.04 | 0.91 |
| 3 Profit/loss after tax as a % of average total assets (GFK) | 0.44 | 0.37 | 0.59 | 0.64 | 0.56 |
| 4 Costs as a % of income (before losses)* | 25.00 | 27.02 | 18.04 | 17.88 | 19.78 |
| 5 Losses as a % of net lending to customers (OB)* | -0.01 | 0.00 | 0.01 | 0.00 | 0.00 |
| 6 Net non-performing commitments as a % of net lending* | 0.20 | 0.14 | 0.14 | 0.01 | 0.14 |
| 7 Capital adequacy ratio in % | 22.69 | 22.55 | 21.55 | 21.37 | 21.07 |
| 8 Tier 1 capital ratio in % | 22.69 | 22.55 | 21.55 | 21.37 | 21.07 |
| 9 CET1 capital ratio (%) | 22.69 | 22.55 | 21.55 | 21.37 | 21.07 |
| 10 Dividend/additional dividend | 73.06 | 118.9 | 107.4 | 88.8 | 72.9 |
| 11 Average total assets (GFK) in NOK millions | 19,224.4 | 19,998.8 | 20,050.2 | 16,659.8 | 15,857.5 |

*Defined as alternate profit target
For definition of key figures and a review of alternative performance targets, see p. 43.

# Annual report

### The company
Sparebanken Øst Boligkreditt AS was founded on 14 April 2009.

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst and is licensed as a credit institution with the right to issue covered bonds. The company's business address is in Drammen. In its participation in the market, Sparebanken Øst Boligkreditt AS has played a vital role in securing long-term and favourable financing for the Group.

Moody's Investors Service has given the company an Aaa credit rating on all its bond issues. This reflects the lowest risk and is important for ensuring market access and obtaining good borrowing terms.

In 2012, Sparebanken Øst and Sparebanken Øst Boligkreditt AS launched "Boligkreditt.no", an online market concept which only offers loans secured against property which can be approved in the cover pool for covered bonds, without a deposit account or other banking products.

### Business concept
Sparebanken Øst Boligkreditt AS exists to grant or acquire residential mortgages, commercial mortgages, loans secured against other real estate assets, and public loans, as well as to finance lending operations primarily by issuing covered bonds.

Sparebanken Øst Boligkreditt AS aims to be a profitable company run in accordance with business principles and with high ethical standards.

## Report on the Annual Accounts

### Income Statement
Total interest income in 2023 amounted to NOK 915.0 million (NOK 513.1 million in 2022), of which NOK 878.6 million (NOK 496.6 million) relates to interest income on lending to customers. Net interest income totalled NOK 147.4 million, an increase compared to 2022 (NOK 136.0 million). Over the past year, the margins against 3m NIBOR on lending to customers have been low compared to the margins on borrowing. This is mainly because money market interest rates have risen in advance of Norges Bank's interest rate decisions and the company cannot adjust its lending rates until the notification deadline of at least two months has passed.

The company's operating profit before tax for 2023 amounted to NOK 108.5 million (NOK 93.7 million in 2022), while profit after tax amounted to NOK 84.7 million (NOK 73.1 million).

Total operating costs in 2023 amounted to NOK 35.8 million (NOK 34.7 million in 2022), of which NOK 27.3 million (NOK 28.4 million) relate to management fees paid to the parent bank. Sparebanken Øst Boligkreditt AS has a formal partnership with Sparebanken Øst regulated by a comprehensive management agreement which ensures competency within key fields related to the business and helps to ensure cost-effective operations. In line with the management agreement, the fee is calculated according to business principles and the portfolio being managed at the time.

Losses on loans and unused credit facilities amounted to NOK 1.1 million (NOK -0.1 million in 2022). There were no confirmed losses or changes in individual loan loss provisions in 2023, and the loss for the year as a whole represents a change in model-based loan loss provisions.

Tax costs amounted to NOK 23.9 million (NOK 20.6 million in 2022).

The accounts are prepared on the assumption of a going concern, and it is confirmed that the conditions for this assumption are present.

### Balance sheet
The total balance sheet of Sparebanken Øst Boligkreditt AS amounted to NOK 18,997.5 million at the end of 2023, a decrease of NOK 85.2 million on the previous year. Of the total balance sheet, net lending to customers amounted to NOK 18,074.3 million, representing an increase of NOK 76.7 million from 2022. There was a slight increase in the group's total mortgage portfolio through 2023, so the need for financing through the issuance of covered bonds has grown accordingly. The managed volume originates from the acquisition of the mortgage portfolio from Sparebanken Øst or lending via Boligkreditt.no. Other assets largely comprise deposits in the parent bank.

Bond debt at the end of the year amounted to NOK 16,547.5 million, an increase of NOK 277.8 million from 2022.

Total loan loss provisions at the end of the year amounted to NOK 5.5 million, an increase of NOK 1.1 million from 2022. All of the loan loss provisions are model-based loss provisions.

At the end of the year, NOK 691.8 million was drawn from an approved credit facility with a limit of NOK 3,000 million, which was made available from Sparebanken Øst.

Net cash flow was positive in 2023 at NOK 76.2 million. Net loan repayments amounted to NOK -64.0 million in 2023, and proceeds from covered bond issues increased by NOK 272.6 million (net receipts).

Share capital amounts to NOK 437.1 million, distributed over 10.66 million shares, each with a nominal value of NOK 41.

## Risk and corporate governance

Sparebanken Øst Boligkreditt AS seeks to maintain a low risk profile in line with regulatory requirements, which also ensures that the company has confidence in the market for covered bonds. The business requires a certain degree of risk-taking, but Sparebanken Øst Boligkreditt AS seeks to maintain a conscious and measured approach to this. This applies particularly to credit risk, interest rate risk, liquidity risk, and operational risk (including ICT risk).

Sparebanken Øst Boligkreditt AS aims to achieve its economic objectives over time. These objectives include a return on equity equivalent to, as a minimum, the risk-free interest rate over time, capital adequacy at the highest level, either as stipulated by regulations or the company's own evaluations, and liquidity management that reduces the risk related to future liquidity requirements.

As a subsidiary of Sparebanken Øst, the company is included in the Group's risk management and internal control. Good risk management is there to support the Group's development and achievement of objectives and should ensure financial stability and responsible business operations. This is achieved via a risk profile characterised by a strong risk culture and a high awareness of risk management.

Sparebanken Øst and its subsidiaries have director's liability insurance covering the members of the Board, the general manager, other members of management or similar governing bodies in the Group, and any past, current or future employees of the Group 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 the against the Group during the insurance period relating to an alleged liability-bearing act or omission in the insured's capacity of general manager, Board member, or member of management or equivalent governing body in the Group. 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.

The Board of Directors of the company consists of 4 to 6 members and is elected by the general meeting for 2 years. The positions of Chair and Deputy Chair are elected by the general meeting. Board members may be re-elected.

The company has an independent auditor and internal audit function, plus an inspector. As a wholly owned subsidiary of Sparebanken Øst and given the company's purpose, there is no requirement for its own risk and audit committees.

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

The general manager is responsible for executing and implementing adequate internal controls and risk management. The company hires in resources from the parent bank's compliance department, which prepares quarterly risk reports using the existing portfolio as the basis for making spot-checks against credit risk and regulatory provisions. Checks and reports are also carried out for each portfolio transfer from the parent bank to Sparebanken Øst Boligkreditt AS. A quarterly Board and management report providing a picture of current risks and trends will be submitted to the Board. The company has established guidelines and a framework for the

management and control of various types of risk. Foreign exchange, interest rate, and liquidity risks are managed in accordance with Acts and Regulations for covered bonds, and the framework laid down by the company's Board. The general manager holds quarterly meetings with the parent bank to review the current status, trends, and prospects on the basis of the financial report that has been compiled. Separate minutes are prepared following these quarterly meetings. A financial report together with minutes is submitted to the Board on a quarterly basis. The Board judges the overall financial risk to be low.
In connection with the rating of bond issues from Sparebanken Øst Boligkreditt AS, Sparebanken Øst has issued a guarantee relating to liabilities with regard to covered bonds in the mortgage company. Sparebanken Øst Boligkreditt AS also has drawing rights in Sparebanken Øst.

The assets primarily consist of lending secured against real estate within legal requirements with regard to quality and loan-to-value ratio. The loan-to-value ratio is calculated in relation to the reasonable property value determined in accordance with applicable legislation. The general assessment criteria related to the approval and maintenance of the loan follow the guidelines established by Sparebanken Øst. All collateral is established by way of a value assessment conducted by a competent and independent third party. The Board judges the quality of the lending portfolio to be good. The over-collateralisation in the cover pool was 14.5% at year-end.

The Board is of the opinion that overall risk exposure in Sparebanken Øst Boligkreditt AS is very low.

Net primary capital amounted to NOK 1,674.3 million at year-end. This corresponded to capital adequacy of 22.69% and a Tier 1 capital ratio of 22.69%. The risk-weighted balance sheet at the end of 2023 was NOK 7,379.0 million. The company uses the standardised approach in its capital adequacy calculations. The Board deems the company's capital adequacy to be satisfactory in relation to the company's overall risk level, and the capital situation is helping to position the company for further growth.

## Allocation of profit

The annual profit for 2023 amounted to NOK 84.7 million (NOK 73.1 million in 2022). The Board of Directors proposes that the profit for the year be transferred in its entirety to other equity.

## Strategy

Through its collaboration with the parent bank, Sparebanken Øst Boligkreditt AS will help the Group to obtain competitive borrowing in a niche market which the parent bank cannot directly participate in itself. The activities of Sparebanken Øst Boligkreditt AS are, therefore, designed to limit the Group's liquidity risk, and thereby help the Group to achieve its long-term strategic objectives. Through its activities, Sparebanken Øst Boligkreditt AS shall help Sparebanken Øst to offer competitively priced mortgages. New mortgages are sold through the parent bank's distribution channels and via Boligkreditt.no, both in accordance with the parent bank's current guidelines and regulations. The parent bank is responsible for customer relations, marketing, product development, etc. The company's growth depends on the parent bank's borrowing requirements and capital structure.

The target group for the covered bonds issued is mainly national players, but issues in foreign currencies may occur.

## Employees and the working environment

Sparebanken Øst Boligkreditt AS has no employees, but sources services from the parent bank equivalent to 1.4 FTEs.

The Board of Directors of Sparebanken Øst Boligkreditt AS currently comprises two men and two women.

## Human rights, diversity and inclusion

The company is part of Sparebanken Øst, which has adopted a strategy and policies to safeguard human rights, diversity and inclusion, which apply to the Group.

## Preventing economic crime and corruption

The Sparebanken Øst Group aims to combat financial crime and works systematically to prevent products and services from being used for e.g. money laundering and terrorist financing. The Group has zero tolerance for financial crime, and the bank's "Anti-money laundering and terrorist financing policy" provides guidelines for the Group's attitudes and work to prevent this.

## Sustainability and corporate social responsibility

Sparebanken Øst Boligkreditt is included in the Group's strategy for corporate social responsibility, which is in accordance with Section 3-3c of the Norwegian Accounting Act.

### Emissions target

The bank aims to reduce its own and financed emissions and in 2022 adopted the target of net zero emissions by the year 2050. In 2023, interim targets out to 2030 were also set. Emission cuts in its own operations and portfolio support UN Sustainable Development Goal no 13: "Climate action". This area concerns our ability and measures to reduce the greenhouse gas emissions that the Group generates directly through its operations, as well as those emissions that are generated by the companies and projects that we finance.

### Sustainable loans and products

As a group, Sparebanken Øst has the greatest impact through close dialogue with its customers and in helping them to make sustainable choices in a transition process. The Group offers green mortgages, green first home loans, green credit lines, green mortgages for young people and environmental loans for energy efficiency measures.

### Sustainable access to capital

In January 2023, the Group established a green framework. The framework has been verified by Cicero and is intended to define assets and projects that can be financed with green bonds and green loans. It is planned to update the criteria in the framework every two years.

On 31 January, Sparebanken Øst Boligkreditt AS issued a green covered bond (OMF) in the value of NOK 2.0 billion, with a 5.5-year maturity. The bond issue was extended by NOK 500 million in August and the outstanding amount was NOK 2.5 billion as of 31.12.2023. As of 31.12.2023, the company had NOK 3.3 billion in loans qualifying as green according to the framework. The parent bank was holding a further NOK 1.2 billion that could be transferred to Sparebanken Øst Boligkreditt AS if needed.

## The Norwegian Transparency Act

In 2023, a due diligence assessment was made of the company's suppliers in accordance with reporting requirements under the Transparency Act. The company has reviewed all agreements and assessed suppliers' risks including human rights violations, employee rights, the environment and corruption.

## The market

Credit spreads in the market for Norwegian covered bonds rose significantly after the turmoil that followed bank collapses in the US and Switzerland towards the end of the first quarter, and have never recovered. At the end of the year, Sparebanken Øst Boligkreditt AS was paying approximately 62 basis points (hundredths of a percentage point) above the 3-month NIBOR rate for issuing such bonds with terms to maturity of five years. This is almost 20 basis points higher than the average for the last three years. Access to capital in the market for covered bonds has generally been good and the company is financed on broadly similar terms to other comparable companies.

The cover pool contains secured mortgage loans from every county in the country. The majority of the homes are located in the central part of Eastern Norway, and loans from Buskerud, Akershus and Oslo account for 78.1% of the total. The loans in the cover pool have first priority mortgage charges on Norwegian residential properties.

## The macro situation

Inflation, rising interest rates and uncertain growth prospects dominated the economy in 2023. Inflation in Norway is slowing after remaining very high - well above the inflation target - for a long period. In May, the consumer price index (CPI) was 4.8 per cent higher than in the same month last year. Core inflation (CPI-ATE) was 5.7 per cent. High prices for food and drink and high rents have helped to drive inflation. The electricity price, on the other hand, has had a dampening effect on inflation over the past 12 months. The Norwegian krone strengthened somewhat through the last quarter, but has weakened compared to 12 months ago. As a result, imported inflation will not be as high as in previous quarters. High inflation has also contributed to high wage growth in this year's pay settlement, which will also make it more difficult to bring inflation down towards the target of 2 per cent over time. On the international front, many of Norway's most important trading partners are seeing a fall in inflation, although it remains high in many countries and economies.

After two months of growth, mainland GDP fell by 0.2 per cent from October to November. For the three-month period from September to November, there was a 0.1 per cent increase. After steady growth in the Norwegian economy through 2022, there are now signs that the economy is slowing. The figures indicate weaker performance in the Norwegian economy than in previous years, and there are strong indications that higher interest rates are beginning to have a serious impact on consumers. The latest report from the Regional Network shows that companies are expecting stagnation in the economy in the fourth quarter and a 0.3 per cent drop in the first quarter of 2024. Lower household demand and lower levels of construction activity are curbing growth. The weak krone has also contributed to improved competitiveness for many enterprises over the past year.

Unemployment has risen slightly since the end of 2022, and the workforce survey from Statistics Norway for November shows that the unemployment rate stood at 3.7 per cent, an increase of 0.1 per cent from the previous month and 0.4 per cent compared to the same month last year.

Norges Bank raised its key policy rate by 0.25 percentage point in December, bringing it to 4.50 per cent at the end of the quarter. The weak krone, along with price growth that is still well above the target, was one of the main arguments for the rise in interest rates. This is the highest level of key policy rate since autumn 2008. When raising its interest rate, Norges Bank also indicated that the peak had probably been reached and that it could envisage a rate cut towards the end of 2024.

Money market rates rose sharply in 2023, largely as a result of increases in the key policy rate and expectations of a further rises. In the fourth quarter, however, the money market rate for 3-month NIBOR was stable, ending the quarter only 0.01 percentage point higher than at the beginning of the quarter. Market rates indicate that interest rates are approaching their peak and the money market premium is therefore lower than it has been for a long time.

House prices have slowed through 2023. House prices fell by 0.9 per cent in December, although they rose by 0.2 per cent when adjusted for seasonal variations. In 2023, house prices in Norway rose by 0.5 per cent, the weakest annual growth since 2017. Turnover in existing homes in 2023 ended at the same level as 2022, and volumes are as they were in the years before the pandemic. Construction activity is very low, and the number of new homes is significantly lower in 2023 than in the same period last year, with much of the decline attributable to a decrease in the number of new apartments. There is still considerable uncertainty around developments in commercial property. High inflation and rapidly rising interest rates have reduced market values, but the commercial property market is still characterised by few transactions.

## Future prospects

Growth in the Norwegian economy has slowed, and Norges Bank estimates growth in GDP of 1.0 per cent for mainland Norway in 2023, and acivitity is expected to remain more or less unchanged in 2024. It points out in particular that higher interest rates and price growth will reduce household consumption and investment in homes. On the other hand, the weaker krone has improved the cost competitiveness of Norwegian companies.

Unemployment is still low, and a large proportion of the population is in work. Unemployment has increased slightly from its lowest level in the summer of 2022, and there are signs that the pressure in the labour market is starting to ease somewhat. Norges Bank expects weak growth in employment in the coming years to lead to slightly higher unemployment, which will eventually return to the level it was at before the pandemic.

After the inflation figures for December showed marginally lower inflation than expected, the market was strengthened in its belief that Norges Bank would lower the key policy rate significantly more than the Bank itself had signalled at the monetary policy meeting in December. The market is pricing in a decrease in Norges Bank's key policy rate before the summer and anticipates a key policy rate of 3.0 per cent by year-end. Norges Bank, on the other hand, signalled that it is envisaging a cut in interest rates towards the end of the year.

With prospects of lower credit growth in society, we may expect continued strong competition for lending. With higher lending rates, house prices are expected to stay relatively flat in the future, but low construction activity and a tight labour market could push prices up to some extent.

In uncertain times, investors do better by taking risks, and this results in falling bond and equity prices. Sparebanken Øst Boligkreditt AS issues bond loans, and when bond prices fall, it becomes more expensive for the company to issue new loans. The company also holds a bond portfolio for liquidity purposes which is regularly assessed at market value. When bond prices fall, the portfolio will fall in value and the company has to recognise an unrealised loss.

The company expects moderate future mortgage growth and intends to contribute to continued lending growth in the Group. The company has good control over its costs, with no considerable costs expected in addition to costs which would arise naturally as a result of an increased portfolio. Consequently, the Board expects the company to achieve the adopted objective of a satisfactory return on equity.

The Board is also of the opinion that the company's capital base is sufficient to provide room for manoeuvre in the future. We expect the market for covered bonds with good ratings to meet the company's need for new funding and the refinancing of existing debenture loans.

Drammen, 8 February 2024

| | | |
|---|---|---|
| Kjell Engen<br>*Chairman of the Board* | Silje Wold Rørvik<br>*Deputy chair* | Leif Ove Sørby<br>*Board member* |
| Hilde Draugsvoll<br>*Board member* | Vegard Kvamme<br>*Managing director* | |

# Statement according to the Norwegian Securities Trading Act, Section 5-5

We certify that, to best of our knowledge, the annual accounts for the period 1 January to 31 December 2023 have been prepared in accordance with IFRS and that the accounts give a true and fair view of the company's assets, liabilities, financial position, and results as a whole, and that the information in the annual report provides a true and fair view of the development, performance and position of the company, together with a description of the principal risks and uncertainties faced by the company.

Drammen, 8 February 2024

Kjell Engen
*Chairman of the Board*

Silje Wold Rørvik
*Deputy chair*

Leif Ove Sørby
*Board member*

Hilde Draugsvoll
*Board member*

Vegard Kvamme
*General manager*

# Income Statement

| (figures in NOK millions) | Notes | 2023 | 2022 |
|---|---|---|---|
| Interest income from assets valued at amortised cost | 3.4 | 901.5 | 505.0 |
| Interest income from assets valued at fair value | 3.4 | 13.5 | 8.1 |
| Interest costs | 3.4 | 767.7 | 377.0 |
| **Net interest income** | | **147.4** | **136.0** |
| Commission income and income from banking services | 3 | 0.0 | 0.0 |
| Commission costs and costs from banking services | 3 | 27.3 | 28.4 |
| Net value adjustment and gain/loss on financial instruments | 14 | -4.2 | -7.5 |
| Other operating costs | 3.6 | 8.5 | 6.4 |
| **PROFIT BEFORE LOSSES** | | **107.4** | **93.8** |
| Losses on loans and unused credit facilities | 8 | -1.1 | 0.1 |
| **PROFIT BEFORE TAX** | | **108.5** | **93.7** |
| Income tax | 9 | 23.9 | 20.6 |
| **PROFIT FOR THE YEAR** | | **84.7** | **73.1** |

# Comprehensive income

| (figures in NOK millions) | Notes | 2023 | 2022 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **84.7** | **73.1** |
| Other operating income and costs in comprehensive income | | 0.0 | 0.0 |
| **STATEMENT OF COMPREHENSIVE INCOME** | | **84.7** | **73.1** |

# Balance sheet

| (figures in NOK millions) | Notes | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| Loans to and receivables from financial institutions | 3,20,21,22 | 626.2 | 702.5 |
| Loans to customers | 8,10,20,21,22 | 18,074.3 | 17,997.6 |
| Certificates and bonds | 19,21,22 | 286.5 | 266.1 |
| Financial derivatives | 11,19,21,25 | 0.0 | 15.1 |
| Other assets | 12 | 10.5 | 101.4 |
| **TOTAL ASSETS** | | **18,997.5** | **19,082.7** |
| Liabilities to financial institutions | 3,13,15,20,21,22 | 691.8 | 1,096.3 |
| Securities issued | 3,15,17,20,21,22 | 16,547.5 | 16,269.8 |
| Financial derivatives | 11 | 49.7 | 26.3 |
| Other liabilities | 16 | 4.3 | 3.3 |
| Tax payable | 9 | 20.9 | 18.2 |
| Deferred tax | 9 | 8.1 | 5.1 |
| Loan loss provisions, unused credit | 8 | 0.6 | 0.5 |
| **TOTAL LIABILITIES** | | **17,322.9** | **17,419.6** |
| Paid-up equity | | 1,350.0 | 1,350.0 |
| Retained earnings | | 324.7 | 313.1 |
| **Total equity** | 18,23 | **1,674.7** | **1,663.1** |
| **TOTAL LIABILITIES AND EQUITY** | | **18,997.5** | **19,082.7** |

Drammen, 8 February 2024

Kjell Engen
*Chairman of the Board*

Silje Wold Rørvik
*Deputy chair*

Leif Ove Sørby
*Board member*

Hilde Draugsvoll
*Board member*

Vegard Kvamme
*General manager*

# Cash flow statement

| (figures in NOK millions) | Notes | | 2023 | 2022 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Profit/loss before income tax | | | 108.5 | 93.7 |
| Adjusted for: | | | | |
| Change in net interest income earned and accrued interest costs | | | 16.8 | 16.6 |
| Net receipts/payments of loans to customers | | | 5,424.9 | 5,606.0 |
| Change in certificates and bonds | | | -19.8 | 51.4 |
| Net change in financial derivatives (net assets and liabilities) | | | 30.2 | 0.0 |
| Net change in other assets | | | 90.9 | -91.9 |
| Net change in other debt | | | 1.0 | -66.9 |
| Write-downs of financial assets | | | -1.2 | 0.0 |
| Amortisation of premium/discount measured at amortised cost | | | -18.9 | -18.9 |
| Net gain/loss from financing activities | | | 3.1 | 2.9 |
| Taxes paid for the period | | | -18.2 | -32.2 |
| **Net cash flow from operating activities** | | **A** | **5,617.4** | **5,560.8** |
| **Investing activities** | | | | |
| Payment for purchase of lending portfolio from Sparebanken Øst | | | -7,356.0 | -6,281.9 |
| Proceeds from sale of lending portfolio to Sparebanken Øst | | | 1,867.1 | 2,183.6 |
| **Net cash flow from investing activities** | | **B** | **-5,488.9** | **-4,098.3** |
| **Financing activities** | | | | |
| Net receipts/disbursements on credit facilities from financial institutions | | | -404.4 | 508.9 |
| Payments on repayment of securities | 15 | | -2,494.2 | -3,002.9 |
| Proceeds from issuance of securities | 15 | | 2,766.8 | 1,027.7 |
| Payment of additional dividends | | | -73.1 | -118.9 |
| **Net cash flow from financing activities** | | **C** | **-204.8** | **-1,585.1** |
| Net change in cash and cash equivalents | | A+B+C | -76.2 | -122.7 |
| Cash and cash equivalents as at 01.01 | 3 | | 702.5 | 825.2 |
| **Cash and cash equivalents as at 31.12** | | | **626.2** | **702.5** |

Liquid assets consist exclusively of bank deposits. Unused drawing rights at 31.12.2023 were NOK 2,308.6 million, against NOK 1,903.9 million at 31.12.2022.

| **Additional information for operating activities concerning interest** | **2023** | **2022** |
|---|---|---|
| Interest payments received | 903.5 | 502.8 |
| Interest payments made | 898.5 | 369.1 |

# Change in equity

(figures in NOK thousands)

| 31.12.2023 | Total equity | Share capital | Premium reserve | Other equity |
|---|---|---|---|---|
| Equity at 31.12.2022 | 1,663.1 | 437.1 | 912.9 | 313.1 |
| Profit for the year | 84.7 | 0.0 | 0.0 | 84.7 |
| Other operating income and costs in comprehensive income | 0.0 | 0.0 | 0.0 | 0.0 |
| Comprehensive income | 84.7 | 0.0 | 0.0 | 84.7 |
| Additional dividends | -73.1 | 0.0 | 0.0 | -73.1 |
| **Equity at 31.12.2023** | **1,674.7** | **437.1** | **912.9** | **324.7** |

On the basis of the profit for 2022, an additional dividend of NOK 73.1 million was paid out, equivalent to NOK 6.85 per share. The proposed dividend based on the profit for 2023 is NOK 0 million.

| 31.12.2022 | Total equity | Share capital | Premium reserve | Other equity |
|---|---|---|---|---|
| Equity at 31.12.2021 | 1,708.9 | 437.1 | 912.9 | 358.9 |
| Profit for the year | 73.1 | 0.0 | 0.0 | 73.1 |
| Other operating income and costs in comprehensive income | 0.0 | 0.0 | 0.0 | 0.0 |
| Comprehensive income | 73.1 | 0.0 | 0.0 | 73.1 |
| Additional dividends | -118.9 | 0.0 | 0.0 | -118.9 |
| **Equity at 31.12.2022** | **1,663.1** | **437.1** | **912.9** | **313.1** |

# Notes to the Annual Accounts

## NOTE 1 GENERAL INFORMATION

Sparebanken Øst Boligkreditt AS has its headquarters in Drammen and is a wholly owned subsidiary of Sparebanken Øst. The company was established in 2009. Its business address is Bragernes Torg 2, N-3017 Drammen, Norway.

The object of the company is to grant or acquire home mortgage loans, property mortgage loans, loans secured by liens on other registered assets or public loans, and to finance lending activities, mainly by issuing covered bonds.

The financial statements for 2023 were approved by the Board of Directors of Sparebanken Øst Boligkreditt AS on 8 February 2024.

The company is included in the consolidated financial statements of Sparebanken Øst, business address: Stasjonsgata 14, N-3300 Hokksund.

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

## NOTE 2 ACCOUNTING POLICIES

### 1. GENERAL

The financial statements for Sparebanken Øst Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted 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 company uses hedge accounting, the value of the hedging object is adjusted for changes in value related to the hedged risk. Interest-bearing balance sheet items include earned/accrued interest.

### 2. AMENDMENTS TO ACCOUNTING POLICIES

**Changes to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies**
The IASB has made changes IAS 1 to ensure that the financial statements contain “material accounting policy information” rather than “significant accounting policies”, which was the wording in the standard before the change came into effect.
The company has reviewed all of the policy notes to meet the new requirement for material information, which has resulted in content changes compared to last year. There are no changes in the application of the policies, but information that is not considered to be material accounting policy information has been removed.

**Changes in IAS 8 – Definition of accounting estimates**
In February 2021, the IASB adopted changes to IAS 8, introducing a definition of “accounting estimates”. The changes do not have any material impact on the financial statements.

No other changes have come into effect that have a material impact on the financial statements.

### 3. CURRENCY

The accounts are presented in Norwegian kroner (NOK), which is also the company’s functional currency.

### 4. INCOME

*4.1 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.
Interest income on impaired commitments is calculated as the effective interest on the net written–down value.

*4.2 COMMISSION INCOME AND COSTS*

Commission income and expenses 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 FINANCIAL INSTRUMENTS

*5.1 RECOGNITION AND DERECOGNITION*

Financial assets and liabilities are recognised when the company becomes a party to the instrument's contractual conditions. Financial liabilities are derecognised when the liability stated in the contract is fulfilled, cancelled or expires.

### *5.2 CLASSIFICATION AND MEASUREMENT*

The company's financial instruments subject to IFRS 9 are classified on initial recognition in one of the following categories:

Financial assets:

- Amortised cost: Loans to customers
- Fair value with value adjustments through profit and loss: Certificates, bonds and financial derivatives

Financial liabilities:

- Amortised cost: Securities issued and debt to credit institutions
- Fair value with value adjustments through profit and loss: Financial derivatives

<u>Lending to customers</u>
Loans and receivables are measured at amortised cost. The classification is based on the company's business model, where the purpose is to hold the instruments to receive contractual cash flows. Arrangement fees are recognised as income over the expected maturity of the loan.

<u>Certificates and bonds</u>
Holdings of certificates and bonds constitute the company's liquidity portfolio, which is managed and measured at fair value. Certificates and bonds are classified at fair value with value adjustments through profit or loss.

<u>Securities issued</u>
Securities issued are measured at amortised cost. Interest costs and the amortisation effects on instruments are included in "Interest costs" in the income statement.

<u>Financial derivatives</u>
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.

### *5.3 Hedge accounting*

The company mainly uses financial derivatives to reduce interest rate and/or currency risk.
Fair value hedging of fixed-rate borrowing and currency borrowing is used. Changes in the fair value of financial derivatives classified as and meeting the requirements of fair value hedging are recognised in the income statement together with changes in the fair value of the hedged object which can be ascribed to the hedged risk. Interest rate swaps and combined interest rate and currency swaps (basis swaps) are the hedging instruments used by the company.

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 company predominantly uses one-to-one hedging, which means, 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 hedging object.

### *5.4 Non-performing commitments, losses and loan loss provisions*

#### *5.4.1 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:

- 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 are recognised through profit and loss to the extent they are not covered by existing loan loss provisions.

*5.4.2 Measurement of expected credit loss*
Expected losses are calculated on financial assets that are debt instruments measured at amortised cost. Expected losses on loans, unused credits and guarantees are calculated. Expected credit loss is calculated per commitment. The company divides commitments into three stages in calculating the expected credit loss. See Note 8 for model-based loss costs and loan loss provisions per stage and Note 21 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 company'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 Stage 3 consist of both individually assessed loan loss provisions and model-based expected credit loss. For commitments that are assessed individually, estimates of any credit loss are based on the size of expected future cash flows from expected earnings, sale of collateral etc., when the cash flows are expected to be paid, and the discount rate. The amount of the loss is a direct function of the present value of contractual cash flows that one does not expect to receive, discounted by the original effective interest rate on the loan. 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 company's commitments are further classified into segments based on 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 any significant increase in credit risk.

**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 company uses the change in the 12-month probability of default (PD) measured against the probability of default (PD) 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 company does not use the exemption for loans with low credit risk.

**Reversal from Stage 2 and from Stage 3:** When the criteria for a significant increase in credit risk (Stage 2) are no longer present, the commitment is transferred to Stage 1 after 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 company’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 company.

## 6 CASH FLOW STATEMENT

The indirect method is used to prepare the cash flow statement.

## 7 EVENTS AFTER THE BALANCE SHEET DATE

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

## 8 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 company’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 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 2024. The changes are not expected to affect the financial statements.

## 9 MANAGEMENT ASSESSMENTS, USE OF ESTIMATES AND ASSUMPTIONS

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 company's financial statements, the use of such estimates relates in particular to the measurement of losses on loans and unused credit facilities.

*9.1 Model-based 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 8 for quantitative information and sensitivity analyses for model-calculated expected credit loss.

*9.2 Individually assessed loan loss provisions*
Loans are written down for credit losses on a case by case (individual) basis if there is objective evidence of impairment.
Calculation of any credit loss is based on the following parameters; expected earnings, the value of the bank's security, and the date when repayments can be expected. 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. Please refer to section 5.4 of the policy note for a more detailed description of the calculation and Note 8 for quantitative information.

## NOTE 3 TRANSACTIONS WITH THE PARENT BANK

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst and is defined as a close associate. The company has entered into an agreement with Sparebanken Øst covering asset management, hire of a general manager, compliance, risk management, accounting analysis and reporting, and purchase of residential mortgages. Transactions between the company and the parent bank are conducted in accordance with normal commercial terms and principles.

Sparebanken Øst Boligkreditt AS regularly buys mortgages from the parent bank in order 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 2023, Sparebanken Øst Boligkreditt AS purchased mortgages from Sparebanken Øst with a net value of NOK 5,489 million, of which purchased mortgages amount to NOK 7,356 million and mortgages sold back amount to NOK 1,867 million. In 2022, mortgages with a net value of NOK 4,098 million were purchased from Sparebanken Øst, of which purchased mortgages amounted to NOK 6,282 million and mortgages sold back amounted to NOK 2,184 million.

| **Income statement** | **2023** | **2022** |
|---|---|---|
| Interest income, deposits in parent bank | 22.9 | 8.4 |
| Interest costs, loans from parent bank | 31.8 | 14.7 |
| Interest costs, covered bond liabilities to parent bank | 0.0 | 9.6 |
| Commission costs to parent bank | 27.3 | 28.4 |
| Other operating costs to parent bank | 3.1 | 3.2 |

| **Balance sheet** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Deposits in parent bank | 626.2 | 702.5 |
| Other receivables from parent bank | 10.5 | 101.4 |
| Loans from parent bank | 691.8 | 1,096.3 |
| Covered bond debt to parent bank | 0.0 | 513.2 |
| Other liabilities to parent bank | 2.3 | 2.2 |

## NOTE 4 NET INTEREST INCOME

| | **2023** | **2022** |
|---|---|---|

| | | |
|---|---|---|
| Interest income from lending to and receivables from financial institutions | 22.9 | 8.4 |
| Interest income from lending to customers | 878.6 | 496.6 |
| Interest income from certificates and bonds | 13.5 | 8.1 |
| **Interest income** | **915.0** | **513.1** |
| | | |
| Interest costs on liabilities to financial institutions | 31.8 | 14.8 |
| Interest costs on issued securities | 732.5 | 359.4 |
| Costs of the crisis action fund | 3.3 | 2.8 |
| **Interest costs** | **767.7** | **377.0** |
| | | |
| **Net interest income** | **147.4** | **136.0** |

## NOTE 5 SALARIES AND OTHER REMUNERATION

Sparebanken Øst Boligkreditt AS has no employees, but has entered into an agreement with Sparebanken Øst to lease staff. The general manager has a 40% position, and the compliance controller and risk manager a 50% position, while accounting, analysis and reporting represent a 50% position, at a total cost of NOK 1,260,000 in 2023. The general manager is paid by Sparebanken Øst and had an annual salary of NOK 1,263,011 in 2023.

No contracted employees or Board members have severance package agreements, subscription rights, options, or bonus agreements. No employees of Sparebanken Øst are paid remuneration for serving on the Board. Remuneration to an external board member for 2023 amounts to NOK 92,000. The general manager, the Board of Directors, and close associates do not have any loans in Sparebanken Øst Boligkreditt AS. The company is not obliged to have an occupational pension scheme under the Act on Mandatory Occupational Pensions.

## NOTE 6 OTHER OPERATING COSTS

| | 2023 | 2022 |
|---|---|---|
| Consulting fees to Sparebanken Øst | 1.4 | 1.3 |
| External consultants and fees | 3.6 | 2.4 |
| Fees relating to own bonds | 1.1 | 0.8 |
| Other operating costs | 0.7 | 0.1 |
| IT costs | 1.8 | 1.8 |
| Other administrative costs | 0.0 | 0.0 |
| **Other operating costs** | **8.5** | **6.4** |

## NOTE 7 REMUNERATION TO THE AUDITOR

| | 2023 | 2022 |
|---|---|---|
| Audit | 0.3 | 0.3 |
| Other certification services* | 0.0 | 0.2 |
| Tax consulting | 0.0 | 0.0 |
| Other services | 0.0 | 0.0 |
| **Remuneration to auditor** | **0.3** | **0.5** |

* Including inspector's fees pursuant to Section 11-14 of the Norwegian Financial Institutions Act: NOK 0 in 2023 and NOK 239,000 in 2022.
The amounts are inclusive of VAT.

## NOTE 8 LOSSES ON LOANS AND UNUSED CREDIT FACILITIES

**Loss costs**

| | 2023 | 2022 |
|---|---|---|
| Change in model-based expected credit loss, Stage 1 | 0.0 | -0.4 |
| Change in model-based expected credit loss, Stage 2 | -1.1 | 0.5 |
| Change in model-based expected credit loss, Stage 3 | 0.0 | 0.0 |
| Increase in existing individual loan loss provisions | 0.0 | 0.0 |
| New individual loan loss provisions | 0.0 | 0.0 |
| Established losses covered by previous individual loan loss provisions | 0.0 | 0.0 |
| Reversals of previous individual loan loss provisions | 0.0 | 0.0 |
| Actual losses where no individual loan loss provisions have previously been made | 0.0 | 0.0 |
| Recovery of previously identified losses | 0.0 | 0.0 |
| Amortisation costs for the period | 0.0 | 0.0 |
| **Losses on loans and unused credit facilities** | **-1,1** | **0.1** |
| - Of which losses on unused credit facilities | 0.0 | 0.1 |

## Loss

| Change in loan loss provisions | Expected credit loss, Stage 1 | Expected credit loss, Stage 2 | Expected credit loss, Stage 3* | Total |
|---|---|---|---|---|
| **Opening balance at 01.01.2023** | **3.4** | **3.2** | **0.0** | **6.6** |
| Transferred to Stage 1 | 1.0 | -1.0 | 0.0 | 0.0 |
| Transferred to Stage 2 | -0.1 | 0.1 | 0.0 | 0.0 |
| Transferred to Stage 3 | 0.0 | -0.4 | 0.4 | 0.0 |
| Net change | -1.1 | 0.6 | -0.4 | -0.9 |
| New losses | 0.9 | 0.3 | 0.0 | 1.3 |
| Deducted losses | -0.8 | -0.7 | 0.0 | -1.5 |
| Change in risk model/parameters | 0.0 | 0.0 | 0.0 | 0.0 |
| **Closing balance at 31.12.2023** | **3.4** | **2.1** | **0.0** | **5.5** |
| - Of which provision for unused credits | 0.4 | 0.1 | 0.0 | 0.6 |

* The company has no commitments with individually assessed loan loss provisions as at 31.12.2023

| Change in loan loss provisions | Expected credit loss, Stage 1 | Expected credit loss, Stage 2 | Expected credit loss, Stage 3* | Total |
|---|---|---|---|---|
| **Opening balance at 01.01.2022** | **3.8** | **2.7** | **0.0** | **6.5** |
| 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 | -0.1 | 0.0 | 0.1 | 0.0 |
| Net change | -1.1 | 0.9 | -0.1 | -0.3 |
| New losses | 1.0 | 0.9 | 0.0 | 1.9 |
| Deducted losses | -0.9 | -0.9 | 0.0 | -1.8 |
| Change in risk model/parameters | 0.1 | 0.3 | 0.0 | 0.4 |
| **Closing balance at 31.12.2022** | **3.4** | **3.2** | **0.0** | **6.6** |
| - Of which provision for unused credits | 0.4 | 0.1 | 0.0 | 0.5 |

* The company has no commitments with individually assessed loan loss provisions as at 31.12.2022

## Gross lending

| Change in gross lending, broken down by stage | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening balance at 01.01.2023** | **17,509.9** | **468.6** | **25.2** | **18,003.7** |
| Transferred to Stage 1 | 163.2 | -160.8 | -2.4 | 0.0 |
| Transferred to Stage 2 | -218.2 | 225.4 | -7.2 | 0.0 |

| | | | | |
|---|---|---|---|---|
| Transferred to Stage 3 | -5.9 | -23.2 | 29.1 | 0.0 |
| Net change | -1,293.2 | -18.2 | -3.4 | -1,314.7 |
| New loans | 5,637.6 | 118.9 | 0.0 | 5,756.5 |
| Deducted lending | -4,255.8 | -103.9 | -6.5 | -4,366.2 |
| **Closing balance at 31.12.2023** | **17,537.7** | **506.8** | **34.7** | **18,079.2** |
| - of which loans with forbearance | 0.0 | 149.7 | 14.1 | 163.8 |

| **Change in gross lending, broken down by stage** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Opening balance at 01.01.2022** | **19,105.6** | **369.4** | **26.7** | **19,501.6** |
| Transferred to Stage 1 | 100.0 | -100.0 | 0.0 | 0.0 |
| Transferred to Stage 2 | -240.3 | 251.4 | -11.2 | 0.0 |
| Transferred to Stage 3 | -12.4 | -6.8 | 19.2 | 0.0 |
| Net change | -1,246.5 | -25.3 | -0.1 | -1,271.9 |
| New loans | 4,725.4 | 92.3 | 1.9 | 4,819.6 |
| Deducted lending | -4,922.0 | -112.5 | -11.2 | -5,045.7 |
| **Closing balance at 31.12.2022** | **17,509.9** | **468.6** | **25.2** | **18,003.7** |
| - of which loans with forbearance | 0.0 | 140.7 | 10.9 | 151.5 |

## Commitments without loan loss provisions in Stage 3

In the case of individual assessment where the assessed present value of securities indicates that the company has not incurred losses, no loss provisions relating to the commitments are made. The sum of all non-performing commitments without loss provisions totals NOK 36.0 million (NOK 22.7 million in 2022). The estimated fair value of the collateral amounts to NOK 83.6 (67.8 million in 2022). The following table shows the loan-to-value (LTV) ratio for the collateral.

| **Non-performing commitments without loss provisions as a percentage of the market value of the securities** | **2023** | **2023** | **2022** | **2022** |
|---|---|---|---|---|
| Less than 50% | 19.1 | 53.0% | 13.4 | 58.9% |
| 50% to 70% | 14.9 | 41.3% | 9.3 | 41.1% |
| 70% to 85% | 0.0 | 0.0% | 0.0 | 0.0% |
| 85% to 100% | 2.0 | 5.7% | 0.0 | 0.0% |
| More than 100% | 0.0 | 0.0% | 0.0 | 0.0% |
| Unsecured | 0.0 | 0.0% | 0.0 | 0.0% |
| **Total** | **36.0** | **100.0%** | **22.7** | **100.0%** |

## Model-based expected credit loss

At the end of 2023, the economic outlook is generally considered not to have changed compared with what was assumed when the annual financial statements for 2022 were published.

The probability weighting of the macro scenarios used to calculate the model-based expected credit loss remained unchanged at the end of 2023 compared with what was used in the preparation of the annual financial statements for 2022. 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 2023 compared with what was used in the preparation of the annual financial statements for 2022.

## Sensitivity analyses of model-based expected credit loss

Macroeconomic scenarios and probability weighting

Commitments in the company constitute one segment in model-based expected credit losses. The measurement of model-based expected credit loss takes account of the macro situation and expected macroeconomic developments, events occurring, developments in defaults and losses, changes in the credit quality of the portfolio, and trends in house prices. These assessments require a large amount of discretion. Expected credit losses in the expected scenario are based on a normal economic situation over time and the factor is set to 100. 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 the pessimistic scenario, the factor is estimated at 200. 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 tables below show the expected credit loss in the different scenarios and the probability weights. Individually assessed loan loss provisions remain unchanged in the various scenarios.

| **31.12.2023** | **Factor** | **Probability-weighted** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|---|---|
| Optimistic scenario | 80 | 0% | 2.1 | 1.3 | 0.0 | 3.4 |
| Expected scenario | 100 | 70% | 2.6 | 1.6 | 0.0 | 4.2 |
| Pessimistic scenario | 200 | 30% | 5.2 | 3.3 | 0.0 | 8.4 |
| **Loan loss provisions (weighted)** | | **100%** | **3.4** | **2.1** | **0.0** | **5.5** |

| **31.12.2022** | **Factor** | **Probability-weighted** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|---|---|
| Optimistic scenario | 80 | 0% | 2.1 | 2.0 | 0.0 | 4.1 |
| Expected scenario | 100 | 70% | 2.6 | 2.5 | 0.0 | 5.1 |
| Pessimistic scenario | 200 | 30% | 5.3 | 4.9 | 0.0 | 10.2 |
| **Loan loss provisions (weighted)** | | **100%** | **3.4** | **3.2** | **0.0** | **6.6** |

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.

| **Sensitivity to model parameters** | **Doubling of probability of default (PD)** | **50 per cent increase in loss given default (LGD)** | **50 per cent increase in probability weight of pessimistic scenario** |
|---|---|---|---|
| 31.12.2023 | 6.6 | 2.7 | 0.6 |
| 31.12.2022 | 7.7 | 3.3 | 0.7 |

## NOTE 9 TAXES

Tax costs for the year in the income statement comprise the tax payable for the financial year, any over/under allocated tax payable from previous years, and deferred tax recognised in the income statement. These are recognised in the income statement as income or expenses under tax costs.

Deferred tax assets are entered as assets on the balance sheet to the extent it is expected that the company 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.

| | **2023** | **2022** |
|---|---|---|
| **The year's tax costs in the income statement are as follows** | | |
| Tax payable on the profit for the year | 20.9 | 18.2 |
| Recognised deferred tax | 2.9 | 2.4 |
| Recognised deferred tax due to change in tax rate | 0.0 | 0.0 |
| **Total income tax for the year** | **23.9** | **20.6** |
| **Change in net deferred tax** | | |
| Recognised deferred tax in the income statement | 2.9 | 2.4 |
| Change in deferred tax carried directly to the balance sheet | 0.0 | 0.0 |
| **Total change in net deferred tax** | **2.9** | **2.4** |
| **Reconciliation of income tax for the year** | | |
| Profit before tax | 108.5 | 93.7 |
| Tax at nominal rate of 22% | 23.9 | 20.6 |
| Tax effect of permanent differences | 0.0 | 0.0 |
| Tax effect of changed tax rate | 0.0 | 0.0 |
| **Income tax** | **23.9** | **20.6** |
| **Tax payable in the balance sheet is as follows** | | |
| Tax payable on the profit for the year | 20.9 | 18.2 |
| **Tax payable** | **20.9** | **18.2** |

| **Deferred tax/deferred tax assets** | **2023** | **2022** | **Change 2023** | **Change 2022** |
|---|---|---|---|---|
| **Temporary differences** | | | | |
| Financial derivatives | -49.7 | -11.2 | 38.5 | 98.3 |
| Securities issued | 92.1 | 39.2 | -52.9 | -113.0 |
| Securities | -5.7 | -4.7 | 1.1 | 3.9 |
| Total temporary differences | 36.7 | 23.4 | -13.3 | -10.9 |
| **Deferred tax liability(+)/deferred tax asset(-)** | **8.1** | **5.1** | **-2.9** | **-2.4** |

The tax rate for tax payable is 22% in both 2023 and 2022. Deferred tax liabilities/deferred tax assets are recognised on the basis of the future tax rate of 22%.

## NOTE 10 LENDING TO CUSTOMERS

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Credit lines secured against residential property | 6,039.6 | 6,120.5 |
| Repayment mortgages secured against property | 12,039.7 | 11,883.2 |
| **Total gross lending** | **18,079.2** | **18.003.7** |
| Loss provisions on loans | 4.9 | 6.1 |
| **Total net lending** | **18,074.3** | **17,997.6** |

Please see Note 8 for further discussion of loan loss provisions for non-performing commitments (Stage 3).

| **Geographical distribution of lending to customers** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Drammen | 3,468,6 | 3,003.7 |
| Øvre Eiker | 915.9 | 741.3 |
| Rest of Buskerud | 833.2 | 780.5 |
| Asker | 2,238.4 | 1,785.0 |
| Rest of Akershus | 2,821.6 | 3,133.4 |
| Oslo | 3,840.5 | 4,303.8 |
| Østfold | 904.4 | 984,4 |
| Vestfold | 1,503.4 | 1,183.9 |
| Rest of Norway | 1,553.2 | 2,087.6 |
| **Total gross lending** | **18,079.2** | **18,003.7** |
| Loss provisions on loans | 4.9 | 6.1 |
| **Total net lending** | **18,074.3** | **17,997.6** |

| **Lending by customer groups** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Salaried employees | 17,938.5 | 17,880.3 |
| Self-employed | 140.7 | 123.4 |
| **Total gross lending** | **18,079.2** | **18.003.7** |
| Loss provisions on loans | 4.9 | 6.1 |
| **Total net lending** | **18,074.3** | **17.997.6** |

| **Non-performing commitments** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Payments over 90 days past due** | | |
| Business | 0.0 | 0.0 |
| Retail | 7.8 | 2.9 |
| **Gross payment defaults** | **7.8** | **2.9** |
| Loan loss provisions* | 0.0 | 0.0 |
| **Net payment defaults** | **7.8** | **2.9** |
| Provisions ratio | 0.0% | 0.0% |
| **Other non-performing commitments** | | |
| Business | 0.0 | 0.0 |
| Retail | 28.2 | 22.4 |
| **Gross other non-performing commitments** | **28.2** | **22,4** |
| Loan loss provisions | 0.0 | 0.0 |
| **Net other non-performing commitments** | **28.2** | **22,4** |
| Provisions ratio | 0.0% | 0.0% |
| **Non-performing commitments** | | |
| Business | 0.0 | 0.0 |
| Retail | 36.0 | 25.2 |
| **Gross non-performing commitments** | **36.0** | **25.2** |
| Loan loss provisions | 0.0 | 0.0 |
| **Net non-performing commitments** | **36.0** | **25.2** |
| Provisions ratio | 0.0% | 0.0% |

*Refer to Note 8 for further discussion of commitments without loan loss provisions in Stage 3.

## NOTE 11 FINANCIAL DERIVATIVES

Interest rate derivatives have been entered into for the company's fixed-rate bonds to reduce interest rate risk. The hedging ratio is 1:1 and hedge accounting is used. The company only has debt in NOK.

### Financial derivatives used for hedge accounting, 31.12.2023

| | | | Fair value of hedging instruments | | Value adjustment of hedging object |
|---|---|---|---|---|---|
| | Contract sums | Recognised value of subject of merger | Assets | Liabilities | Liabilities |
| Interest rate instruments | | | | | |
| Interest rate swaps | 1,450.0 | 0.0 | 0.0 | -49.7 | 0.0 |
| Securities issued | 0.0 | 1,414.0 | 0.0 | 0.0 | -46.1 |
| **Total** | | **1,414.0** | **0.0** | **-49.7** | **-46.1** |

No significant hedging inefficiencies have been reported in 2023. 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 14.

### Financial derivatives used for hedge accounting, 31.1.2022

| | | | Fair value of hedging instruments | | Value adjustment of hedging object |
|---|---|---|---|---|---|
| | Contract sums | Recognised value of subject of merger | Assets | Liabilities | Liabilities |
| Interest rate instruments | | | | | |
| Interest rate swaps | 1,150.0 | 0.0 | 15.1 | -26.3 | 0.0 |
| Securities issued | 0.0 | 1,181.2 | 0.0 | 0.0 | -11.9 |
| **Total** | | **1,181.2** | **15.1** | **-26.3** | **-11.9** |

No significant hedging inefficiencies have been reported in 2022. 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 14.

## NOTE 12 OTHER ASSETS

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Outstanding accounts, parent bank | 10.5 | 101.4 |
| **Other assets** | **10.5** | **101.4** |

## NOTE 13 LIABILITIES TO FINANCIAL INSTITUTIONS

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Loans from financial institutions with an agreed term or notice period | 691.8 | 1,096.3 |
| **Liabilities to financial institutions** | **691.8** | **1,096.3** |

## NOTE 14 NET VALUE CHANGE AND GAINS/LOSSES FROM FINANCIAL INSTRUMENTS

| | 2023 | 2022 |
|---|---|---|
| Change in value of certificates and bonds | -1.1 | -4.6 |
| **Value change and gains/losses on financial instruments at fair value through profit or loss** | **-1,1** | **-4.6** |
| Financial derivatives – hedge accounting | -34.1 | -92.8 |
| Financial liabilities – hedged | 34.1 | 92.8 |
| **Net hedged items*** | **0.0** | **0.0** |
| Realised gains/losses on securities issued – amortised cost | -3.1 | -2.9 |
| **Value change and gains/losses on financial instruments at amortised cost** | **-3.1** | **-2.9** |
| **Total value change and gains/losses on financial instruments** | **-4.2** | **-7.5** |

* 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 company uses hedge accounting for fixed-rate bond borrowing and bonds in foreign currencies. These are hedged one-to-one.

## NOTE 15 SECURITIES ISSUED

| **Change in securities issued** | **31.12.2023** | **Issued** | **Due/ redeemed** | **Other changes incl. currency** | **31.12.2022** |
|---|---|---|---|---|---|
| Covered bonds, nominal value | 16,526.6 | 2,766.8 | 2,494.2 | 14.4 | 16,239.5 |
| Value adjustment | -46.1 | 0.0 | 0.0 | -34.1 | -11.9 |
| Accrued interest | 67.0 | 0.0 | 0.0 | 24.8 | 42.2 |
| **Total securities issued** | **16,547.5** | **2,766.8** | **2,494.2** | **5.1** | **16,269.8** |

| **Change in securities issued** | **31.12.2022** | **Issued** | **Due/ redeemed** | **Other changes incl. currency** | **31.12.2021** |
|---|---|---|---|---|---|
| Covered bonds, nominal value | 16,239.5 | 1,027.7 | 3,002.9 | -16.0 | 18,230.7 |
| Value adjustment | -11.9 | 0.0 | 0.0 | -92.8 | 80.8 |
| Accrued interest | 42.2 | 0.0 | 0.0 | 21.1 | 21.1 |
| **Total securities issued** | **16,269.8** | **1,027.7** | **3,002.9** | **-87.6** | **18,332.6** |

| **31.12.2023** | **Outstanding volume*** | **Avg. balance** | **Weighted effective interest rate** |
|---|---|---|---|
| Covered bonds NOK | 16,480.5 | 16,715.4 | 4.38 |
| **Securities issued** | **16,480.5** | **16,715.4** | **4.38** |

*Measured at amortised cost, value adjusted for hedged risk, excl. accrued interest on the balance sheet date.

| **31.12.2022** | **Outstanding volume*** | **Avg. balance** | **Weighted effective interest rate** |
|---|---|---|---|
| Covered bonds NOK | 16,227.6 | 17,406.9 | 2.06 |
| **Securities issued** | **16,227.6** | **17,406.9** | **2.06** |

*Measured at amortised cost, value adjusted for hedged risk, excl. accrued interest on the balance sheet date.

### Securities issued and drawing rights by maturity date

| 31.12.2023 | Drawing right* | Covered bonds | Total |
|---|---|---|---|
| 2024 | 0.0 | 2,009.0 | 2,009.0 |
| 2025 | 230.5 | 2,500.0 | 2,730.5 |
| 2026 | 230.5 | 4,750.0 | 4,980.5 |
| 2027 | 230.5 | 4,000.0 | 4,230.5 |
| 2028 | 0.0 | 2,500.0 | 2,500.0 |
| 2029 | 0.0 | 0.0 | 0.0 |
| 2030 | 0.0 | 700.0 | 700.0 |
| 2031 | 0.0 | 0.0 | 0.0 |
| 2032 and after | 0.0 | 0.0 | 0.0 |
| No term | 0.0 | 0.0 | 0.0 |
| Gross borrowing | 691.4 | 16,459,0 | 17,150.4 |
| Accrued interest | 0.0 | 67.0 | 67.0 |
| Direct costs and premium/discount | 0.0 | 67.9 | 67.9 |
| Value adjustments, hedge accounting | 0.0 | -46.1 | -46.1 |
| **Net borrowing** | **691.4** | **16,547.5** | **17,239.0** |

*Approved overdraft limit of NOK 3,000 million.

| 31.12.2022 | Drawing right* | Covered bonds | Total |
|---|---|---|---|
| 2023 | 0.0 | 2,000.0 | 2,000.0 |
| 2024 | 365.4 | 2,500.0 | 2,865.4 |
| 2025 | 365.4 | 2,500.0 | 2,865.4 |
| 2026 | 365.4 | 4,750.0 | 5,115.4 |
| 2027 | 0.0 | 4,000.0 | 4,000.0 |
| 2028 | 0.0 | 0.0 | 0.0 |
| 2029 | 0.0 | 0.0 | 0.0 |
| 2030 | 0.0 | 400.0 | 400.0 |
| 2031 and after | 0.0 | 0.0 | 0.0 |
| No term | 0.0 | 0.0 | 0.0 |
| Gross borrowing | 1,096.1 | 16,150.0 | 17,246.1 |
| Accrued interest | 0.2 | 42.2 | 42.4 |
| Direct costs and premium/discount | 0.0 | 89.5 | 89.5 |
| Value adjustments, hedge accounting | 0.0 | -11.9 | -11.9 |
| **Net borrowing** | **1,096.3** | **16,269.8** | **17,366.1** |

*Approved overdraft limit of NOK 3,000 million.

## NOTE 16 OTHER LIABILITIES

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Accrued management fees | 2.3 | 2.2 |
| Customer deposits* | 0.6 | 0.9 |
| Other costs | 1.3 | 0.2 |
| **Other liabilities** | **4.3** | **3.3** |

*Deposits from customers are exclusively positive balances on credit lines

## NOTE 17 COVERED BONDS AND PROVISION OF COLLATERAL

Pursuant to Section 11-7 of the Norwegian Financial Institutions Regulations, the company must maintain over-collateralisation of the cover pool of at least five per cent of the nominal value of outstanding covered bonds at all times. 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 80 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 80 per cent are excluded from the cover pool.

**Over-collateralisation**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Qualified lending secured against property* | 18,004.5 | 17.968.0 |
| Financial derivatives (net) | -49.7 | -11.2 |
| Other substitute assets (bank deposits and securities) | 911.2 | 968.5 |
| Total cover pool | 18,866.1 | 18,925.3 |
| Covered bonds | 16,547.5 | 16,269.8 |
| Cover pool utilisation | 114% | 116% |

*NOK 41.4 million of gross lending in the company is held outside the cover pool as of 31.12.2023 (NOK 35.7 million at 31.12.2022).

## NOTE 18 CAPITAL ADEQUACY

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **CET1 capital** | | |
| Book equity | 1,674.7 | 1,663.1 |
| **Deduction items in CET1 capital** | | |
| Additional value adjustments (prudent valuation requirement) (AVA) | -0.3 | -0.3 |
| **Total CET1 capital** | **1,674.3** | **1,662.8** |
| Other Tier 1 capital | 0.0 | 0.0 |
| **Total Tier 1 capital** | **1,674.3** | **1,662.8** |
| **Net subordinated loan capital** | **1,674.3** | **1,662.8** |
| **Calculation basis** | | |
| Calculation basis for credit and counterparty risk | 7,137.3 | 7,109.9 |
| Calculation basis for currency risk | 0.0 | 0.0 |
| Calculation basis for operational risk | 235.1 | 253.1 |
| Calculation basis for impaired counterparty credit valuation adjustment (CVA) | 6.5 | 11.2 |
| Deductions from calculation basis | 0.0 | 0.0 |
| **Total calculation basis** | **7,379.0** | **7,374.2** |
| **CET1 capital ratio** | **22.69%** | **22.55%** |
| **Tier 1 capital ratio** | **22.69%** | **22.55%** |
| **Capital adequacy** | **22.69%** | **22.55%** |
| **Buffers** | | |
| Capital conservation buffer | 184.5 | 184.4 |
| Countercyclical buffer | 184.5 | 147.5 |
| Systemic risk buffer | 332.1 | 221.2 |
| **Total buffer requirements** | **701.0** | **553.1** |
| **Available buffer capital** | **1,084.0** | **1,072.8** |
| **Leverage ratio** | **8.37%** | **8.33%** |

Sparebanken Øst Boligkreditt AS uses the standardised approach to calculate minimum equity and primary capital requirements for credit risk. The calculation related to operational risk is calculated based on the basic approach. The capital charge for credit value adjustment (CVA) is calculated using the standardised approach. Exposure amounts for derivatives are calculated using SA-CCR.

The credit institution's primary capital must comply with minimum capital adequacy 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 from Sparebanken Øst's website.

## NOTE 19 FINANCIAL INSTRUMENTS AT FAIR VALUE

Sparebanken Øst Boligkreditt AS' financial instruments in this category at fair value consist of derivatives certificates and bonds.

**Valuation of financial instruments at fair value**

*General information*
Sparebanken Øst Boligkreditt AS classifies fair value measurements using a hierarchy with the following levels:

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

*Certificates and bonds*
The company's portfolio of certificates and bonds is valued based on prices received from Nordic Bond Pricing. The prices from Nordic Bond Pricing are based on reported spreads from the brokers active in the Norwegian market.

Assessments are made of whether the prices from Nordic Bond Pricing appear correct.

The company 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. In the opinion of the bank, the prices used represent the best estimate of the securities' fair value. All of the company's certificate and bond holdings are placed in the pricing hierarchy's level 2. This is due to the fact that there is insufficient trading in any of the listed instruments for a market price can be read at any given time.

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

| **31.12.2023** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets and liabilities measured at fair value** | | | | |
| Certificates and bonds | 0.0 | 286.5 | 0.0 | 286.5 |
| Financial derivatives | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total assets at fair value** | **0.0** | **286.5** | **0.0** | **286.5** |
| Financial derivatives | 0.0 | 49.7 | 0.0 | 49.7 |
| **Total liabilities at fair value** | **0.0** | **49.7** | **0.0** | **49.7** |

| **31.12.2022** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets and liabilities measured at fair value** | | | | |
| Certificates and bonds | 0.0 | 266.1 | 0.0 | 266.1 |
| Financial derivatives | 0.0 | 15.1 | 0.0 | 15.1 |
| **Total assets at fair value** | **0.0** | **281.2** | **0.0** | **281.2** |
| Financial derivatives | 0.0 | 26.3 | 0.0 | 26.3 |
| **Total liabilities at fair value** | **0.0** | **26.3** | **0.0** | **26.3** |

## NOTE 20 FINANCIAL INSTRUMENTS AT AMORTISED COST

*Lending*
All of the company's lending is at variable interest rates. The fair value of loans at variable interest rates is subject to the influence of changing interest rate levels and credit margins, but can be re-priced on an ongoing basis in the short term. The Norwegian Act on Financial Contracts and Financial Assignments permits re-pricing with two months' notice. Sparebanken Øst Boligkreditt AS' assessment is that the amortised cost of the lending portfolio, excluding loss provisions in Step 1, gives a good approximation of fair value.

*Securities issued*
The company's securities issued are placed in level 2 of the pricing hierarchy because there is not enough turnover in any of the loans to derive a market price at any given time. The company uses estimated prices and credit spreads from Nordic Bond Pricing.

| **31.12.2023** | **Fair value** | **Book value** |
|---|---|---|
| **Assets and liabilities measured at amortised cost** | | |
| Loans to and receivables from financial institutions | 626.2 | 626.2 |
| Loans to customers | 18,077.3 | 18,074.3 |
| **Total assets at amortised cost** | **18,703.5** | **18,700.5** |
| Liabilities to financial institutions | 691.8 | 691.8 |
| Securities issued | 16,565.0 | 16,547.5 |
| **Total liabilities at amortised cost** | **17,256.8** | **17,239.3** |

| **31.12.2022** | **Fair value** | **Book value** |
|---|---|---|
| **Assets and liabilities measured at amortised cost** | | |
| Loans to and receivables from financial institutions | 702.5 | 702.5 |
| Loans to customers | 18,000.6 | 17,997.6 |
| **Total assets at amortised cost** | **18,703.1** | **18,700.1** |
| Liabilities to financial institutions | 1,096.3 | 1,096.3 |
| Securities issued | 16,237.8 | 16,269.8 |
| **Total liabilities at amortised cost** | **17,334.2** | **17,366.1** |

## NOTE 21 RISK AND RISK MANAGEMENT

Sparebanken Øst Boligkreditt AS seeks to maintain a low risk profile to ensure that the company's issued securities are attractive to external investors. The company's Board has adopted a strategy for financial risk, which sets out the company's policy and framework for risk-taking in the different risk areas. The company's Board revises the strategy at least annually.

The use of a framework as set out in the strategy is measured at least quarterly and reported to the Board. Sparebanken Øst Boligkreditt AS and the rest of the Group are measured and assessed as part of annual capital adequacy requirement evaluations (ICAAP). Monthly accounts reports are prepared on a monthly basis for the Board, the general manager, and the bank's management.

Reports from the external auditor and internal audit function are presented to and considered by the Board. The general manager makes an annual report regarding the overall assessment of the risk situation and internal controls. The compliance departments report on ongoing checks to the general manager, and present an annual status report to the Board.

Sparebanken Øst Boligkreditt AS is exposed to the following risks:
- operational risk associated with the business's internal operating structure
- commercial risk associated with exposure to external parties and general market conditions

## Operational risk
Operational risk is the risk of losses resulting from inadequate or failing internal processes, the failure of people and systems, or external events.

Operational risk in Sparebanken Øst Boligkreditt AS arises primarily in relation to the approval of loans, the use of IT systems, the issue of covered bond debt, and compliance with laws and regulations. The approval of loans takes place at Sparebanken Øst in accordance with an agreement between the companies. The credit process is subject to strict routines and the associated control procedures. IT systems are subject to the same control procedures that apply to Sparebanken Øst with operations and maintenance carried out by the bank in accordance with an agreement between the companies. The same applies to the issue of covered bond debt/liquidity management carried out by the bank as agreed. Compliance checks are carried out in Sparebanken Øst Boligkreditt AS by the Compliance department, which is part of the company's contracted resources. A monitor (BDO AS) carries out independent quarterly checks. KPMG performs internal auditing for Sparebanken Øst Boligkreditt AS.

## Commercial risks
The most significant commercial risks in Sparebanken Øst Boligkreditt AS include:
- Credit risk
- Market risk
- Liquidity risk

### Credit risk
Credit risk is the potential for losses as a result of customers and other counterparties failing to honour their commitments at the agreed time, and any security pledged for the relationship failing to cover the outstanding account. Concentration risk on geographic areas and individual customers is also included here.

Sparebanken Øst Boligkreditt AS acquires mortgages from two sources. Loans may be granted via Boligkreditt.no, a concept owned by the mortgage company, or they may be purchased from the parent bank. The latter is the company's main source of mortgages.

Loans transferred to or provided by Sparebanken Øst Boligkreditt AS are approved against real estate (residential mortgage) up to 80% of the property's market value. The loans are granted in accordance with conservative credit approval procedures so as to minimise the risk of losses. The credit policy of lending to customers is addressed daily through credit manuals, frameworks, and powers of attorney handled by the bank's credit department. The development in credit risk related to lending is monitored on an ongoing basis with framework control, periodic analyses and reports, and the use of random sampling at customer level. The loan-to-value ratio in the cover pool (LTV) was 46.7% at the end of 2023, compared to 45.6% at the end of 2022.

Boligkreditt and the parent bank's Internet concepts, in the shape of Nybygger.no and DinBank.no, along with the parent bank's existing branch network in the central area of the Eastern Norway region, are helping to reduce the geographical concentration found in the lending portfolio. Sparebanken Øst Boligkreditt AS is the legal and beneficial owner of all loans transferred to the cover pool, and shall have seniority if the same collateral secures loans in both the parent bank and the company.

| **Maximum credit exposure in excess of capitalised amount** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Liabilities** | | |
| Loan pledges | 0.0 | 0.5 |
| Overdraft facilities | 3,084.2 | 2,804.6 |
| **Total liabilities** | **3,084.2** | **2,805.1** |

Sparebanken Øst Boligkreditt AS' portfolio is based on credit ratings made by Sparebanken Øst and is subject to its organisation of the decision-making process. The decision-making process in the retail market is based on a centralised processing unit. The control measures implemented in the bank show that there is limited operational risk within this area. It is believed, therefore, that losses will primarily be linked to, and conditional upon, general future developments in the market.

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 which estimates the probability of default (PD) in the next 12 months from information about the customer's finances and behaviour. Risk classification is performed when new loan applications are assessed, then reclassified each month based on available information about changes in the customer's finances and behaviour.

The risk classification scale in Sparebanken Øst Boligkreditt AS 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 comprise commitments where there is objective evidence of non-performance, and these commitments are placed under special surveillance. Loans purchased by the parent bank must be within categories A-F.

### 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% | 100.0% |

### Lending by risk classes, 31.12.2023

| | Gross lending | Gross overdraft facilities | Commit-ments | % | Commitments Stage 1 | Loss prov. Stage 1 | Commit-ments Stage 2 | Loss prov. Stage 2 | Commitments Stage 3 | Loss prov. Stage 3 |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 6,458.8 | 1,022.8 | 7,481.6 | 35 | 7,465.2 | 0.4 | 16.4 | 0.0 | 0.0 | 0.0 |
| B | 8.844.9 | 1,958.8 | 10,803.7 | 51 | 10,716.5 | 1.8 | 87.1 | 0.1 | 0.0 | 0.0 |
| C | 1,950.9 | 78.0 | 2,028.5 | 10 | 1,969.0 | 0.7 | 59.5 | 0.1 | 0.0 | 0.0 |
| D | 454.1 | 13.0 | 467.1 | 2 | 327.0 | 0.2 | 140.2 | 0.3 | 0.0 | 0.0 |
| E | 158.8 | 5.0 | 163.8 | 1 | 85.1 | 0.1 | 78.7 | 0.2 | 0.0 | 0.0 |
| F | 123.3 | 1.8 | 125.1 | 1 | 36.6 | 0.1 | 88.5 | 0.4 | 0.0 | 0.0 |
| G | 20.8 | 0.1 | 20.8 | 0 | 3.6 | 0.0 | 17.2 | 0.1 | 0.0 | 0.0 |
| H | 6.5 | 0.0 | 6.5 | 0 | 0.0 | 0.0 | 6.5 | 0.1 | 0.0 | 0.0 |
| I | 26.4 | 4.0 | 30.4 | 0 | 5.1 | 0.1 | 25.3 | 0.8 | 0.0 | 0.0 |
| J | 35.2 | 1.3 | 36.5 | 0 | 0.0 | 0.0 | 0.5 | 0.0 | 36.0 | 0.0 |
| K | 0.0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **18,079.2** | **3,084.7** | **21,164.0** | **100** | **20,608.1** | **3.4** | **519.9** | **2.1** | **36.0** | **0.0** |

### Lending by risk classes, 31.12.2022

| | Gross lending | Gross overdraft facilities | Commit-ments | % | Commitments Stage 1 | Loss prov. Stage 1 | Commit-ments Stage 2 | Loss prov. Stage 2 | Commitments Stage 3 | Loss prov. Stage 3 |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 6,025.0 | 844.6 | 6,869.6 | 33 | 6,850.6 | 0.4 | 19.0 | 0.0 | 0.0 | 0.0 |
| B | 9,563.2 | 1,855.9 | 11,419.1 | 55 | 11,341.5 | 2.0 | 77.6 | 0.0 | 0.0 | 0.0 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| C | 1,645.2 | 87.1 | 1,732.3 | 8 | 1,683.5 | 0.6 | 48.8 | 0.0 | 0.0 | 0.0 |
| D | 435.9 | 12.5 | 448.3 | 2 | 344.0 | 0.2 | 104.3 | 0.2 | 0.0 | 0.0 |
| E | 137.2 | 0.2 | 137.4 | 1 | 51.2 | 0.1 | 86.2 | 0.3 | 0.0 | 0.0 |
| F | 102.4 | 2.4 | 104.9 | 1 | 23.3 | 0.1 | 81.6 | 0.5 | 0.0 | 0.0 |
| G | 21.4 | 0.0 | 21.4 | 0 | 6.7 | 0.0 | 14.7 | 0.1 | 0.0 | 0.0 |
| H | 8.8 | 0.0 | 8.8 | 0 | 0.0 | 0.0 | 8.8 | 0.1 | 0.0 | 0.0 |
| I | 39.3 | 2.5 | 41.7 | 0 | 4.8 | 0.1 | 37.0 | 1.8 | 0.0 | 0.0 |
| J | 25.2 | 0.0 | 25.2 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 25.2 | 0.0 |
| K | 0.0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **18,003.7** | **2,805.1** | **20,808.8** | **100** | **20,305.6** | **3.4** | **477.9** | **3.2** | **25.2** | **0.0** |

The pricing of loans to retail customers is primarily based on security coverage (loan-to-value ratio) and the size of the loan. Pricing throughout the year will still be influenced by developments in the general interest rate market, the parent bank’s overall growth objectives, and the overall competitive situation.

The main parameter in relation to the credit rating is the borrower’s financial situation and loan-to-value ratio. Loans at Sparebanken Øst Boligkreditt AS are secured against real estate, properties on leased land, or housing society dwellings within the statutory limits for loan-to-value ratios. The loan-to-value ratio is calculated on the basis of the loan amount in relation to the carefully assessed value of the collateral. For loans transferred to Sparebanken Øst Boligkreditt AS, the basis for determining the value is also ensured by a valuation undertaken by an approved independent third party.

**Market risk**

Market risk is the risk of losses in the market value of financial assets and liabilities in the event of a change in financial market prices. Sparebanken Øst is primarily exposed to market risk through changes in the level of interest rate and changes in the credit spread on bonds.

Interest rate risk

Interest rate risk arises when repricing interest rates for assets differs from the point of repricing for liabilities. The company does not offer fixed-rate loans. Interest-rate and currency derivatives to reduce interest-rate and currency risk are entered into for the company’s fixed-rate and foreign currency debenture loans. Interest rate risk is measured as the effect on net interest income and equity from changes in the yield curve. The interest rate risk at Sparebanken Øst Boligkreditt AS is limited.

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, amounting to one year’s effect on 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.

## Interest rate sensitivity

| Currency | Increase in basis points | Sensitivity on earnings 2023 | Sensitivity on earnings 2022 | Sensitivity on equity 2023 | Sensitivity on equity 2022 |
|---|---|---|---|---|---|
| NOK | +100 | 23.3 | 21.6 | 0.0 | 0.0 |
| **Total** | | **23.3** | **21.6** | **0.0** | **0.0** |

| Currency | Reduction in basis points | Sensitivity on earnings 2023 | Sensitivity on earnings 2022 | Sensitivity on equity 2023 | Sensitivity on equity 2022 |
|---|---|---|---|---|---|
| NOK | -100 | -23.3 | -21.6 | 0.0 | 0.0 |
| **Total** | | **-23.3** | **-21.6** | **0.0** | **0.0** |

## Time until expected interest rate change as at 31.12.2023

| | Up to 1 month | From 1-3 months | 3 months to 1 year | From 1-5 years | Over 5 years | No fixed-rate period | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Loans to and receivables from financial institutions | 625.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 626.2 |
| Loans to customers | 140.4 | 17,900.7 | 0.0 | 0.0 | 0.0 | 0.0 | 18,041.1 |
| Certificates and bonds | 82.7 | 202.2 | 0.0 | 0.0 | 0.0 | 0.0 | 285.0 |
| Financial derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accrued interest, not yet due | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 34.7 | 34.7 |
| Other assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.5 | 10.5 |
| **Total** | **848.4** | **18,102.9** | **0.0** | **0.0** | **0.0** | **46,2** | **18,997.5** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Liabilities to financial institutions | 691.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 691.4 |
| Securities issued | 751.0 | 15,729.6 | 0.0 | 0.0 | 0.0 | 0.0 | 16,480.5 |
| Financial derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 46.1 | 46.1 |
| Accrued interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 70.9 | 70.9 |
| Other liabilities | 0.1 | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 | 1.2 |
| **Total** | **1,442.5** | **15,730.1** | **0.0** | **0.0** | **0.0** | **117.5** | **17,290.1** |
| **Net exposure** | **-594.1** | **2,372.8** | **0.0** | **0.0** | **0.0** | **-71.3** | |

### Time until expected interest rate change as at 31.12.2022

| | Up to 1 month | From 1-3 months | 3 months to 1 year | From 1-5 years | Over 5 years | No fixed-rate period | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Loans to and receivables from financial institutions | 699.7 | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 | 702.5 |
| Loans to customers | 123.2 | 17,852.7 | 0.0 | 0.0 | 0.0 | 0.0 | 17.975.9 |
| Certificates and bonds | 62.7 | 202.4 | 0.0 | 0.0 | 0.0 | 0.0 | 265.1 |
| Financial derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.9 | 13.9 |
| Accrued interest, not yet due | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 23.9 | 23.9 |
| Other assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 101.4 | 101.4 |
| **Total** | **885.5** | **18,055.1** | **0.0** | **0.0** | **0.0** | **142.0** | **19,082.7** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Liabilities to financial institutions | 1,096.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,096.1 |
| Securities issued | 753.6 | 15,474.0 | 0.0 | 0.0 | 0.0 | 0.0 | 16,227.6 |
| Financial derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25.9 | 25.9 |
| Accrued interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 42.9 | 42.9 |
| Other liabilities | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 | 0.5 | 1.4 |
| **Total** | **1,849.7** | **15,474.9** | **0.0** | **0.0** | **0.0** | **69.3** | **17,393.9** |
| **Net exposure** | **-964.2** | **2,580.3** | **0.0** | **0.0** | **0.0** | **72.8** | |

Currency risk
Currency risk is the risk of a loss of value due to a change in the market rate of a foreign currency. Such risk is reduced by matching asset and liability positions with each other on the balance sheet or by using currency derivatives.

The company has no items in foreign currency as at 31.12.2023 or 31.12.2022.

Liquidity risk
Liquidity risk is the risk of the company failing to meet its debt obligations or other receivables obligations when due for payment, or having to pay a significantly higher price. Cash flows from lending in the cover pool must always exceed payment obligations to holders of covered bonds and derivative counterparties.

Sparebanken Øst Boligkreditt AS covers its borrowing needs from two sources; the company can issue covered bonds and/or draw on a credit facility in Sparebanken Øst. In the company's financial strategy, there are limits for the proportion of market financing that can be due within the next 12 months, and there are requirements for liquidity reserves that enable the company to redeem covered bonds maturing for a given time into the future.

The drawing facility the company has agreed with the parent bank can be used to pay down covered bond debt as it falls due. It is also used as a source of funding for organic growth through boligkreditt.no and to purchase substitute assets and bonds for liquidity purposes. Purchases of mortgages from the parent bank are also financed with the drawing rights in the period until a bond loan is issued.
Should there be an urgent need for financing at the maturity of previously issued covered bond borrowing, new covered bond borrowing can be issued and sold to Sparebanken Øst. Parts of the loan may be pledged as collateral for D and/or F loans in Norges Bank. All of the covered bond agreements entered into by the company have a “soft bullet” whereby the mortgage credit company can defer redemption by one year.

Covered bonds issued by Sparebanken Øst Boligkreditt AS have an AAA rating from Moody’s Investor Services. However, there are no external or internal requirements for AAA ratings on covered bonds issued in loan agreements, strategy or other guidelines.

Financial liabilities
The mortgage company’s financial liabilities are shown below at nominal value. All liabilities are added to the category for first possible payment when a contractual payment date is provided. The principal of the liability including future interest payments is what is stated. Interest rates and currency rates are as at 31.12.2023. Liabilities associated with derivatives are shown on a separate line, and related inflows from derivatives are shown under each table.

**Maturity analysis for financial liabilities as at 31.12.2023**

| | **Up to 1 month** | **From 1-3 months** | **3 months to 1 year** | **From 1-5 years** | **Over 5 years** | **No term** | **Total** |
|---|---|---|---|---|---|---|---|
| Liabilities to financial institutions | 0.0 | 0.0 | 37.5 | 766.5 | 0.0 | 0.0 | 804.1 |
| Securities issued | 0.0 | 200.5 | 2,581.6 | 14,928.8 | 738.9 | 0.0 | 18,449.9 |
| Other liabilities | 0.0 | 0.0 | 83.6 | 0.0 | 0.0 | 0.0 | 83.6 |
| Unused credit | 3,084.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,084.2 |
| **Financial liabilities excluding derivatives** | **3,084.2** | **200.5** | **2,702.7** | **15,695.3** | **738.9** | **0.0** | **22,421.7** |
| Financial derivatives (outflows) | 10.5 | 9.5 | 60.3 | 237.1 | 76.4 | 0.0 | 393.8 |
| **Financial liabilities** | **3.094,7** | **210.1** | **2,763.0** | **15,932.4** | **815.3** | **0.0** | **22,815.5** |
| Financial derivatives (inflows) | 0.0 | 0.0 | 53.6 | 146.1 | 38.9 | 0.0 | 238.6 |

**Maturity analysis for financial liabilities as at 31.12.2022**

| | **Up to 1 month** | **From 1-3 months** | **3 months to 1 year** | **From 1-5 years** | **Over 5 years** | **No term** | **Total** |
|---|---|---|---|---|---|---|---|
| Liabilities to financial institutions | 0.0 | 0.0 | 42.3 | 1,180.7 | 0.0 | 0.0 | 1,223.0 |
| Securities issued | 0.0 | 140.4 | 2,460.3 | 15,004.6 | 433.4 | 0.0 | 18,038.6 |
| Other liabilities | 0.0 | 0.0 | 53.5 | 0.0 | 0.0 | 0.0 | 53.5 |
| Unused credit | 2,804.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,804.6 |
| **Financial liabilities excluding derivatives** | **2,804.6** | **140.4** | **2,556.1** | **16,185.3** | **433.4** | **0.0** | **22,119.7** |
| Financial derivatives (outflows) | 7.3 | 4.1 | 34.2 | 153.3 | 48.8 | 0.0 | 247.7 |
| **Financial liabilities** | **2,811.9** | **144.4** | **2,590.4** | **16,338.6** | **482.2** | **0.0** | **22,367.5** |
| Financial derivatives (inflows) | 0.0 | 0.0 | 45.2 | 146.9 | 33.4 | 0.0 | 225.5 |

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.

The Norwegian Water Resources and Energy Directorate (NVE) has mapped and published a national dataset which shows, at the overview level, which areas may be exposed to physical climate risk. Through its assessments, NVE provides indications of whether homes are within specified zones for flooding, avalanches or rising sea levels. NVE's assessments are based on areas and not individual dwellings. The company has chosen to analyse exposed commitments within NVE's categories for flooding, storm surges, quick clay and avalanches. Risk class 1 covers 20-year floods and storm surges, quick clay in the high hazard level category and avalanche risk areas. Risk class 2 covers 50 to 200-year floods and storm surges and quick clay in the medium hazard grade. NVE ratings do not take account of individual and local safeguards. Based on NVE's analyses, Sparebanken Øst Boligkreditt AS has 3.1 per cent of the portfolio exposed to the risk class 1 scenarios, increasing to 5.5 per cent if the risk class 2 scenarios are included. The company considers the physical risk to be low and within acceptable levels. The number of risks in the table below expresses the number of main categories of physical risk (flood, avalanche and sea level rise) to which an commitment is exposed.

**Risk class 1 at 31.12.2023**

| Number of risks | Number of securities | Commitments | Percentage of portfolio |
|---|---|---|---|
| 1 | 312 | 561.1 | 2.65% |
| 2 | 57 | 82.6 | 0.39% |
| 3 | 1 | 2.7 | 0.01% |
| **Total** | **370** | **646.4** | **3.05%** |

**Risk class 1 + 2 at 31.12.2023**

| Number of risks | Number of securities | Commitments | Percentage of portfolio |
|---|---|---|---|
| 1 | 556 | 976.9 | 4.62% |
| 2 | 115 | 184.6 | 0.87% |
| 3 | 2 | 4.5 | 0.02% |
| **Total** | **673** | **1,166.0** | **5.51%** |

## NOTE 22 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

| 31.12.2023 | Mandatory fair value through profit or loss | Designated fair value through profit or loss | Measured at amortised cost | Total |
|---|---|---|---|---|
| Loans to and receivables from financial institutions | 0.0 | 0.0 | 626.2 | 626.2 |
| Loans to customers | 0.0 | 0.0 | 18,074.3 | 18,074.3 |
| Certificates and bonds | 286.5 | 0.0 | 0.0 | 286.5 |
| Financial derivatives | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total financial assets** | **286.5** | **0.0** | **18,700.5** | **18,987.0** |
| Liabilities to financial institutions | 0.0 | 0.0 | 691.8 | 691.8 |
| Securities issued | 0.0 | 0.0 | 16,547.5 | 16,547.5 |
| Financial derivatives | 49.7 | 0.0 | 0.0 | 49.7 |
| **Total financial liabilities** | **49.7** | **0.0** | **17,239.3** | **17,289.0** |

| 31.12.2022 | Mandatory fair value through profit or loss | Designated fair value through profit or loss | Measured at amortised cost | Total |
|---|---|---|---|---|
| Loans to and receivables from financial institutions | 0.0 | 0.0 | 702.5 | 702.5 |
| Loans to and receivables from customers | 0.0 | 0.0 | 17,997.6 | 17,997.6 |
| Certificates and bonds | 266.1 | 0.0 | 0.0 | 266.1 |
| Financial derivatives | 15.1 | 0.0 | 0.0 | 15.1 |
| **Total financial assets** | **281.2** | **0.0** | **18,700.1** | **18,981.3** |
| Liabilities to financial institutions | 0.0 | 0.0 | 1,096.3 | 1,096.3 |
| Securities issued | 0.0 | 0.0 | 16,269.8 | 16,269.8 |
| Financial derivatives | 26.3 | 0.0 | 0.0 | 26.3 |
| **Total financial liabilities** | **26.3** | **0.0** | **17,366.1** | **17,392.4** |

## NOTE 23 OWNERSHIP STRUCTURE

The share capital of Sparebanken Øst Boligkreditt AS amounts to NOK 437.1 million divided into 10.66 million shares each with a nominal value of NOK 41. All shares in Sparebanken Øst Boligkreditt AS are owned by Sparebanken Øst.

## NOTE 24 OPERATING SEGMENTS

Sparebanken Øst Boligkreditt AS operates in only one customer-facing segment. This is also how the management have organised the company for operational and management purposes.

Information regarding the geographic distribution of the lending portfolio is provided in Note 10. No customer may be deemed more important to the company than others based on size and similar. The company is not dependent on individual customers. No single customer accounts for more than 10%.

## NOTE 25 NETTING RIGHT, FINANCIAL DERIVATIVES

Sparebanken Øst Boligkreditt AS's netting is in accordance with general rules set out in Norwegian legislation.

Sparebanken Øst Boligkreditt AS has entered into standardised and mainly bilateral ISDA agreements with several financial institutions entitling the parties to netting in the event of any defaults. Additional agreements have also been entered into concerning provision of security (CSA) for the same counterparts.

| As at 31.12.2023 the exposure was as follows: | Gross amount | Set off in the balance sheet | Book value | Amount subject to net settlement | Exchanged collateral security | Amount following any net settlement |
|---|---|---|---|---|---|---|
| Financial derivatives, assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial derivatives, liabilities | 49.7 | 0.0 | 49.7 | 0.0 | 0.0 | 49.7 |

| As at 31.12.2022 the exposure was as follows: | Gross amount | Set off in the balance sheet | Book value | Amount subject to net settlement | Exchanged collateral security | Amount following any net settlement |
|---|---|---|---|---|---|---|
| Financial derivatives, assets | 15.1 | 0.0 | 15.1 | -10.2 | 0.0 | 5.0 |
| Financial derivatives, liabilities | 26.3 | 0.0 | 26.3 | -10.2 | 0.0 | 16.2 |

# Auditor’s Report

# Definitions of key figures and alternative performance targets

| | |
|---|---|
| 1 Return on equity* | Profit/loss after tax as a % of average equity The key figure provides relevant information about the company's profitability by measuring its ability to generate profitability on equity. |
| 2 Net interest income as a % of average total assets (GFK) | Net interest income as a % of average total assets. |
| 3 Profit/loss after tax as a % of average total assets (GFK) | Profit/loss after tax as a % of average total assets. |
| 4 Costs as a % of income (before losses)* | Com. costs, admin. costs and other operating costs as a % of net interest, com. income and gains/losses on financial instruments. The key figure is used to provide information about the ratio between income and costs. |
| 5 Losses as a % of net lending to customers (OB)* | Losses as a % of OB net loans to customers for the period This key figure indicates the recognised loss in relation to net lending at the beginning of the fiscal period and provides relevant information on the extent of the losses incurred by the company in relation to loan volume. |
| 6 Net non-performing commitments as a % of net lending* | Net non-performing commitments as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information in addition to that stated in the loss notes. |
| 7 Capital adequacy ratio in % | Total primary capital as a % of the risk-weighted volume (calculation basis). |
| 8 Tier 1 capital ratio in % | Tier 1 capital as a % of the risk-weighted volume (calculation basis). |
| 9 CET1 capital ratio (%) | CET1 capital as a % of the risk-weighted volume (basis for calculation) |
| 10 Dividend/additional dividend | Dividend/additional dividend in NOK millions. |
| 11 Average total assets (GFK) | Average total assets based on day-to-day balance sheet figures. |

*Defined as alternate profit target