180th year

Quarterly report

Q4 2022

SPAREBANKEN ØST

Interim financial statements – Q4 2022

Key figures – Group

Income Statement (Amounts in NOK millions)	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net interest income	189,4	162,8	686,2	631,3
Net commission income	9,0	12,0	37,4	33,3
Net result from financial assets	11,5	19,2	-28,7	89,8
Other operating income	1,4	0,5	3,4	6,4
Total net income	**211,3**	**194,4**	**698,3**	**760,8**
Total operating costs	**82,2**	**79,0**	**309,7**	**305,7**
Profit/loss before losses	**129,1**	**115,4**	**388,6**	**455,2**
Losses on loans, unused credit and guarantees	2,5	-1,0	6,8	0,5
Profit/loss before income tax	**126,6**	**116,4**	**381,9**	**454,7**
Income tax	31,7	18,7	85,5	79,3
Profit/loss after tax	**94,9**	**97,7**	**296,4**	**375,4**

Key figures	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Profitability				
Return on equity*	8,29	8,86	6,65	8,86
Net interest income as a % of average total assets	1,68	1,33	1,49	1,34
Profit/loss after income tax as a % of average total assets	0,84	0,80	0,65	0,79
Costs as a % of average total assets	0,73	0,65	0,67	0,65
Costs as a % of income (before losses on loans/guarantees)*	38,92	40,65	44,35	40,17
Costs as a % of income (excl. return on financial investments)*	41,17	45,09	42,60	45,55
Balance sheet figures				
Net lending to customers	36.800,2	39.386,7	36.800,2	39.386,7
Lending growth (quarter/12 months)	-1,10	-1,76	-6,57	11,12
Deposits	15.761,3	17.578,9	15.761,3	17.578,9
Deposit growth (quarter/12 months)	-6,22	-1,53	-10,34	18,42
Average equity	4.267,1	4.210,1	4.172,9	4.076,5
Average total assets	44.596,0	48.410,6	45.926,7	47.242,1
Loan loss provisions on impaired and non-performing commitments				
Losses as a % of net lending to customers (OB)*	0,03	-0,01	0,02	0,00
Loan loss provisions as a % of gross lending to customers*	0,31	0,32	0,31	0,32
Net payments over 90 days past due as a % of net lending*	0,21	0,20	0,21	0,20
Other net non-performing commitments (Stage 3) as a % of net lending*	0,14	0,31	0,14	0,31
Financial strength				
CET1 capital ratio (%)	20,11	18,24	20,11	18,24
Tier 1 capital ratio (%)	21,94	19,89	21,94	19,89
Capital adequacy ratio (%)	24,03	21,78	24,03	21,78
Risk-weighted volume (calculation basis)	19.087,0	21.190,0	19.087,1	21.190,0
Leverage ratio (%)	9,27	8,60	9,27	8,60
Liquidity				
Deposit coverage ratio	42,83	44,63	42,83	44,63
LCR (%)	217,26	249,72	217,26	249,72
Branches and FTEs				
No. of branches	30	29	30	29
FTEs	180	187	180	187
Equity certificates				
Ownership fraction (parent bank) (%)**	28,59	29,59	28,59	29,59
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate*	61,21	61,51	61,21	61,51
Earnings per equity certificate*	1,23	1,34	3,83	5,16
Dividend per equity certificate	3,80	3,85	3,80	3,85
Turnover rate	11,36	42,39	16,30	28,53
Price	47,00	57,20	47,00	57,20

* Defined as alternative performance target
** For ownership fraction as at 01.01.2023, see Note 17
For the definitions of key figures and a review of alternative performance targets, see page 35.

Board of Directors' Report

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

The bank's 180th year of operation resulted in a profit after tax of NOK 296.4 million. The turbulence in the financial markets had a negative impact on the results, and market values decreased by NOK 82.6 million in total in 2022. The return on equity was 6.65 per cent. Apart from the turbulence in the financial markets, the bank is pleased with how income and costs developed in 2022. The bank's presentation of its results must also be seen in light of the fact that the bank, as a standard method bank, must hold substantially more equity than many of our competitors.

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

Five interest rate hikes were carried out and took effect in the bank's customer portfolios in 2022. The bank's net interest income amounted to NOK 686.2 million in 2022, up NOK 54.9 million compared with 2021. A further two interest rate hikes have been approved since the end of the year and the start of February 2023.

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

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

Results for the quarter in brief

Profit for the quarter amounted to NOK 94.9 million, down NOK 2.8 million compared with Q4 2021. The return on equity (ROE) ended at 8.29 per cent, compared with 8.86 per cent in Q4 2021. Earnings per equity certificate are NOK 1.23, down from NOK 1.34 in Q4 2021.

The CET1 capital ratio was 20.11 per cent, up from 18.24 per cent in Q4 2021. The leverage ratio was 9.27 per cent, up from 8.60 per cent in Q4 2021.

Net interest income amounted to NOK 189.4 million, up NOK 26.6 million from Q4 2021. Measured as a percentage of average total assets, net interest income increased to 1.68 percent from 1.33 percent in Q4 2021.

Net other operating income amounted to NOK 21.9 million, down by NOK 9.7 million compared with Q4 2021. Profit effects from ownership interests were negative in the amount to NOK 6.4 million and down by NOK 42.1 million compared with Q4 2021. The liquidity portfolio gained NOK 10.9 million and was NOK 27.4 million higher than at the end of Q4 2021.

Operating costs totalled NOK 82.2 million, an increase of NOK 3.2 million from Q4 2021. The increase was due to, among other things, provisions for wealth tax, consultancy services and IT costs.

Losses amount to NOK 2.5 million compared with income of NOK 1.0 million in Q4 2021. The change in recognised losses is mainly due to changes in model-based loan loss provisions.

Proposed allocation of profit for 2022

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

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

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

(beløp i mill. kroner)		
Årsresultat morbank*		**326,0**
Kontantutbytte til egenkapitalbeviseierne	78,8	
Avsatt til allmennyttige gaver	196,8	
Sum utdelinger		**275,5**
Til utjevningsfond	36,3	
Til grunnfond	90,6	
Fra fond for urealiserte gevinster	-76,4	
Sum til egenkapital		**50,5**
Sum disponert		**326,0**

* EK-beviseiernes og grunnfondets andel av resultatet.

The proposed distribution of cash dividends amounts to NOK 3.80 per equity certificate, equivalent to NOK 78.8 million in total. The year's provisions for grants for good causes is historically high at NOK 196.8 million. Together, the dividend for equity certificate holders and grants for good causes amount to 99.2 per cent of the Group's profit for the year allocated to the equity certificate holders and primary capital, respectively. The Board of Directors' proposed allocation means that the bank's ownership fraction remains unchanged at 28.59 per cent.

The Board of Directors is proposing that more be distributed in dividends to equity certificate holders and as grants for good causes for 2022 than the bank's dividend policy indicates. The dividend policy will remain unchanged going forward with the aim being to pay out up to 50 per cent of the profit as dividends and grants.

The proposed allocation of the profit for 2022 entails 84.5 per cent of the parent bank's profit for the year allocated to equity certificate holders and primary capital being distributed as dividends and provisions for grants. According to the Financial Institutions Act, the Board of Directors has a duty to notify the Financial Supervisory Authority of Norway when it presents proposals in which total distributions exceed half of the profit. Sparebanken Øst has fulfilled its notification duty and informed the Financial Supervisory Authority of Norway of the Board of Directors' proposal. The Board of Directors' assessment of prudence regarding the distributions for 2022 are explained in more detail below.

THE BOARD OF DIRECTORS' ASSESSMENT OF PRUDENCE FOR 2022

The Financial Institutions Act's requirements for an assessment of prudence

"Dividend on share capital [...] and ownerless capital [...] shall not be higher than is appropriate and commensurate with prudent, sound business practices, due consideration being given to losses that may have arisen after the end of the financial year, or which must be expected to arise, and based on the need to build up the equity capital of the financial institution. [...] If the board of directors decides to present a proposal for a payout that entails that the overall dividend in a single year will exceed one half of the profit pursuant to the approved accounts for the latest financial year, the board of directors shall notify the proposal to Finanstilsynet. Finanstilsynet may, when necessitated by a financial institution's financial position, order the institution not to pay out dividend or to pay less dividend than that proposed by the board of directors or adopted by the general meeting." (Section 10.6 of the Financial Institutions Act).

Any losses that might have occurred after the end of the financial year, or that must be expected to occur, are taken account of in the bank's quarterly and annual financial statements on an ongoing basis based on IFRS standards, including IFRS 9 Financial Instruments. The need to build up equity capital in the bank was assessed in the bank's ICAAP for 2022. The total capital requirement is expressed via the bank's capital target, which is equal to the regulatory requirement plus a capital margin of 1.0 per cent. Sparebanken Øst uses the standard method for calculating capital requirements. Comparable savings banks primarily use the IRB method. The standard method requires significantly higher capital weights than the IRB method for the equivalent risk and customers. Therefore, compared with banks that use the IRB method, Sparebanken Øst's real capacity for absorbing losses is significantly higher than that of IRB banks, all else being equal.

Outlook for the Norwegian and global economies

The Board of Directors has specifically considered the national and international macroeconomic factors related to the war in Ukraine, as well as the macroeconomic factors in general, and the consequences they could have for the bank. Its assessment of prudence assumes continued major uncertainty in the global economy with reduced growth and high inflation. At the same time, there are now signs that inflation has peaked in many countries. Furthermore, it is clear that the Norwegian economy has held up well so far, partly thanks to high oil and gas prices, which are providing Norway with substantial extra income through, for example, higher exports to the EU. The Board of Directors also assumes that unemployment in Norway will remain at a low level going forward, and a relatively modest fall in house prices is expected. Greater uncertainty about the demand for commercial property is also assumed. Similarly, a drop in turnover in some parts of the retail and wholesale sector cannot be excluded.

The Board of Directors' assessments

In the opinion of the Board of Directors, the quality of the bank's loan portfolio is very good and the risk of impaired and non-performing commitments going forward is considered low. It also believes that the ongoing macroeconomic turbulence will have a limited impact on the bank's future lending activities. At the end of 2022, net non-performing commitments as a percentage of net lending amounted to 0.35 per cent. In 2022, losses represented 0.02 per cent of net lending to customers. The bank reduced its lending exposure to commercial property during the course of 2022 as a risk mitigation measure due to greater macroeconomic uncertainty. The proportion of lending to businesses is 9.6 per cent of total lending. The bank regularly analyses the composition of the tenant base in the commercial buildings mortgaged to the bank. The bank's exposure to vulnerable sectors, like hotels and restaurants and commerce related to sports and leisure, is low. The proportion of lending to private individuals accounts for 90.4 per cent of total lending. The average loan-to-value (LTV) ratio in the residential mortgage portfolio is 55.7 per cent and 98 per cent of the mortgages have an LTV ratio of less than 85 per cent.

The Board of Directors considers the risk associated with access to liquidity and management of the liquidity portfolio to be relatively low. It also believes that the ongoing macroeconomic turbulence will have a limited impact on the bank's access to funding and that fluctuations in value related to liquidity management will be limited going forward. Access to liquidity in the Norwegian capital market is regarded as good, even with the considerable uncertainty in the global economy. The liquidity portfolio is characterised by low credit risk and limited duration. Russia's invasion of Ukraine resulted in some substantial increases in credit margins for Norwegian and international bonds. However, the market value adjustments due to the war resulted in relatively modest negative value adjustments for the bank's liquidity portfolio.

The Board of Directors has also assessed the impact of greater macroeconomic uncertainty in relation to the bank's stake in Frende Forsikring and believes it is relatively low. It is assumed that economic downturns do not in themselves result in higher claim rates for either loss or life. The company's financial management was impacted by Russia's attack on Ukraine, although this did not have significant negative impacts on the company's operations and financial strength. It is believed that the greater macroeconomic uncertainty will not have any particular impact on the bank's shares in Eksportfinans AS since the company's activities are currently very limited and it has substantial equity. The bank's overall investments in NBX AS and Kraft Bank ASA are quite small, and it is believed that the bank will experience little impact from macroeconomic uncertainty going forward.

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

In a consultation paper dated 06.01.2023, the Financial Supervisory Authority of Norway proposes amendments to sections 10-6, 10-17 and 10-18 of the Financial Institutions Act that could affect the distribution of the profit allocated to the equity share capital in savings banks. These include an expanded notification duty and an obligation to apply to use the equalisation fund. The deadline for consultation submissions was set as 01.03.2023. It is assumed that any changes to the aforementioned provisions will not affect the Board of Directors' proposed distribution of the profit for 2022.

The Board of Directors' conclusions

The Board of Directors' conclusion is that the bank has significant risk-bearing capacity with a CET1 capital ratio of more than 20 per cent. This will enable future growth in lending to customers. The Board of Directors considers the risk on the bank's balance sheet to be low, including when compared to banks that fully or partially use IRB models for calculating their capital adequacy. For 2023, the bank is planning lending growth on a par with the general growth in credit in society over time.

The Board of Directors currently has no plans to reduce subordinated capital in 2023, beyond buying back equity certificates in connection with employee savings programmes (up to NOK 5 million). In a letter dated 20.12.2022, the Financial Supervisory Authority of Norway approved buybacks and similar within a budget of NOK 50 million.

The Board of Directors assumes that the risk assessments and stress tests used in the 2022 ICAAP remain relevant in terms of the national and international macroeconomic outlooks. Based on the above, it sees no need to make any extraordinary changes to the bank's ICAAP, including reassessing the bank's capital targets. In the opinion of the Board of Directors, no circumstances exist as at 09.02.2023 that indicate that all or part of the profit for 2022 should be retained as equity in the bank.

Sustainability

Sustainability has been integrated into every part of our operations and underpins our strategic ambitions of creating good customer experiences, ensuring compliance and delivering on our financial goals. In the main, we plan to encourage customers to make positive choices, although we can also choose not to finance individual commitments that do not align with our strategy.

The goal of the bank is to reduce its emissions and those of others, and in Q4 we adopted a goal of net zero emissions by the end of 2050. Going forward, the bank will work on setting targets, specifying measures and reporting climate emissions.

The bank has established a green framework for issuing green bonds and funding green loans. The establishment of a green framework is part of the bank's strategy in which we want to utilise the green bond market to contribute to the green transition. As a savings bank we can have a positive impact by maintaining a close dialogue with our customers and helping customers make sustainable choices. The bank offers customers both ordinary green mortgages and green first-time buyer mortgages, as well as green car loans via its subsidiary AS Financiering. Sparebanken Øst Boligkreditt issued its first green covered bond in January 2023.

More about the results for the quarter

NET INTEREST INCOME

Net interest income amounted to NOK 189.4 million, up NOK 26.6 million from Q4 2021 and NOK 12.7 million compared with Q3 2022. Rising interest rates result in increased interest income and also in higher interest costs for the bank. Market funding costs are increasing in line with higher money market rates. Increased deposit margins are the main reason for the increase in net interest income compared to Q4 2021 and Q3 2022.

Netto renteinntekter

Beløp i NOK mill.	Q4 22	Q3 22	Q4 21
Utlån til & fordringer på kredittinstitusjoner	2,6	1,5	0,3
Utlån til kunder	384,8	304,4	238,9
Sertifikater og obligasjoner	55,0	34,5	19,4
Sum renteinntekter	442,4	340,4	258,5
Gjeld til kredittinstitusjoner	1,6	1,8	1,5
Innskudd fra kunder	50,9	34,6	24,3
Verdipapirgjeld	192,3	120,5	64,5
Ansvarlig lånekapital	4,5	3,2	2,0
Sikringsfondsavgift	3,7	3,7	3,3
Sum rentekostnader	253,0	163,7	95,7
Netto renteinntekter	189,4	176,7	162,8
Rentenetto i % av GFK	1,68	1,55	1,33

NET OTHER OPERATING INCOME

Net other operating income comprises commission income and costs, dividends, net value changes and gains/losses on financial instruments and other income. Net other operating income amounted to NOK 21.9 million, down by NOK 9.7 million compared with Q4 2021.

Net commission income amounted to NOK 9.0 million, down NOK 3.0 million from Q4 2021. For comparison, net commission income amounted to NOK 8.7 million in Q3 2022.

Dividends received amounted to NOK 3.6 million, of which NOK 3.0 million came from VN Norge AS in connection with the sale of shares of Visa Inc. By comparison, no income was recognised as a result of dividend payments in Q4 2021.

Net value changes and gains/losses on financial instruments were positive by NOK 7.9 million, down by NOK 11.2 million from Q4 2021. The value of the liquidity portfolio rose by NOK 10.9 million, compared with a decrease of NOK 16.6 million in Q4 2021. The negative change in the value of the bank's shares in Norwegian Block Exchange AS (NBX) amounted to NOK 6.3 million, compared with a positive change in value of NOK 26.8 million for Q4 2021. The value of the bank's shares in Kraft Bank ASA rose by NOK 0.1 million, compared with a fall of NOK 1.2 million in Q4 2021. Negative value changes related to shares and options in Visa Inc. amounted to NOK 0.2 million compared with a decrease of NOK 1.9 million in Q4 2021. The quarter's change in value must be viewed in the context of dividends from VN Norge AS being recognised as income. The value of the bank's shares in Vipps Holding AS (owned at that time via Balder Betaling AS) was adjusted upwards by NOK 11.9 million in Q4 2021. The positive profit effects from foreign exchange, derivatives and fixed rate loans at fair value amounted to NOK 4.4 million. There were no equivalent profit effects in Q4 2021. The cost of buying back debt issued by the bank amounted to NOK 1.0 million. The bank had no corresponding buy-back costs in Q4 2021.

Netto andre driftsinntekter

Beløp i NOK mill.	Q4 22	Q3 22	Q4 21
Netto provisjonsinntekter	9,0	8,7	12,0
Utbytte	3,6	0,1	0,0
Nto. verdiendr. og gev./tap på sert. og obl.*	14,8	-15,9	-18,3
Nto. verdiendr. og gev./tap på aksjer	-6,4	-4,9	35,7
Nto. verdiendr. og gev./tap på fastrenteutlån	3,1	-0,9	-1,5
Nto. verdiendr. og gev./tap på på andre fin. instr.	-3,6	0,8	3,1
Andre driftsinntekter	1,4	0,5	0,5
Netto andre driftsinntekter	21,9	-11,5	31,6

*inkluderer resultateffekt fra finansielle derivater inngått med formål for økonomisk rentesikring i likviditetsporteføljen

OPERATING COSTS

Operating costs totalled NOK 82.2 million, an increase of NOK 3.2 million from Q4 2021.

Salaries and other personnel costs amounted to NOK 44.5 million, down by NOK 1.5 million from Q4 2021. Other operating costs totalled NOK 30.8 million, an increase of NOK 4.5 million from Q4 2021. The increase was due to, among other things, provisions for wealth tax, consultancy services and IT costs.

Driftskostnader

Beløp i NOK mill.	Q4 22	Q3 22	Q4 21
Lønn og andre personalkostnader	44,5	45,9	46,0
Avskrivning/nedskrivning varige og im. eiend.	7,0	6,8	6,8
Andre driftskostnader	30,8	27,0	26,2
Sum driftskostnader	82,2	79,8	79,0
Kostnader i % av GFK	0,73	0,70	0,65

IMPAIRMENT AND NON-PERFORMING COMMITMENTS

Losses on loans, unused credits and guarantees amounted to NOK 2.5 million, of which changes in model-based loan loss provisions amounted to income of NOK 2.2 million. By comparison, losses amounted to income of NOK 1.0 million in Q4 2021, of which changes in model-based loan loss provisions amounted to income of NOK 4.5 million.

With clear signs of a turnaround in the Norwegian economy, with prospects for slower growth both nationally and internationally, the economic outlook is considered to have changed at the end of Q4 compared with what was assumed at the time of the presentation of the annual financial statements for 2021. The ongoing invasion of Ukraine is having major economic repercussions both in Europe and around the world and, together with higher inflation and interest rates/costs, this is contributing to increased uncertainty about future developments. As a result, the probability weighting of macro scenarios used to calculate model-based expected credit losses was changed as at the end of Q3 2022, with the probability of a pessimistic scenario increasing from 25 per cent to 30 per cent. The effect of the change amounted to NOK 1.3 million in higher loan loss provisions in Q3 2022.

Tapskostnad

Beløp i NOK mill.	Q4 22	Q3 22	Q4 21
Utlån til personkunder i mor og boligkredittsel.	0,1	1,8	2,8
Utlån til næringskunder	1,1	-0,2	-5,6
Utlån i AS Financiering	1,1	1,6	1,5
Ubenyttede kreditter og garantier	0,1	0,1	0,3
Sum tapskostnad	2,5	3,3	-1,0
Tap i % av netto utlån til kunder (IB)	0,03	0,03	-0,01

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

Tapsavsetninger

Beløp i NOK mill.	Q4 22	Q3 22	Q4 21
Utlån til personkunder i mor og boligkredittsel.	18,4	18,3	16,3
Utlån til næringskunder	4,3	3,2	4,3
Utlån i AS Financiering	89,2	106,9	104,5
Ubenyttede kreditter og garantier	1,3	1,2	1,4
Sum tapsavsetninger	113,2	129,5	126,5
Tapsavsetninger i % av brutto utlån til kunder	0,31	0,35	0,32

Net non-performing commitments are very modest at NOK 128.9 million, or 0.35 per cent of net lending to customers. Compared with the end of 2021, net non-performing commitments were down by NOK 71.7 million. The reduction was mainly attributable to a single business commitment that at the end of 2021 was in the process of being terminated (classified as non-performing) but which during 2022 was settled without loss for the bank.

Misligholdte engasjementer

Beløp i NOK mill.	Q4 22	Q3 22	Q4 21
Utlån til personkunder i mor og boligkredittsel.	47,8	33,5	47,5
Næringskunder	7,1	7,7	72,8
AS Financiering	160,6	175,1	178,5
Sum brutto misligholdte engasjementer	215,6	216,3	298,8
Tapsavsetninger på misligholdte engasjement.	86,7	101,1	98,2
Netto misligholdte engasjementer	128,9	115,2	200,7
Netto misligholdte eng. i % av netto utlån	0,35	0,31	0,51

INCOME TAX

Income tax stands at NOK 31.7 million, equal to 25.0 per cent of the profit before income tax.

Profit for 2022

The profit for the year was NOK 296.4 million, a reduction of NOK 79.1 million from 2021. The turbulence in the financial markets had a negative impact on the results, and market values decreased by NOK 82.6 million in total in 2022. The return on equity was 6.65 per cent compared with 8.86 per cent in 2021. Earnings per equity certificate were NOK 3.83, down from NOK 5.16 in 2021.

NET INTEREST INCOME

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

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

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

The bank's deposit margins increased during the year. Interest costs for deposits, measured in Norwegian kroner, are increasing due to significantly higher interest rates.

Netto renteinntekter

Beløp i NOK mill.	2022	2021
Utlån til & fordringer på kredittinstitusjoner	5,7	0,3
Utlån til kunder	1.203,9	905,2
Sertifikater og obligasjoner	145,9	61,1
Sum renteinntekter	1.355,5	966,6
Gjeld til kredittinstitusjoner	6,7	6,3
Innskudd fra kunder	136,4	86,0
Verdipapirgjeld	498,7	222,4
Ansvarlig lånekapital	12,8	7,3
Sikringsfondsavgift	14,7	13,3
Sum rentekostnader	669,3	335,3
Netto renteinntekter	686,2	631,3
Rentenetto i % av GFK	1,49	1,34

NET OTHER OPERATING INCOME

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

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

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

Net value changes and gains/losses on financial instruments amounted to NOK -82.6 million, down NOK 101.0 million compared with 2021. Market turbulence arising from geopolitical uncertainty related to the invasion of Ukraine resulted in higher credit spreads on bonds in the bank's liquidity portfolio in Q1. Since then, higher inflation, the energy crisis, and fears of an economic downturn resulted in a further increase in credit premiums and negative changes in market value in 2022. The value of the liquidity portfolio fell by NOK 46.8 million, compared with a reduction of NOK 25.5 million in 2021. The bank has no corresponding positive adjustment effects in profit/loss from bond debt, as all of the bond debt is recognised at amortised cost. The turbulence in the financial markets has also resulted in higher volatility and falls in value in the stock exchanges. The negative change in value of the bank's shares in Norwegian Block Exchange AS (NBX) amounted to NOK 30.9 million. By comparison, the positive change in the value of the shareholding in NBX amounted to NOK 26.8 million in Q4 2021. The value of the bank's shares in Kraft Bank ASA fell by NOK 5.3 million, compared with a rise of NOK 2.6 million in 2021. Positive value changes related to shares and options in Visa Inc. amounted to NOK 1.5 million compared with an increase of NOK 0.8 million in 2021. The year's change in value must be viewed in the context of dividends from VN Norge AS being recognised as income. The positive result effect on the bank's shareholding in Frende Holding AS amounts to NOK 4.8 million. As from Q3, the bank owns shares in Vipps Holding AS directly, as against the previous indirect ownership via Balder Betaling AS. The bank's redemption of its ownership in Balder Betaling AS produced a positive profit/loss effect of NOK 0.5 million (in Q3). In 2021, the appreciation in the value of the shares in Balder Betaling AS amounted to NOK 13.7 million. The negative profit effects from foreign exchange, derivatives and fixed rate loans at fair value amounted to NOK 2.4 million. The corresponding profit effects were positive and amounted to NOK 0.2 million in 2021. The cost of buying back the bank's own issued debt amounted to NOK 3.9 million, compared with NOK 0.3 million in 2021.

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

Netto andre driftsinntekter

Beløp i NOK mill.	2022	2021
Netto provisjonsinntekter	37,4	33,3
Utbytte	53,9	71,4
Nto. verdiendr. og gev./tap på sert. og obl.	-50,5	-34,7
Nto. verdiendr. og gev./tap på aksjer	-29,5	44,0
Nto. verdiendr. og gev./tap på fastrenteutlån	-6,3	-7,9
Nto. verdiendr. og gev./tap på på andre fin. instr.	3,6	17,0
Andre driftsinntekter	3,4	6,4
Netto andre driftsinntekter	12,1	129,5

*inkluderer resultateffekt fra finansielle derivater inngått med formål for økonomisk rentesikring i likviditetsporteføljen

OPERATING COSTS

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

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

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

Driftskostnader

Beløp i NOK mill.	2022	2021
Lønn og andre personalkostnader	168,5	175,8
Avskrivning/nedskrivning varige og im. eiend.	27,2	27,6
Andre driftskostnader	114,1	102,3
Sum driftskostnader	309,7	305,7
Kostnader i % av GFK	0,67	0,65

IMPAIRMENT AND NON-PERFORMING COMMITMENTS

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

Tapskostnad

Beløp i NOK mill.	2022	2021
Utlån til personkunder i mor og boligkredittsel.	2,3	3,0
Utlån til næringskunder	-0,1	-8,7
Utlån i AS Financiering	4,7	6,0
Ubenyttede kreditter og garantier	-0,1	0,2
Sum tapskostnad	6,8	0,5
Tap i % av netto utlån til kunder (IB)	0,02	0,00

INCOME TAX

Income tax stands at NOK 85.5 million, equal to 22.4 per cent of the profit before income tax. Income tax is mainly affected by dividend income on shares covered by the exemption method.

Main items on the balance sheet

Total assets amounted to NOK 44.1 billion, down NOK 4.0 billion compared with the end of 2021.

LENDING TO CUSTOMERS

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

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

Net lending to business customers amounted to NOK 3.5 billion, a decrease of NOK 0.9 billion, or 21.0 per cent, in the past 12 months. The reduction is mainly attributable to natural dropout due to the repayment of loans, as well as strong price competition within some segments with low risk pricing. In a market characterised by high property prices, low lending margins and rising interest rates, with a considerably higher risk premium in the bond market for real estate actors, the bank has chosen to take a defensive approach to business customers and reduced risk in the business portfolio. There has been a marked increase in the value of commercial property over a prolonged period, and rising interest rates and required rates of return could lead to a fall in commercial property prices. Exposure to commercial property represents a relatively large proportion of the business portfolio, but a very limited proportion of the bank's total loan portfolio. The bank's commercial property lending is modest at NOK 2.3 billion, or about 6.2 per cent of gross lending, down from NOK 2.7 billion, or around 6.9 per cent, at the end of 2021. The bank has no exposure to oil, oil-related activities, fishing or aquaculture activities. In general terms, the bank can also be said to have little direct or indirect exposure to the accommodation/hospitality industry, import/export businesses and major industrial and trading operations. There is little direct or indirect exposure to trading activities with the exception of groceries.

DEPOSITS FROM CUSTOMERS

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

LIQUIDITY AND FINANCING

The bank takes a conservative approach to liquidity risk and exercises proper liquidity management so that the Group has sufficient liquid assets to cover its obligations upon maturity at all times. The bank must be able to run normal operations for a period of at least 12 months without access to external financing. The bank also takes on credit risk through managing liquidity reserves and excess liquidity. The bank intends to retain interest-bearing securities with low credit risk for liquidity purposes (reserve for disposal when needed) and as a deposit basis for borrowing facilities at the central bank. The bank's liquidity risk is monitored continuously, and updated overviews of the bank's total counterparty risk are available.

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

The short-term liquidity target measured by LCR is above the bank's agreed limit of 102 per cent and amounts to 217.3 per cent, against 249.7 per cent at the end of 2021. The bank's liquidity strategy involves a high proportion of securities that are included in the LCR calculation. The maturity structure for market funding significantly affects LCR.

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

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

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

FRENDE FORSIKRING

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

The bank's share of the profits in Frende amounted to NOK 20.1 million for Q4 and NOK 39.9 million for 2022. By comparison, the bank's share of the profit was NOK 21.2 million in Q4 2021 and NOK 71.7 million for 2021. The profit for 2022 was affected by very good technical insurance results and negative financial results due to the turbulence in the financial markets throughout the year.

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

MISC. OWNERSHIP INTERESTS IN OTHER COMPANIES

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

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

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

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

In Q2, the bank's stake in Norwegian Block Exchange AS (NBX) was reduced from 9.92 per cent to 9.43 per cent as a result of a private placement. The bank did not participate in the share issue. As of December 2021, NBX is listed on Euronext Growth Oslo and the bank adjusted the value of the shareholding upwards to NOK 26.8 million in Q4 2021. In 2022, the value of the shareholding was adjusted downwards by NOK 30.9 million to NOK 10.9 million. The bank's historical cost price for the shareholding was NOK 15.0 million.

Capital adequacy

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

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

The applicable Pillar 2 requirement for Sparebanken Øst is 1.8 per cent, with a minimum of NOK 360 million. The requirement came into effect on 30.06.2020. Given the current level of the countercyclical buffer of 2.0 per cent, this entails a total CET1 capital requirement of at least 13.8 per cent at the end of 2022. The systemic risk buffer has been postponed for a year and will for the bank increase by 1.5 percentage points from 3.0 per cent to 4.5 per cent from 31.12.2023. The countercyclical capital buffer will increase by 0.5 percentage points from 2.0 per cent to 2.5 per cent on 31.03.2023, which is where it was before March 2020 and the outbreak of Covid-19. With the announced increases in capital requirements, Sparebanken Øst's total regulatory requirement for CET1 capital will increase to 15.8 per cent under the applicable Pillar 2 requirement at the end of 2023.

On 15.07.2022, the Board of Directors voted to change the CET1 capital target from 14.75 per cent to expressing the capital target as follows: Sparebanken Øst's has a target for CET1 capital, which should be equal to the regulatory requirement plus a capital margin of 1.0 per cent. Based on the applicable regulatory requirements at the end of 2023, the bank's target for CET1 capital is 16.8 per cent.

Net subordinated loan capital at the end of 2022 amounted to NOK 4.6 billion, of which the Group's Tier 1 capital accounted for NOK 4.2 billion. With a calculation basis of NOK 19.1 million, this corresponds to a capital adequacy ratio of 24.03 per cent, of which 21.94 per cent constitutes the Tier 1 capital ratio. The leverage ratio was 9.27 per cent at the end of 2022, an increase from 8.60 per cent at the end of 2021. The current leverage ratio requirement is 3.0 per cent.

Kapitalnivå

prosent	2022	2021
Ren kjernekapitaldekning	20,11	18,24
Kjernekapitaldekning	21,94	19,89
Kapitaldekning	24,03	21,78
Uvektet kjernekapitalandel	9,27	8,60

Significant differences in treatment of equal risk between banks

Sparebanken Øst bases its capital calculations on the principles in the standard method, which according to the current regulations means that loans with the same risk are subject to far higher risk weights when compared with the approach of banks that use risk weights set out in IRB models.

The result of this is that, with its capital requirements, Sparebanken Øst holds far more equity for its lending than banks that are able to use IRB models for all or parts of their lending portfolios. The end of the Basel 1 floor for Norwegian IRB banks from 31.12.2019 altered the competitive situation in the Norwegian market to a significant degree and has also left its mark on profit performance.

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

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

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

Rating

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

Subsidiaries

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

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

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

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

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

Accounting policies

The interim financial statements are prepared in accordance with IFRS (including IAS 34 Interim Financial Reporting). The interim financial statements have not been audited. Please see Note 1 for more details.

Dividend policy

On 15.07.2022, the Board of Directors approved changes to the bank's dividend policy that will result in the maintenance of a stable ownership fraction over time. The bank's ownership fraction, both as at 01.01.2022 and at the end of 2022, following the Board of Directors' proposed distribution of the profit for 2022, was 28.59 per cent. The bank's dividend policy is:

Our financial targets for our operations are to achieve results that provide a good and stable return on the bank's equity and create value for equity certificate holders as competitive returns in the form of dividends and equity certificate appreciation. We will strive to ensure that our dividend policy results in a stable ownership fraction over time.

The profit for the year will be divided between equity certificate holders and social capital in accordance with their respective shares of the bank's equity. We will aim to pay out up to 50 per cent of the profit allocated to equity certificate holders as dividends.

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

When the dividend is set, due consideration will be taken of the bank's financial performance, market situation, dividend stability and need for Tier 1 capital.

Target for the return on equity (ROE)

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

The macro situation

After 2 years of pandemic, the economy was expected to start recovering at the beginning of 2022. On 12.02.2022, the last regulatory pandemic protection measure was discontinued, and most people were optimistic about the future. However, instead of economic growth, 2022 saw war, inflation, rising interest rates and the fear of recession.

Prices had already started to rise sharply in 2021, although both central banks and many experts believed that this inflation was transitory and that prices would fall back once the economy normalised. Russia's invasion of Ukraine and the subsequent energy crisis and higher food prices ensured that this was not the case. The annual rise in the consumer price index ended at a record high of 5.8 per cent in 2022 compared with 3.5 per cent in 2021.

Mainland GDP shrank by 0.6 per cent in Q1, despite strong growth in March after all of the corona restrictions had been lifted. Q2 saw solid growth and Mainland GDP was 1.3 per cent higher than at the start of Q1. Q3 saw growth in Mainland GDP of 0.8 per cent, largely driven by higher activity levels in service industries. Mainland GDP also rose in October and November, and it is estimated that the increase for the full year 2022 may be up to 3.7 per cent.

Unemployment remained low throughout 2022 and at the end of the year the unemployment rate was 1.6 per cent, down from 2.3 per cent at the start of the year. Jobseekers on measures offered by the Norwegian Labour and Welfare Administration (NAV) amounted to 2.7 per cent. A tight labour market contributed to wage growth for many employees, and this may contribute to core inflation remaining above target for some time.

Norges Bank raised its policy rate by 2.25 percentage points over the course of 2022 to 2.75 per cent at the end of 2022. This is the highest policy rate since 2009. Norges Bank was quick to signal that it would have to see clear signs that inflation was coming back to target before it stops raising the policy rate. Despite inflation edging down in Q4 2022, Norges Bank repeated its message and at least one more rate hike is expected in 2023.

Money market rates rose throughout 2022 and much of this was due to policy rate hikes and expectations of a higher policy rate. Weak liquidity in Norwegian kroner resulted in a very volatile money market premium throughout 2022. High oil and gas prices resulted in energy companies operating on the Norwegian continental shelf earning substantial income and therefore ending up with big tax bills. With income in foreign currency and tax claims in Norwegian kroner, this resulted in a major shortage of Norwegian kroner in connection with tax payments. This in turn resulted in high money market premiums throughout 2022 despite somewhat higher foreign exchange purchases by Norges Bank.

House prices fluctuated widely in 2022. Q1 saw record growth, while the development from and including September was negative. For the full year 2022, house prices in Norway rose by 1.5 per cent. Sales of homes fell by 10.2 per cent in 2022 compared with 2021 and were back to the level seen in 2019.

Future prospects

The level of activity in the Norwegian economy remained solid throughout 2022, although Norges Bank estimates that the cyclical peak has been reached and that activity will decline going forward. For next year, Norges Bank is assuming that lower consumption will lead to a 0.2 per cent fall in activity in the mainland economy. It estimates that activity will gradually pick up again in 2024 and 2025.

Unemployment was very low in 2022 and is expected to increase in 2023. Employment growth is expected to slow and the number of people in work is expected to start falling.

Norges Bank has signalled that it will most probably raise its key policy rate again in Q1 2023, although there are strong indications that the interest rate peak is also approaching. A policy rate of 2.75 per cent at the end of 2022 has already had a tightening effect and Norges Bank writes that it is expecting a marked turnaround in the Norwegian economy. Stabilisation of the policy rate and money market rates would be positive for the bank's borrowing costs in the sense that they would not rise further as they did throughout 2022 but remain at about the current level.

Competition for loan customers is expected to increase further in 2023. With the prospect of lower house prices and lower credit growth, banks are expected to increasingly compete for each other's customers. The fierce competition for deposits is also expected to continue. Norwegian households and, to some extent, companies, substantially increased their savings during the pandemic. With high inflation and rate increases, this buffer is expected to be gradually eaten away and higher pressure on deposit margins is expected.

The growth in lending has varied considerably over time and is expected to be approximately on a par with the general growth in credit in 2023. The growth in the retail market is expected to come within residential mortgages, both via the office channel and the digital concepts, and within secured car loans for used cars. Growth in lending to the business market should occur in the Group's defined market areas, where the main product is repayment loans secured against property.

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

Banking involves risk and losses on loans, so guarantees to customers cannot be excluded. Non-performing commitments and losses on lending are expected to remain at relatively low levels going forward.

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

The new Financial Contracts Act entered into force on 01.01.2023. The Act implements a number of EU Regulations and Directives. The main purpose of the Act is to increase consumer protection. The new Financial Contracts Act has required some fairly extensive changes to be made. Because of it, the bank has implemented a number of adjustments and changes, including to systems, routines and agreements. However, there are still some issues in relation to the new Act that do not appear to have been settled. The bank expects clarifications and statements on interpretation to be issued in the future, as well as cases where the banks' practices in relation to the Act will provide answers to unresolved questions of interpretation.

Sparebanken Øst bases its capital calculations on the principles in the standard method. Government regulation within the capital and solvency area produces great competitive advantages for those banks that can utilise IRB models. It is a matter of deep concern that the Norwegian authorities are choosing to discriminate against banks through the capital calculation regulations by treating equal risk differently. If the authorities choose to maintain this differential treatment it could have a major impact on the structure of the Norwegian financial services industry and on how individual savings banks will align their operations in the future. Sparebanken Øst is working to ensure that the framework conditions for Norwegian banks become more aligned and that

the banks compete on the same terms. In the bank's opinion,

there is significant uncertainty relating to the general conditions and future capital adequacy requirements for banks that calculate their capital requirements using the standard method.

Hokksund, 31.12.2022
Drammen, 09.02.2023

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

Income Statement – Group

(Amounts in NOK millions)	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Interest income from assets valued at amortised cost		385,1	237,2	1.201,1	896,9
Interest income from assets valued at fair value		57,3	21,3	154,3	69,7
Interest costs		253,0	95,7	669,3	335,3
Net interest income	13	**189,4**	**162,8**	**686,2**	**631,3**
Commission income and income from banking services		21,2	24,1	86,2	79,4
Commission costs and costs for banking services		12,2	12,1	48,8	46,1
Dividend		3,6	0,0	53,9	71,4
Net value changes and gains/losses on financial instruments	14	7,9	19,1	-82,6	18,4
Other operating income		1,4	0,5	3,4	6,4
Net other operating income		**21,9**	**31,6**	**12,1**	**129,5**
Salaries and other personnel costs		44,5	46,0	168,5	175,8
Depreciation/write-downs in tangible fixed and intangible assets		7,0	6,8	27,2	27,6
Other operating costs		30,8	26,2	114,1	102,3
Total operating costs	15	**82,2**	**79,0**	**309,7**	**305,7**
Profit/loss before losses		**129,1**	**115,4**	**388,6**	**455,2**
Losses on loans, unused credit and guarantees	4	2,5	-1,0	6,8	0,5
Profit/loss before income tax		**126,6**	**116,4**	**381,9**	**454,7**
Income tax		31,7	18,7	85,5	79,3
Profit/loss after tax		**94,9**	**97,7**	**296,4**	**375,4**
Hybrid capital owners' share of the result		5,7	3,7	18,7	14,1
Equity certificate holders' and primary capital share of profits		89,1	94,0	277,7	361,4
Profit/loss after tax		**94,9**	**97,7**	**296,4**	**375,4**
Earnings per equity certificate		1,23	1,34	3,83	5,16
Diluted earnings per equity certificate		1,23	1,34	3,83	5,16

Comprehensive income – Group

(Amounts in NOK millions)	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Profit/loss after tax		**94,9**	**97,7**	**296,4**	**375,4**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans		-26,9	12,2	-26,9	12,2
Tax related to items that cannot be reclassified		6,7	-3,0	6,7	-3,0
Comprehensive income		**74,7**	**106,9**	**276,2**	**384,6**

Balance Sheet – Group

(Amounts in NOK millions)	Note	31.12.2022	31.12.2021
Assets			
Cash and receivables from central banks	10	486,4	302,6
Loans to and receivables from financial institutions	10	16,1	11,0
Lending to customers	4,7,8,10,11	36.800,2	39.386,7
Certificates and bonds	10,11	5.635,3	7.198,9
Financial derivatives	10,11	44,4	156,5
Shares and units	10,11	796,0	848,6
Intangible assets		33,9	32,3
Investment properties		11,4	11,7
Tangible fixed assets		120,5	116,3
Lease rights		41,1	41,2
Other assets		93,0	21,9
Total assets		**44.078,4**	**48.127,6**
Liabilities and equity			
Liabilities to financial institutions	10	274,1	300,3
Customer deposits	6,10	15.761,3	17.578,9
Securities issued	10,12	21.375,7	24.283,8
Financial derivatives	10,11	131,7	15,4
Pension liabilities		52,7	35,4
Deferred tax		1,4	3,7
Provisions for unused credit and guarantees		1,3	1,4
Other liabilities		328,5	372,5
Lease liabilities	10	42,2	42,2
Senior non-preferred bonds	10,12	896,2	400,2
Subordinated loan capital	10,12	420,9	400,4
Total liabilities		**39.286,1**	**43.434,2**
Paid-up equity		595,1	595,1
Hybrid capital		352,9	351,9
Retained earnings		3.844,3	3.746,4
Total equity		**4.792,3**	**4.693,4**
Total liabilities and equity		**44.078,4**	**48.127,6**

Changes in Equity - Group

		Paid-up equity		Hybrid capita		Retained earnings			
								Fund for	
(Amounts in NOK millions)	Total	Equity	Share	ditional Tier 1	Equalisation	Primary	Endowment	unrealised	Other
31.12.2022	**equity**	**certificates**	**nium reserve**	**capital**	**fund**	**capital**	**fund**	**gains**	**equity**
Equity as at 31.12.2021	**4.693,4**	**207,3**	**387,8**	**351,9**	**413,3**	**2.361,5**	**38,1**	**473,7**	**459,9**
Ordinary profit	296,4	0,0	0,0	18,7	115,0	287,3	0,0	-76,4	-48,4
Actuarial gains and losses on defined-benefit plans	-20,2	0,0	0,0	0,0	-5,5	-13,8	0,0	0,0	-0,9
Comprehensive income	**276,2**	**0,0**	**0,0**	**18,7**	**109,5**	**273,6**	**0,0**	**-76,4**	**-49,2**
Dividend to equity certificate holders 2021 – adopted	-79,8	0,0	0,0	0,0	-79,8	0,0	0,0	0,0	0,0
Grants for good causes 2021 approved	-79,8	0,0	0,0	0,0	0,0	-79,8	0,0	0,0	0,0
Interest paid on hybrid capital	-17,6	0,0	0,0	-17,6	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2022	**4.792,3**	**207,3**	**387,8**	**352,9**	**443,0**	**2.555,3**	**38,1**	**397,3**	**410,7**

The year's proposed dividend for equity certificate holders of NOK 78.8 million (NOK 3.80 per equity certificate) is being held as part of the equalisation fund, and the year's proposed provisions for good causes of NOK 196.8 million are being held as part of primary capital until they are finally approved by the Board of Trustees.

		Paid-up equity		Hybrid capita		Retained earnings			
								Fund for	
(Amounts in NOK millions)	Total	Equity	Share	ditional Tier 1	Equalisation	Primary	Endowment	unrealised	Other
31.12.2021	**equity**	**certificates**	**nium reserve**	**capital**	**fund**	**capital**	**fund**	**gains**	**equity**
Equity as at 31.12.2020	**4.442,0**	**207,3**	**387,8**	**351,7**	**412,7**	**2.164,1**	**38,1**	**434,7**	**445,6**
Ordinary profit	375,4	0,0	0,0	14,1	91,3	217,2	0,0	38,9	14,0
Actuarial gains and losses on defined-benefit plans	9,1	0,0	0,0	0,0	2,6	6,2	0,0	0,0	0,4
Comprehensive income	**384,6**	**0,0**	**0,0**	**14,1**	**93,9**	**223,4**	**0,0**	**38,9**	**14,3**
Dividend to equity certificate holders 2020 – adopted	-93,3	0,0	0,0	0,0	-93,3	0,0	0,0	0,0	0,0
Grants for good causes 2020 approved	-25,9	0,0	0,0	0,0	0,0	-25,9	0,0	0,0	0,0
Interest paid on hybrid capital	-14,0	0,0	0,0	-14,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2021	**4.693,4**	**207,3**	**387,8**	**351,9**	**413,3**	**2.361,5**	**38,1**	**473,7**	**459,9**

Cash Flow Statement – Group

(Amounts in NOK millions)		31.12.2022	31.12.2021
Operating activities			
Profit/loss before income tax		381,9	454,7
Adjusted for:			
Change in net interest income earned and accrued interest costs		8,0	-1,6
Net receipts/disbursements of loans to customers		2.621,4	-3.941,8
Change in certificates and bonds		1.574,4	-407,6
Changes in value of equities and units		38,7	-43,9
Change in other assets in connection with operations		-73,2	-11,5
Net receipts/disbursement of deposits from customers		-1.816,5	2.736,5
Change in other operating liabilities		-149,7	-212,5
Non-cash items included in profit/loss before income tax		-3,9	19,2
Net gain/loss from investing activities		-5,3	-0,6
Net gain/loss from financing activities		4,0	0,3
Taxes paid for the period		-82,5	-87,7
Net cash flow from operating activities	**A**	**2.497,3**	**-1.496,4**
Investing activities			
Payments on purchases of tangible fixed assets		-12,3	-11,2
Receipts from sale of fixed assets		1,9	1,1
Payments upon purchase of intangible assets		-12,3	-10,6
Payments on purchases of financial investments		-15,0	0,0
Proceeds from sales of financial investments		33,7	6,4
Net cash flow from investing activities	**B**	**-4,1**	**-14,3**
Financing activities			
Net receipts/disbursements for loans to/from financial institutions		-27,3	-300,0
Payments on repayment of securities		-5.152,2	-3.069,3
Receipts on issuance of securities		2.972,6	4.878,0
Payment of dividend		-79,8	-93,3
Interest paid on hybrid capital		-17,6	-14,0
Net cash flow from financing activities	**C**	**-2.304,3**	**1.401,4**
Net change in cash and cash equivalents	**A+B+C**	188,9	-109,3
Cash and cash equivalents at 01.01		313,6	422,8
Holding of cash and cash equivalents at the end of the period		**502,5**	**313,6**

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

Additional information for operating activities concerning interest and dividend income	**31.12.2022**	**31.12.2021**
Interest payments received	1.322,1	957,4
Interest payments made	644,9	296,9
Dividends received	53,9	71,4

Note K1 – Basis for preparation of the financial statements

Accounting policies

The interim financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting (IFRS).
A description of the accounting policies applied in the preparation of the financial statements is presented in the Annual Report for 2021. The accounting policies and calculation methods remain largely unchanged from the annual financial statements for 2021.

All amounts are stated in NOK millions and relate to the Group unless otherwise specified.
The interim financial statements have not been audited.

Assessments and use of estimates

The preparation of the consolidated accounts entails that the executive management performs estimates and discretionary assessments and makes assumptions which influence the effect of the application of accounting policies and, consequently, the recognised amounts for assets, liabilities, revenue and costs. For further details, see the Annual Report for 2021, Note 3 – Assessments and use of estimates.

Note K2 – Operating segments

Segment reporting is based on the bank's internal reporting format, where the parent bank and mortgage credit company are divided into retail market, business market and finance. There are also other subsidiaries, as well as a non-reportable segment with items that are not allocated to other segments.

Profit/loss

31.12.2022	Retail market	Business market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	365,7	139,6	-25,1	125,2	-0,2	81,1	-0,1	686,2
Other operating income	58,6	7,5	-94,3	-27,3	5,8	59,0	2,9	12,1
Operating costs	65,2	13,1	0,0	38,1	3,6	196,1	-6,5	309,7
Profit/loss before losses	**359,1**	**134,1**	**-119,4**	**59,7**	**2,0**	**-56,0**	**9,2**	**388,6**
Losses on loans, unused credit and guarantees	2,4	-0,2	0,0	4,7	0,0	-0,1	0,0	6,8
Profit/loss before income tax	**356,8**	**134,3**	**-119,4**	**55,0**	**2,0**	**-55,9**	**9,2**	**381,9**
Income tax	0,0	0,0	0,0	13,8	0,4	69,0	2,3	85,5
Profit/loss after tax	**356,8**	**134,3**	**-119,4**	**41,1**	**1,6**	**-124,9**	**6,9**	**296,4**

31.12.2021	Retail market	Business market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	348,8	127,6	-23,3	138,8	-0,5	39,1	0,8	631,3
Other operating income	57,6	8,1	-1,1	-25,9	5,4	87,9	-2,4	129,5
Operating costs	65,5	12,2	0,0	37,2	3,2	193,9	-6,2	305,7
Profit/loss before losses	**340,9**	**123,5**	**-24,4**	**75,7**	**1,8**	**-66,9**	**4,5**	**455,2**
Losses on loans, unused credit and guarantees	4,4	-9,8	0,0	6,0	0,0	-0,1	0,0	0,5
Profit/loss before income tax	**336,5**	**133,3**	**-24,4**	**69,7**	**1,8**	**-66,7**	**4,5**	**454,7**
Income tax	0,0	0,0	0,0	17,5	0,4	60,2	1,1	79,3
Profit/loss after tax	**336,5**	**133,3**	**-24,4**	**52,2**	**1,3**	**-126,9**	**3,4**	**375,4**

Balance sheet

31.12.2022	Retail market	Business market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Lending to customers	30.386,3	3.391,5	0,0	2.522,9	0,0	527,8	-28,3	36.800,2
Other assets	4,2	0,0	6.015,8	56,4	104,9	3.704,2	-2.607,3	7.278,2
Total assets	**30.390,5**	**3.391,5**	**6.015,8**	**2.579,3**	**104,9**	**4.232,0**	**-2.635,6**	**44.078,4**
Customer deposits	11.071,2	2.899,0	1.686,0	0,0	0,0	160,3	-55,1	15.761,3
Other liabilities/offsetting	19.319,3	492,6	4.329,8	2.127,8	31,8	-582,3	-2.194,2	23.524,8
Equity	0,0	0,0	0,0	451,4	73,2	4.654,1	-386,3	4.792,3
Total liabilities and equity	**30.390,5**	**3.391,5**	**6.015,8**	**2.579,3**	**104,9**	**4.232,0**	**-2.635,6**	**44.078,4**

31.12.2021	Retail market	Business market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Lending to customers	32.159,0	4.397,9	0,6	2.416,3	0,0	440,8	-28,0	39.386,7
Other assets	3,7	0,0	7.763,4	49,1	105,5	3.803,9	-2.984,6	8.740,9
Total assets	**32.162,7**	**4.397,9**	**7.764,0**	**2.465,4**	**105,5**	**4.244,6**	**-3.012,7**	**48.127,6**
Customer deposits	12.271,9	2.862,6	2.321,0	0,0	0,0	180,0	-56,6	17.578,9
Other liabilities/offsetting	19.890,8	1.535,3	5.443,0	2.042,2	33,9	-487,0	-2.602,9	25.855,3
Equity	0,0	0,0	0,0	423,3	71,7	4.551,6	-353,2	4.693,4
Total liabilities and equity	**32.162,7**	**4.397,9**	**7.764,0**	**2.465,4**	**105,5**	**4.244,6**	**-3.012,7**	**48.127,6**

Note K3 – Capital adequacy

The Group uses the standardised approach when calculating minimum requirements for primary capital for credit risk. Calculations related to operational risk are performed using the basis method. The capital charge for credit valuation adjustment (CVA) is calculated using the standardised approach. Exposure amounts for derivatives are ca standardised method (SA-CCR).

The Group's primary capital must satisfy the minimum capital adequacy ratio requirements at all times, with the addition of a buffer equivalent to the bank's accepted risk tolerance. See also the bank's Pillar III document, which is available from Sparebanken Øst's website.

	31.12.2022	31.12.2021
CET1 capital		
Book equity	4.439,4	4.341,5
Deduction items in CET1 capital		
Additional value adjustments (prudent valuation requirement) (AVA)	-6,9	-8,5
Dividends	-275,5	-159,6
Goodwill included in the valuation of significant investments	-227,3	-229,0
Intangible assets	-33,9	-32,3
CET1 capital instruments in other financial institutions (not significant)	0,0	0,0
CET1 capital instruments in other financial institutions (significant)	0,0	0,0
Other deductions from CET1 capital	-58,2	-46,8
Total CET1 capital	**3.837,5**	**3.865,3**
Other Tier 1 capital		
Hybrid Tier 1 capital	350,0	350,0
Deductions from other Tier 1 capital		
Other Tier 1 capital instruments in other financial institutions (not significant)	0,0	0,0
Other Tier 1 capital instruments in other financial institutions (significant)	0,0	0,0
Total other Tier 1 capital	**350,0**	**350,0**
Total Tier 1 capital	**4.187,5**	**4.215,3**
Tier 2 capital		
Subordinated loans	400,0	400,0
Deductions from Tier 2 capital		
Tier 2 capital instruments in other financial institutions (not significant)	0,0	0,0
Tier 2 capital instruments in other financial institutions (significant)	0,0	0,0
Total Tier 2 capital	**400,0**	**400,0**
Net subordinated loan capital	**4.587,5**	**4.615,3**

Note K3 – Capital adequacy (cont.)

	31.12.2022	31.12.2021
Governments and central banks	0,0	0,0
Local and regional authorities	0,0	33,5
Publicly owned companies	6,0	0,0
Multilateral development banks	0,0	0,0
Institutions	77,3	39,0
Companies	66,4	243,1
Mass market accounts	2.925,9	2.825,3
Accounts secured against property	12.832,3	14.268,2
Accounts due	151,7	225,2
High-risk commitments	163,9	438,1
Covered bonds	424,1	542,8
Shares in securities fund	0,0	0,0
Equity positions	808,5	905,9
Other exposures	192,6	184,3
Securitisation	0,0	0,0
Calculation basis for credit and counterparty risk	**17.648,7**	**19.705,3**
Calculation basis for currency risk	**0,0**	**0,0**
Calculation basis for operational risk	**1.411,3**	**1.454,4**
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	**27,0**	**30,3**
Deductions from calculation basis	**0,0**	**0,0**
Total calculation basis	**19.087,0**	**21.190,0**

CET1 capital ratio	20,11 %	18,24 %
Tier 1 capital ratio	21,94 %	19,89 %
Capital adequacy	24,03 %	21,78 %

Buffers		
Capital conservation buffer	477,2	529,7
Countercyclical buffer	381,7	211,9
Systemic risk buffer	572,6	635,7
Buffer for systemically important banks	0,0	0,0
Total buffer requirements	**1.431,5**	**1.377,3**
Available buffer capital	**2.978,6**	**2.911,8**

Leverage ratio	9,27 %	8,60 %

Note K4 – Losses on loans, unused credit and guarantees

Loss costs

	Q4 2022	Q4 2021	31.12.2022	31.12.2021
Change in model-based provisions, Stage 1	-1,3	-10,4	-2,3	-10,0
Change in model-based provisions, Stage 2	-0,6	5,7	0,4	2,6
Change in model-based provisions, Stage 3	-0,3	0,3	-0,5	1,0
Increase in existing individual loan loss provisions	3,0	2,4	9,4	10,2
New individual loan loss provisions	3,6	3,0	9,4	8,3
Established losses covered by previous individual loan loss provisions	18,9	0,8	23,2	4,0
Reversals of previous individual loan loss provisions	-20,7	-1,9	-29,9	-10,9
Established losses not covered by previous individual loan loss provisions	1,4	0,3	1,0	0,5
Recovery of previously identified losses	-1,5	-1,1	-4,1	-5,3
Amortisation costs for the period	0,1	0,0	0,1	0,0
Losses on loans, unused credit and guarantees	**2,5**	**-1,0**	**6,8**	**0,5**
- of which losses on lending to retail customers of the parent bank and mortgage credit company	0,1	2,8	2,3	3,0
- of which losses on lending to business customers	1,1	-5,6	-0,1	-8,7
- of which losses on lending AS Financiering	1,1	1,5	4,7	6,0
- of which losses on unused credit and guarantees	0,1	0,3	-0,1	0,2

Changes in loan loss provisions

	Expected credit loss	cted credit loss	cted credit loss	
Group – 31.12.2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2022	**13,5**	**14,8**	**98,2**	**126,5**
Transferred to Stage 1	4,2	-3,6	-0,6	0,0
Transferred to Stage 2	-0,6	1,3	-0,7	0,0
Transferred to Stage 3	-0,2	-1,3	1,5	0,0
Net change	-5,5	3,6	9,8	7,9
New losses	6,4	6,4	2,1	14,9
Deducted losses	-5,7	-4,8	-23,3	-33,8
Change in risk model/parameters	-0,9	-1,2	-0,2	-2,3
Closing balance as at 31.12.2022	**11,2**	**15,3**	**86,7**	**113,2**
- of which loan loss provisions for lending to retail customers of the parent bank and mortgage credit company	6,0	8,8	3,7	18,4
- of which loan loss provisions for lending to business customers	1,7	1,1	1,5	4,3
- of which loan loss provisions on lending AS Financiering	2,9	5,1	81,2	89,2
- of which loan loss provisions for unused credit and guarantees	0,7	0,3	0,3	1,3
Model-based loan loss provisions	11,2	15,3	0,9	27,4
Individual loan loss provisions	0,0	0,0	85,8	85,8

	Expected credit loss	cted credit loss	cted credit loss	
Group – 31.12.2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2021	**23,4**	**12,3**	**89,6**	**125,3**
Transferred to Stage 1	5,8	-5,0	-0,8	0,0
Transferred to Stage 2	-1,1	1,5	-0,4	0,0
Transferred to Stage 3	-0,3	-1,2	1,5	0,0
Net change	-13,8	4,8	11,9	3,0
New losses	7,1	4,4	1,5	13,0
Deducted losses	-7,6	-2,5	-5,0	-15,1
Change in risk model/parameters	-0,1	0,6	0,0	0,4
Closing balance as at 31.12.2021	**13,5**	**14,8**	**98,2**	**126,5**
- of which loan loss provisions for lending to retail customers of the parent bank and mortgage credit company	6,6	6,0	3,7	16,3
- of which loan loss provisions for lending to business customers	2,2	1,6	0,5	4,3
- of which loan loss provisions on lending AS Financiering	3,9	6,9	93,8	104,5
- of which loan loss provisions for unused credit and guarantees	0,8	0,4	0,3	1,4
Model-based loan loss provisions	13,5	14,8	1,3	29,7
Individual loan loss provisions	0,0	0,0	96,8	96,8

Note K4 – Losses on loans, unused credit and guarantees (cont.)

Change in gross lending, broken down by stage

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

Group – 31.12.2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2022	**37.848,4**	**1.091,5**	**298,2**	**39.238,1**
Transferred to Stage 1	313,0	-307,4	-5,6	0,0
Transferred to Stage 2	-598,4	625,5	-27,0	0,0
Transferred to Stage 3	-35,6	-36,8	72,4	0,0
Net change	-101,5	-99,4	-21,2	-222,0
New loans	16.964,3	475,1	18,3	17.457,7
Deducted lending	-19.260,8	-476,5	-119,9	-19.857,2
Closing balance as at 31.12.2022	**35.129,5**	**1.272,1**	**215,0**	**36.616,5**
- of which lending to retail customers of the parent bank and mortgage credit company	29.606,2	876,1	47,8	30.530,1
- of which lending to business customers	3.341,0	126,8	6,6	3.474,4
- of which lending AS Financiering	2.182,3	269,2	160,6	2.612,1
- of which loans with forbearance	0,0	254,0	19,3	273,3

Group – 31.12.2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2021	**34.247,1**	**761,3**	**200,4**	**35.208,8**
Transferred to Stage 1	357,6	-350,6	-7,0	0,0
Transferred to Stage 2	-727,2	734,0	-6,7	0,0
Transferred to Stage 3	-102,5	-62,5	165,0	0,0
Net change	-899,6	-71,6	-39,2	-1.010,3
New loans	20.405,4	286,8	16,0	20.708,2
Deducted lending	-15.432,4	-205,9	-30,2	-15.668,6
Closing balance as at 31.12.2021	**37.848,4**	**1.091,5**	**298,2**	**39.238,1**
- of which lending to retail customers of the parent bank and mortgage credit company	31.590,8	660,5	47,5	32.298,8
- of which lending to business customers	4.182,2	164,1	72,1	4.418,4
- of which lending AS Financiering	2.075,3	267,0	178,5	2.520,8
- of which loans with forbearance	0,0	154,2	26,3	180,4

Model-based expected credit loss

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

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

The table below shows the expected credit loss in the different scenarios and the probability weights. Individually assessed loan loss provisions remain unchanged in the different scenarios.

Group – 31.12.2022	**Probability weight**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Optimistic scenario	0 %	6,5	9,1	86,3	101,9
Expected scenario	70 %	8,2	11,3	86,4	105,9
Pessimistic scenario	30 %	18,4	24,5	87,3	130,1
Loan loss provisions (probability-weighted)	**100 %**	**11,2**	**15,3**	**86,7**	**113,2**

Note K5 – Non-performing commitments, customers

		31.12.2022	31.12.2021
	Payment defaults (more than 90 days past due)		
	Business	7,0	7,2
+	Retail	10,2	8,0
+	AS Financiering	145,0	160,2
=	Gross payment defaults	162,3	175,3
-	Loan loss provisions	86,1	97,2
=	**Net payment defaults**	**76,2**	**78,1**
	Other non-performing commitments		
	Business	0,1	65,6
+	Retail	37,6	39,6
+	AS Financiering	15,6	18,3
=	Gross other non-performing commitments	53,3	123,6
-	Loan loss provisions	0,6	1,0
=	**Net other non-performing commitments**	**52,7**	**122,5**
	Non-performing commitments		
	Business	7,1	72,8
+	Retail	47,8	47,5
+	AS Financiering	160,6	178,5
=	Gross non-performing commitments	215,6	298,8
-	Loan loss provisions	86,7	98,2
=	**Net non-performing commitments**	**128,9**	**200,7**

Note K6 – Deposits from customers by sector and industry

	31.12.2022	31.12.2021
Salaried employees	10.303,7	11.442,0
Public administration	401,5	445,2
Agriculture, forestry, fishing, etc.	104,8	90,8
Industry and mining, power and water supply	543,6	791,5
Building and construction	662,2	560,9
Wholesale and retail trade, hotels and restaurants	408,4	528,2
Transport and communications	169,1	154,1
Business financial services	1.309,7	1.761,7
Other service industries	842,6	878,6
Real estate sales and operation	916,2	806,5
Abroad	99,4	119,4
Total customer deposits	**15.761,3**	**17.578,9**

Note K7 – Lending, guarantees and credit facilities by sector and industry

	Gross lending		Guarantees		Potential exposure via overdraft facilities	
	21.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Salaried employees	33.341,2	35.007,9	1,0	1,0	3.613,9	3.228,1
Public administration	7,1	7,1	0,0	0,0	0,0	0,0
Agriculture, forestry, fishing, etc.	78,1	83,6	0,3	0,4	15,1	15,5
Industry and mining, power and water supply	49,3	59,0	0,3	0,5	3,0	5,4
Building and construction	457,0	730,8	21,1	33,0	33,9	47,7
Wholesale and retail trade, hotels and restaurants	97,6	117,2	6,9	8,5	24,0	28,8
Transport and communications	16,7	29,7	3,9	4,4	4,1	3,4
Business financial services	73,6	85,3	0,0	0,0	4,2	4,8
Other service industries	468,4	639,8	1,6	1,6	6,3	17,8
Real estate sales and operation	2.287,7	2.720,2	15,6	9,3	36,0	27,1
Abroad	35,4	31,1	0,0	0,0	3,1	0,7
Total	**36.912,1**	**39.511,8**	**50,7**	**58,7**	**3.743,6**	**3.379,3**

Note K8 – Geographical distribution of lending, customers

	31.12.2022	31.12.2021
Drammen	7.289,6	7.344,9
Øvre Eiker	1.965,3	2.021,0
Asker/Bærum	5.765,8	5.921,5
Rest of Viken	7.516,3	7.740,2
Oslo	7.558,7	9.097,3
Vestfold/Telemark	3.313,8	3.384,5
Rest of Norway	3.467,1	3.971,3
Abroad	35,4	31,1
Gross lending to customers	**36.912,1**	**39.511,8**

Note K9 – Credit risk

Risk classification of retail and business customers is an integral part of the credit process for retail customers for the approval and overall management of the portfolio. Customers are cl
scoring models developed using statistical methods that estimate the probability of default (PD). The models are based on information about the customer's finances and behaviour.
Risk classification is performed when new loan applications are assessed, then reviewed each month based on available information about changes in the customer's finances and behav
The risk classification scale consists of 11 categories from A to K, where risk class A represents the lowest credit risk and risk class I represents the highest risk for customers not in default.
Risk classes J and K comprise commitments where there is objective evidence of non-performance, and these commitments are placed under special surveillance.

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

Risk class	From	To
A	0,00 %	0,10 %
B	0,10 %	0,25 %
C	0,25 %	0,50 %
D	0,50 %	0,75 %
E	0,75 %	1,50 %
F	1,50 %	2,75 %
G	2,75 %	5,00 %
H	5,00 %	10,00 %
I	10,00 %	99,99 %
Y and K	99,99 %	100,00 %

31.12.2022	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitme nts	%	Commitmen ts, Stage 1	Loan loss provisions, Stage 1	Commitmen ts, Stage 2	Loan loss provisions, Stage 2	Commitmen ts, Stage 3	Loan loss provisions, Stage 3*
A	13.761,5	19,5	1.345,6	15.126,6	37,2	15.081,0	1,0	45,6	0,0	0,0	0,0
B	15.312,1	23,7	2.210,3	17.546,1	43,1	17.427,7	3,4	118,4	0,1	0,0	0,0
C	4.016,4	3,0	139,1	4.158,5	10,2	4.054,2	2,0	104,3	0,1	0,0	0,0
D	1.259,8	1,2	28,4	1.289,4	3,2	1.052,9	0,8	236,5	0,7	0,0	0,0
E	875,5	0,3	7,8	883,5	2,2	682,4	0,8	201,1	1,0	0,0	0,0
F	743,5	0,4	7,7	751,7	1,8	558,1	1,1	193,6	1,7	0,0	0,0
G	352,1	0,0	0,5	352,6	0,9	256,9	0,9	95,7	0,8	0,0	0,0
H	152,5	0,1	0,3	152,8	0,4	50,0	0,3	102,8	1,4	0,0	0,0
I	223,5	0,0	3,5	226,9	0,6	22,8	0,9	204,2	9,5	0,0	0,0
J	43,6	0,1	0,0	43,7	0,1	0,0	0,0	0,0	0,0	43,7	0,0
K	171,4	0,5	0,0	171,9	0,4	0,0	0,0	0,0	0,0	171,9	86,7
Unallocated	0,3	1,9	0,4	2,6	0,0	2,6	0,0	0,0	0,0	0,0	0,0
Total	**36.912,1**	**50,7**	**3.743,6**	**40.706,3**	**100,0**	**39.188,5**	**11,2**	**1.302,3**	**15,3**	**215,6**	**86,7**

* Stage 3 provisions include individually assessed loan loss provisions of NOK 85.8 million.
** Gross lending includes loans at both amortised cost and fair value.
check gross lending

31.12.2021	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitme nts	%	Commitmen ts, Stage 1	Loan loss provisions, Stage 1	Commitmen ts, Stage 2	Loan loss provisions, Stage 2	Commitmen ts, Stage 3	Loan loss provisions, Stage 3*
A	13.181,3	24,5	1.143,4	14.349,2	33,4	14.336,6	1,0	12,6	0,0	0,0	0,0
B	17.391,2	9,1	1.987,9	19.388,2	45,1	19.334,8	4,1	53,4	0,0	0,0	0,0
C	5.007,0	19,3	194,6	5.220,9	12,2	5.158,9	2,3	62,0	0,1	0,0	0,0
D	1.402,8	2,2	32,6	1.437,6	3,3	1.163,1	0,9	274,5	1,1	0,0	0,0
E	927,8	1,6	11,8	941,2	2,2	755,6	1,2	185,6	1,0	0,0	0,0
F	665,7	0,0	2,3	668,0	1,6	521,9	1,4	146,1	1,0	0,0	0,0
G	294,6	0,6	3,9	299,1	0,7	195,4	0,9	103,8	1,2	0,0	0,0
H	145,2	0,0	0,9	146,2	0,3	34,6	0,3	111,5	1,8	0,0	0,0
I	198,8	0,2	1,8	200,9	0,5	31,9	1,3	168,9	8,6	0,0	0,0
J	113,5	0,2	0,0	113,7	0,3	0,0	0,0	0,0	0,0	113,7	0,0
K	183,6	1,0	0,0	184,5	0,4	0,0	0,0	0,0	0,0	184,5	98,2
Unallocated	0,3	0,0	0,0	0,3	0,0	0,3	0,0	0,0	0,0	0,0	0,0
Total	**39.511,8**	**58,7**	**3.379,3**	**42.949,8**	**100,0**	**41.533,0**	**13,5**	**1.118,5**	**14,8**	**298,3**	**98,2**

* Stage 3 provisions include individually assessed loan loss provisions of NOK 96.8 million.
** Gross lending includes loans at both amortised cost and fair value.

Note K10 – Classification of financial instruments

31.12.2022	Fair value through profit or loss: Mandatory	Designated	Measured at amortised cost*	Total
Cash and receivables from central banks	0,0	0,0	486,4	486,4
Net loans to and receivables from financial institutions	0,0	0,0	16,1	16,1
Net lending to customers	0,0	295,5	36.504,7	36.800,3
Certificates and bonds	5.635,3	0,0	0,0	5.635,3
Shares and units	796,0	0,0	0,0	796,0
Financial derivatives**	44,4	0,0	0,0	44,4
Total financial assets	**6.475,7**	**295,5**	**37.007,3**	**43.778,5**
Liabilities to financial institutions	0,0	0,0	274,1	274,1
Customer deposits	0,0	0,0	15.761,3	15.761,3
Financial derivatives**	131,7	0,0	0,0	131,7
Securities issued	0,0	0,0	21.375,7	21.375,7
Senior non-preferred bonds	0,0	0,0	896,2	896,2
Lease liabilities	0,0	0,0	42,2	42,2
Subordinated loan capital	0,0	0,0	420,9	420,9
Total financial liabilities	**131,7**	**0,0**	**38.770,4**	**38.902,1**

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

31.12.2021	Fair value through profit or loss: Mandatory	Designated	Measured at amortised cost*	Total
Cash and receivables from central banks	0,0	0,0	302,6	302,6
Net loans to and receivables from financial institutions	0,0	0,0	11,0	11,0
Net lending to customers	0,0	273,7	39.113,0	39.386,7
Certificates and bonds	7.198,9	0,0	0,0	7.198,9
Shares and units	848,6	0,0	0,0	848,6
Financial derivatives**	156,5	0,0	0,0	156,5
Total financial assets	**8.204,0**	**273,7**	**39.426,5**	**47.904,2**
Liabilities to financial institutions	0,0	0,0	300,3	300,3
Customer deposits	0,0	0,0	17.578,9	17.578,9
Financial derivatives**	15,4	0,0	0,0	15,4
Securities issued	0,0	0,0	24.283,8	24.283,8
Senior non-preferred bonds	0,0	0,0	400,2	400,2
Lease liabilities	0,0	0,0	42,2	42,2
Subordinated loan capital	0,0	0,0	400,4	400,4
Total financial liabilities	**15,4**	**0,0**	**43.005,8**	**43.021,2**

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

Note K11 – Financial instruments at fair value

The bank classifies fair value measurements using a hierarchy involving the following levels:
Level 1: Observable market 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.

Please see Note 21 in the Annual Report for 2021 for further details of individual accounting items.

31.12.2022	Level 1	Level 2	Level 3	Total
Fair value				
Lending to customers	0,0	0,0	295,5	295,5
Certificates and bonds	0,0	5.635,3	0,0	5.635,3
Shares and units	65,1	10,9	720,0	796,0
Financial derivatives	0,0	44,4	0,0	44,4
Total assets at fair value	**65,1**	**5.690,6**	**1.015,5**	**6.771,2**
Financial derivatives	0,0	131,7	0,0	131,7
Total liabilities at fair value	**0,0**	**131,7**	**0,0**	**131,7**

Movements in level 3 for items valued at fair value	Fixed-rate loans	through profit or loss	Total
Balance sheet as at 01.01.22	273,7	780,8	1.054,5
Net realised gains	0,0	0,0	0,0
Additions	82,3	15,0	97,3
Disposals	54,2	33,7	87,8
Changes in value	-6,3	-31,2	-37,5
Transferred from levels 1 and 2	0,0	-10,9	-10,9
Balance sheet at end of period	**295,5**	**720,0**	**1.015,5**

31.12.2021	Level 1	Level 2	Level 3	Total
Fair value				
Lending to customers	0,0	0,0	273,7	273,7
Certificates and bonds	0,0	7.198,9	0,0	7.198,9
Shares and units	67,8	0,0	780,8	848,6
Financial derivatives	0,0	156,5	0,0	156,5
Total assets at fair value	**67,8**	**7.355,4**	**1.054,5**	**8.477,7**
Financial derivatives	0,0	15,4	0,0	15,4
Total liabilities at fair value	**0,0**	**15,4**	**0,0**	**15,4**

Movements in level 3 for items valued at fair value	Fixed-rate loans	through profit or loss	Total
Balance sheet as at 01.01.2021	359,1	746,9	1.106,0
Net realised gains	0,0	0,0	0,0
Additions	70,1	2,2	72,3
Disposals	147,7	8,7	156,3
Changes in value	-7,9	40,4	32,5
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	**273,7**	**780,8**	**1.054,5**

Note K12 – Securities issued, senior non-preferred bonds and subordinated loan

Change for securities issued	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Ordinary senior bonds, nominal value	5.179,8	734,6	1.968,4	15,7	6.397,8
Covered bonds, nominal value	16.234,7	1.531,5	3.002,9	-15,9	17.722,0
Value adjustments	-146,1	0,0	0,0	-232,6	86,6
Accrued interest	107,2	0,0	0,0	29,8	77,4
Total securities issued	**21.375,7**	**2.266,1**	**4.971,3**	**-203,0**	**24.283,8**

Change for securities issued	31.12.2021	Issued	Due/redeemed	Other changes incl. currency	31.12.2020
Ordinary senior bonds, nominal value	6.397,8	400,0	1.547,2	-0,7	7.545,6
Covered bonds, nominal value	17.722,0	4.078,0	1.522,0	-8,2	15.174,2
Value adjustments	86,6	0,0	0,0	-224,2	310,8
Accrued interest	77,4	0,0	0,0	-2,9	80,3
Total securities issued	**24.283,8**	**4.478,0**	**3.069,2**	**-236,0**	**23.111,0**

Change in senior non-preferred bonds	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Senior non-preferred bonds, nominal value	891,3	491,1	0,0	0,6	399,7
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	4,8	0,0	0,0	4,3	0,5
Total senior non-preferred bonds	**896,2**	**491,1**	**0,0**	**4,9**	**400,2**

Change in senior non-preferred bonds	31.12.2021	Issued	Due/redeemed	Other changes incl. currency	31.12.2020
Senior non-preferred bonds, nominal value	399,7	399,6	0,0	0,1	0,0
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	0,5	0,0	0,0	0,5	0,0
Total senior non-preferred bonds	**400,2**	**399,6**	**0,0**	**0,6**	**0,0**

Change in subordinated loan capital	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Ordinary subordinated loan capital, nominal value	419,9	200,0	180,1	0,2	399,8
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	1,0	0,0	0,0	0,4	0,6
Total subordinated loan capital	**420,9**	**200,0**	**180,1**	**0,6**	**400,4**

Change in subordinated loan capital	31.12.2021	Issued	Due/redeemed	Other changes incl. currency	31.12.2020
Ordinary subordinated loan capital, nominal value	399,8	0,0	0,0	0,1	399,7
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	0,6	0,0	0,0	0,1	0,5
Total subordinated loan capital	**400,4**	**0,0**	**0,0**	**0,3**	**400,1**

Note K13 - Net interest income

	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Interest income from loans to and receivables from financial institutions	2,6	0,3	5,7	0,3
Interest income from loans to customers	384,8	238,9	1.203,9	905,2
Interest income from certificates and bonds	55,0	19,4	145,9	61,1
Total interest income	**442,4**	**258,5**	**1.355,5**	**966,6**
Interest costs on liabilities to financial institutions	1,6	1,5	6,7	6,3
Interest on deposits from customers	50,9	24,3	136,4	86,0
Interest on securities issued	183,4	63,3	479,0	218,7
Interest on senior non-preferred bonds	8,9	1,3	19,6	3,7
Interest on subordinated loan capital	4,5	2,0	12,8	7,3
Norwegian Banks Guarantee Fund levy	3,7	3,3	14,7	13,3
Total interest costs	**253,0**	**95,7**	**669,3**	**335,3**
Net interest income	**189,4**	**162,8**	**686,2**	**631,3**

Note K14 – Net changes in value and gains/losses on financial instruments

	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net changes in value and gains/losses on certificates and bonds	14,8	-18,3	-50,5	-34,7
Net value change and gains/losses on shares	-6,4	35,7	-29,5	44,0
Net changes in value and gains/losses on fixed-interest loans	3,1	-1,5	-6,3	-7,9
Net changes in value and gains/losses on other financial instruments	-3,6	3,1	3,6	17,0
Net value change and gains/losses on financial instruments	**7,9**	**19,1**	**-82,6**	**18,4**

Note K15 – Operating costs

	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Payroll costs incl. AGA and financial activity tax	39,8	44,0	148,2	158,1
Pension costs	2,2	0,8	13,0	12,9
Other personnel-related costs	2,5	1,2	7,3	4,9
IT costs	12,5	11,3	46,5	43,2
Other administrative costs	5,5	5,4	17,4	17,8
Depreciation/write-downs in tangible fixed and intangible assets	7,0	6,8	27,2	27,6
Operating costs, properties and premises	2,2	2,0	10,1	8,0
Other operating costs	10,5	7,4	40,0	33,3
Total operating costs	**82,2**	**79,0**	**309,7**	**305,7**

Note K16 – Pledged assets and preferential rights

Pledges of security	**31.12.2022**	**31.12.2021**
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	1.317,0	1.340,0
Total pledges of security	**1.317,0**	**1.340,0**

Preferential rights	**31.12.2022**	**31.12.2021**
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nominal value)	16.150,0	18.150,0
Total preferential rights	**16.150,0**	**18.150,0**

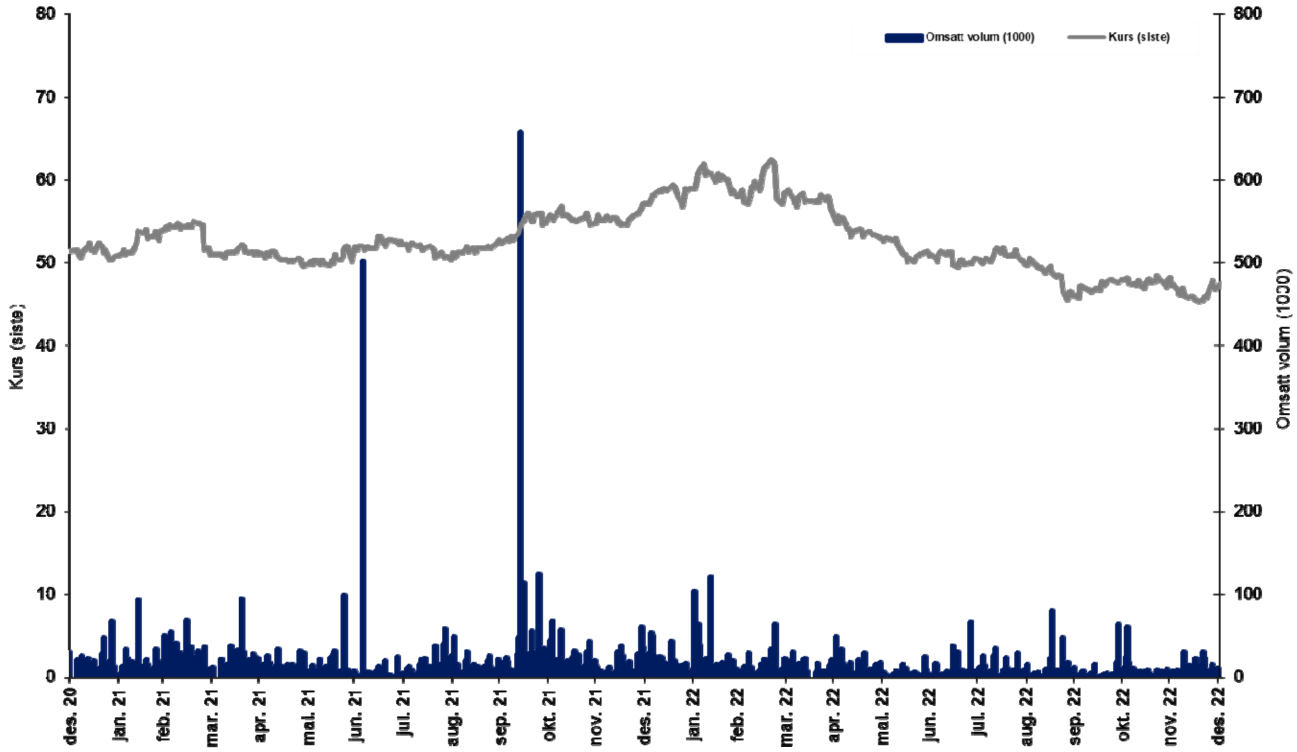
The parent bank's holdings of covered bonds amounted to a nominal value of NOK 0.0 million as at 31.12.2022 and NOK 500.0 million as at 31.12.2021 is not included in the table above.

Note K17 – Equity certificates

Ownership fraction, parent bank

	01.01.2023	01.01.2022
Equity certificate capital	207,3	207,3
Premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	364,2	333,4
Share of Fund for Unrealised Gains	113,8	135,5
Total numerator (A)	1.073,1	1.064,1
Total equity excl. hybrid capital (dividend and grant provisions for the year excluded)	3.753,8	3.722,5
Total denominator (B)	3.753,8	3.722,5
Ownership fraction (A/B) as a %*	**28,59**	**28,59**

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders as at 31.12.2022

	Name	Number	%		Name	Number	%
1	MP Pensjon	1.437.815	6,94 %	11	Active Portfolio AS	210.000	1,01 %
2	Directmarketing Invest AS	999.500	4,82 %	12	Intertrade Shipping AS	205.000	0,99 %
3	VPF Eika Egenkapitalbevis	910.332	4,39 %	13	Profond AS	162.107	0,78 %
4	KLP	621.465	3,00 %	14	Morgan Stanley & Co. Intern.	142.297	0,69 %
5	Foretakskonsulenter AS	507.841	2,45 %	15	Teigen, Anne Kristine	121.025	0,58 %
6	Hansen, Asbjørn Rudolf	445.502	2,15 %	16	Spesialfondet Borea Utbytte	120.400	0,58 %
7	Jag Holding AS	395.897	1,91 %	17	Seriana AS	120.000	0,58 %
8	Wenaasgruppen AS	273.000	1,32 %	18	Juel, Iver Albert	105.000	0,51 %
9	BKK Pensjonskasse	250.000	1,21 %	19	Wergeland Holding AS	104.933	0,51 %
10	AS Andersen Eiendomselskap	238.900	1,15 %	20	Sørby, Leif Ove	102.399	0,49 %

Changes in key figures – Group

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Profitability					
1. Return on equity*	8,29	5,21	6,87	5,61	8,86
2. Net interest income as a % of average total assets	1,68	1,55	1,38	1,38	1,33
3. Profit/loss after income tax as a % of average total assets	0,84	0,54	0,67	0,53	0,80
4. Costs as a % of average total assets	0,73	0,70	0,58	0,69	0,65
5. Costs as a % of income (before losses on loans/guarantees)*	38,92	48,32	41,27	50,49	40,65
6. Costs as a % of income (excl. return on financial investments)*	41,17	42,94	39,71	46,66	45,09
Balance sheet figures					
7. Net lending to customers	36.800,2	37.207,7	37.666,8	38.316,4	39.386,7
8. Lending growth (quarter)	-1,10	-1,22	-1,70	-2,72	-1,76
9. Deposits	15.761,3	16.806,2	17.471,9	17.099,6	17.578,9
10. Deposit growth (quarter)	-6,22	-3,81	2,18	-2,73	-1,53
11. Average equity	4.267,1	4.341,9	4.276,8	4.211,0	4.210,1
12. Average total assets	44.596,0	45.338,4	46.156,9	47.439,1	48.410,6
Loan loss provisions on impaired and non-performing commitments					
13. Losses as a % of net lending to customers (OB)*	0,03	0,03	0,01	0,00	-0,01
14. Loan loss provisions as a % of gross lending to customers*	0,31	0,35	0,34	0,33	0,32
15. Net payments over 90 days past due as a % of net lending	0,21	0,21	0,28	0,30	0,20
16. Other net non-performing commitments (Stage 3) as a % of net lending	0,14	0,10	0,12	0,13	0,31
Financial strength					
17. CET1 capital ratio incl. 50% of retained earnings (%)	20,11	20,44	20,04	19,01	18,24
18. CET1 capital ratio (%)	20,11	19,95	19,71	18,87	18,24
19. Tier 1 capital ratio (%)	21,94	21,77	21,50	20,56	19,89
20. Capital adequacy ratio (%)	24,03	23,83	23,55	22,50	21,78
21. Risk-weighted volume (calculation basis)	19.087,0	19.324,7	19.517,5	20.664,1	21.190,0
22. Leverage ratio incl. 50% of retained earnings (%)	9,27	9,31	9,14	8,95	8,60
23. Leverage ratio (%)	9,27	9,11	8,99	8,89	8,60
Liquidity					
24. Deposit coverage ratio	42,83	45,17	46,39	44,63	44,63
25. LCR (%)	217,26	273,80	248,46	257,69	249,72
Branches and FTEs					
26. No. of branches	30	30	30	29	29
27. FTEs	180	179	178	181	187
Equity certificates					
28. Ownership fraction (parent bank) (%)	28,59	28,59	28,59	28,59	29,59
29. No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
30. Book equity per equity certificate*	61,21	60,26	59,48	58,47	61,51
31. Earnings per equity certificate*	1,23	0,79	1,01	0,80	1,34
32. Dividend per equity certificate	3,80	0,00	0,00	0,00	3,85
33. Turnover rate	11,36	14,22	13,96	25,53	42,39
34. Price	47,00	46,10	50,80	58,40	57,20

* Defined as alternate performance target

Definition of key figures and alternative profit targets

Profitability	
1. Return on equity*	The profit/loss that is attributable to equity certificates and primary capital as a % of average equity adjusted for hybrid capital. The key figure provides relevant information about the Group's profitability by measuring its ability to generate profitability on equity. The return on equity is one of Sparebanken Øst's most important target figures.
2. Net interest income as a % of average total assets	Net interest income as a % of average total assets
3. Profit/loss after income tax as a % of average total assets	Profit/loss after tax as a % of average total assets
4. Costs as a % of average total assets	Payroll, etc., administrative costs, amortisation and other operating costs as % of average total assets
5. Costs as a % of income (before losses on loans/guarantees)*	Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, dividend, net commissio value changes and gains/losses on financial instruments and other operating income. The key figure is used to provide informatic ratio between income and costs.
6. Costs as a % of income (excl. return on financial investments)*	Payroll, etc., administrative costs, amortisation and other operating costs as a % of net interest income, net commission income The key figure is used to provide information about the ratio between income and costs.
Balance sheet figures	
7. Net lending to customers	Gross lending minus loan loss provisions
8. Lending growth (quarter/12 months)	Change in net lending as a % of OB net lending. Quarterly figures show growth in the quarter, while other figures show 12-month
9. Deposits	Customer deposits
10. Deposit growth (quarter/12 months)	Change in deposits as a % of OB deposits. Quarterly figures show growth in the quarter, while other figures show 12-month growt
11. Average equity	(OB equity (adjusted for hybrid capital) less proposed dividends + CB equity (adjusted for hybrid capital) less proposed dividends)/2.
12. Average total assets	Average total assets based on quarterly balance sheet figures
Loan loss provisions on impaired and non-performing commitments	
13. Losses as a % of net lending to customers (OB)*	Losses as % of OB net loans to customers for the period The key figure indicates the recognised loss in relation to net lending at the beginning of the accounting period and provides relevant information on the extent of the losses incurred by the G in relation to its lending volume.
14. Loan loss provisions as a % of gross lending to customers*	Total loan loss provisions, Stages 1, 2 and 3, as a % of gross lending. This key figure provides relevant information about credit risk and is deemed useful additional information besides that stated in the loss notes.
15. Net payments over 90 days past due as a % of net lending	Net payment defaults exceeding 90 days as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information besides that stated in the loss notes.
16. Other net non-performing commitments (Stage 3) as a % of net lending	Net other non-performing commitments as a % of net lending. This key figure provides relevant information about credit risk and is deemed useful additional information besides stated in the loss notes.
Financial strength	
17. CET1 capital ratio incl. 50% of retained earnings (%)	CET1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of risk-weighted volume (total calculation basis)
18. CET1 capital ratio (%)	CET1 capital as a % of the risk-weighted volume (basis for calculation)
19. Tier 1 capital ratio (%)	Tier 1 capital as a % of the risk-weighted volume (basis for calculation)
20. Capital adequacy ratio (%)	Total primary capital as a % of the risk-weighted volume (basis for calculation)
21. Risk-weighted volume (calculation basis)	Total credit and counterparty risk, currency risk, operational risk and calculation basis for impaired counterparty credit rating (CVA)
22. Leverage ratio incl. 50% retained earnings (%)	Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of the unweighted b
23. Leverage ratio (%)	Tier 1 capital as a % of unweighted calculation basis
Liquidity	
24. Deposit coverage ratio	Deposits as a % of net lending to customers.
25. LCR (%)	Liquid assets as a % of net payments in a stress scenario lasting 30 days
Branches and FTEs	
26. No. of branches	
27. FTEs	
Equity certificates	
28. Ownership fraction (parent bank) (%)	Equity certificate holders' share of total equity adjusted for hybrid capital (less proposed dividends) as a % (basis at 01.01, time-weighted at issue).
29. No. of equity certificates	Total no. of outstanding equity certificates
30. Book equity per equity certificate*	Equity share capital divided by no. of equity certificates. The calculation includes the year's allocation for dividends. The key figure provides information about the value of the book equity per equity certificate. This allows the reader to assess the reasonableness of the market price in relation to the equity certificate.
31. Earnings per equity certificate*	The equity share capital's share of the profit/loss after tax divided by time-weighted average number of equity certificates during the period.
32. Dividend per equity certificate	Dividend in NOK per equity certificate
33. Turnover rate	Annualised turnover rate (traded as a % of issued)
34. Price	The most recently traded price on the Oslo Stock Exchange as at the balance sheet date.

* Defined as alternate performance target

Financial Performance - Group

(Amounts in NOK millions)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Interest income	442,4	340,4	296,0	276,6	258,5
Interest costs	253,0	163,7	137,7	114,8	95,7
Net interest income	**189,4**	**176,6**	**158,3**	**161,9**	**162,8**
Commission income and income from banking services	21,2	21,2	20,9	23,0	24,1
Commission costs and costs for banking services	12,2	12,6	12,3	11,7	12,1
Dividend	3,6	0,1	50,1	0,0	0,0
Net changes in value and gains/losses on financial instruments	7,9	-20,8	-56,4	-13,2	19,1
Other operating income	1,4	0,5	0,8	0,7	0,5
Net other operating income	**21,9**	**-11,5**	**3,0**	**-1,3**	**31,6**
Salaries and other personnel costs	44,5	45,9	31,3	46,8	46,0
Depreciation/write-downs in tangible fixed and intangible assets	7,0	6,8	6,7	6,6	6,8
Other operating costs	30,8	27,0	28,6	27,7	26,2
Total operating costs	**82,2**	**79,8**	**66,6**	**81,1**	**79,0**
Profit/loss before losses	**129,1**	**85,3**	**94,7**	**79,5**	**115,4**
Losses on loans, unused credit and guarantees	2,5	3,3	0,8	0,2	-1,0
Profit/loss before income tax	**126,6**	**82,1**	**93,9**	**79,3**	**116,4**
Income tax	31,7	20,4	16,3	17,1	18,7
Profit/loss after tax	**94,9**	**61,7**	**77,6**	**62,2**	**97,7**
Hybrid capital owners' share of the result	5,7	4,7	4,4	3,9	3,7
Equity certificate holders' and primary capital share of profits	89,1	57,0	73,2	58,3	94,0
Profit/loss after tax	**94,9**	**61,7**	**77,6**	**62,2**	**97,7**
Earnings per equity certificate	1,23	0,79	1,01	0,80	1,34
Diluted earnings per equity certificate	1,23	0,79	1,01	0,80	1,34

Comprehensive income performance – Group

(Amounts in NOK millions)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Profit/loss after tax	**94,9**	**61,7**	**77,6**	**62,2**	**97,7**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	-26,9	0,0	0,0	0,0	12,2
Tax related to items that cannot be reclassified	6,7	0,0	0,0	0,0	-3,0
Comprehensive income	**74,7**	**61,7**	**77,6**	**62,2**	**106,9**

Balance sheet performance - Group

(Amounts in NOK millions)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Assets					
Cash and receivables from central banks	486,4	498,5	520,8	461,1	302,6
Loans to and receivables from financial institutions	16,1	29,9	9,5	11,7	11,0
Lending to customers	36.800,2	37.207,7	37.666,8	38.316,4	39.386,7
Certificates and bonds	5.635,3	6.197,8	6.188,6	6.790,5	7.198,9
Financial derivatives	44,4	62,3	54,0	58,5	156,5
Shares and units	796,0	795,4	796,7	820,5	848,6
Intangible assets	33,9	31,6	33,3	32,4	32,3
Investment properties	11,4	11,5	11,5	11,6	11,7
Tangible fixed assets	120,5	119,6	117,0	117,0	116,3
Lease rights	41,1	39,5	41,9	41,6	41,2
Other assets	93,0	120,1	123,0	89,4	21,9
Total assets	**44.078,4**	**45.113,6**	**45.563,2**	**46.750,6**	**48.127,6**
Liabilities and equity					
Liabilities to financial institutions	274,1	302,3	300,6	301,5	300,3
Customer deposits	15.761,3	16.806,2	17.471,9	17.099,6	17.578,9
Securities issued	21.375,7	21.414,3	21.502,3	22.993,7	24.283,8
Financial derivatives	131,7	152,2	139,7	104,5	15,4
Pension liability	52,7	35,4	35,4	35,4	35,4
Deferred tax	1,4	6,0	6,0	4,6	3,7
Provisions for unused credit and guarantees	1,3	1,2	1,2	1,3	1,4
Other liabilities	328,5	337,3	296,0	473,9	372,5
Lease liabilities	42,2	40,5	42,9	42,6	42,2
Senior non-preferred bonds	896,2	894,4	701,1	700,9	400,2
Subordinated loan capital	420,9	400,9	400,6	400,5	400,4
Total liabilities	**39.286,1**	**40.390,8**	**40.897,6**	**42.158,3**	**43.434,2**
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	352,9	352,4	352,1	352,1	351,9
Retained earnings	3.844,3	3.775,3	3.718,3	3.645,1	3.746,4
Total equity	**4.792,3**	**4.722,8**	**4.665,5**	**4.592,2**	**4.693,4**
Total liabilities and equity	**44.078,4**	**45.113,6**	**45.563,2**	**46.750,6**	**48.127,6**

Income statement – parent bank

(Amounts in NOK millions)	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Interest income		252,9	137,9	751,0	501,6
Interest costs		123,5	54,2	325,9	199,9
Net interest income		**129,4**	**83,7**	**425,1**	**301,6**
Commission income and income from banking services		26,7	30,5	110,1	104,5
Commission costs and costs for banking services		4,3	4,6	17,2	17,6
Dividend		174,7	163,7	225,0	235,1
Net changes in value and gains/losses on financial instruments		7,9	18,2	-84,3	17,3
Other operating income		1,3	1,1	5,0	5,8
Net other operating income		**206,3**	**208,9**	**238,5**	**345,0**
Salaries and other personnel costs		39,4	40,9	149,9	157,8
Depreciation/write-downs in tangible fixed and intangible assets		6,5	6,5	25,8	26,7
Other operating costs		25,5	21,6	93,0	81,5
Total operating costs		**71,4**	**69,0**	**268,7**	**265,9**
Profit/loss before losses		**264,3**	**223,6**	**394,9**	**380,7**
Losses on loans, unused credit and guarantees	3	1,4	-3,6	1,9	-6,9
Profit/loss before income tax		**262,9**	**227,2**	**393,0**	**387,6**
Income tax		23,6	6,5	48,3	26,2
Profit/loss after tax		**239,3**	**220,7**	**344,7**	**361,5**
Hybrid capital owners' share of the result		5,7	3,7	18,7	14,1
Equity certificate holders' and primary capital share of profits		233,5	217,0	326,0	347,4
Profit/loss after tax		**239,3**	**220,7**	**344,7**	**361,5**
Earnings per equity certificate		3,22	3,10	4,50	4,96
Diluted earnings per equity certificate		3,22	3,10	4,50	4,96

Comprehensive income – parent bank

(Amounts in NOK millions)	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Profit/loss after tax		**239,3**	**220,7**	**344,7**	**361,5**
Items that will not be reclassified to the income statement		0,0			
Actuarial gains and losses on defined-benefit plans		-25,8	11,7	-25,8	11,7
Tax related to items that cannot be reclassified		6,4	-2,9	6,4	-2,9
Items that may later be reclassified to the income statement					
Lending at fair value		0,2	0,4	0,2	0,5
Tax related to items that can be reclassified		-0,1	-0,1	-0,1	-0,1
Comprehensive income		**220,1**	**229,8**	**325,6**	**370,6**

Balance Sheet - Parent Bank

(Amounts in NOK millions)	Note	31.12.2022	31.12.2021
Assets			
Cash and receivables from central banks		486,4	302,6
Loans to and receivables from financial institutions		3.217,4	2.599,4
Lending to customers	4	16.308,0	17.502,9
Certificates and bonds	4	5.343,7	7.385,7
Financial derivatives	4	29,2	69,4
Shares and units	4	796,0	848,6
Ownership interests in Group companies		1.800,0	1.760,0
Intangible assets		21,6	22,9
Tangible fixed assets		71,4	68,6
Lease rights		69,5	71,6
Deferred tax asset		11,8	5,6
Other assets		91,3	20,3
Total assets		**28.246,2**	**30.657,6**
Liabilities and equity			
Liabilities to financial institutions		999,0	1.136,4
Customer deposits		15.831,2	17.652,1
Securities issued	5	5.110,7	6.460,7
Financial derivatives	4	105,4	15,4
Pension liabilities		51,1	34,8
Provisions for unused credit and guarantees		0,8	1,0
Other liabilities		377,0	249,2
Lease liabilities		71,6	73,4
Senior non-preferred bonds	5	896,2	400,2
Subordinated loan capital	5	420,9	400,4
Total liabilities		**23.863,9**	**26.423,6**
Paid-up equity		595,1	595,1
Hybrid capital		352,9	351,9
Retained earnings		3.434,3	3.287,1
Total equity		**4.382,3**	**4.234,0**
Total liabilities and equity		**28.246,2**	**30.657,6**

Changes in equity - parent bank

(Amounts in NOK millions) 31.12.2022	Total equity	Paid-up equity Equity certificates	 Share nium reserve	Hybrid capita ditional Tier 1 capital	 Equalisation fund	Retained earnings Primary capital	 Endowment fund	 Fund for unrealised gains	 Value change ensive income as reclass.
Equity as at 31.12.2021	**4.234,0**	**207,3**	**387,8**	**351,9**	**413,3**	**2.361,5**	**38,1**	**473,7**	**0,5**
Ordinary profit	344,7	0,0	0,0	18,7	115,0	287,3	0,0	-76,4	0,0
Change in lending at fair value through comprehensive income	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2
Actuarial gains and losses on defined-benefit plans	-19,3	0,0	0,0	0,0	-5,5	-13,8	0,0	0,0	0,0
Comprehensive income	**325,6**	**0,0**	**0,0**	**18,7**	**109,5**	**273,6**	**0,0**	**-76,4**	**0,2**
Dividend to equity certificate holders 2021 – adopted	-79,8	0,0	0,0	0,0	-79,8	0,0	0,0	0,0	0,0
Grants for good causes 2021 approved	-79,8	0,0	0,0	0,0	0,0	-79,8	0,0	0,0	0,0
Interest paid on hybrid capital	-17,6	0,0	0,0	-17,6	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2022	**4.382,3**	**207,3**	**387,8**	**352,9**	**443,0**	**2.555,3**	**38,1**	**397,3**	**0,7**

The year’s proposed dividend for equity certificate holders of NOK 78.8 million (NOK 3.80 per equity certificate) is being held as part of the equalisation fund, and the year’s proposed provisions for good causes of NOK 196.8 million are being held as part of primary capital until they are finally approved by the Board of Trustees.

(Amounts in NOK millions) 2021	Total equity	Paid-up equity Equity certificates	 Share nium reserve	Hybrid capita ditional Tier 1 capital	 Equalisation fund	Retained earnings Primary capital	 Endowment fund	 Fund for unrealised gains	 Value change ensive income as reclass.
Equity as at 31.12.2020	**3.996,5**	**207,3**	**387,8**	**351,7**	**412,6**	**2.164,1**	**38,1**	**434,7**	**0,2**
Ordinary profit	361,5	0,0	0,0	14,1	91,3	217,2	0,0	38,9	0,0
Change in lending at fair value through comprehensive income	0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,4
Actuarial gains and losses on defined-benefit plans	8,8	0,0	0,0	0,0	2,6	6,2	0,0	0,0	0,0
Comprehensive income	**370,6**	**0,0**	**0,0**	**14,1**	**93,9**	**223,4**	**0,0**	**38,9**	**0,4**
Dividend to equity certificate holders 2020 – adopted	-93,3	0,0	0,0	0,0	-93,3	0,0	0,0	0,0	0,0
Grants for good causes 2020 approved	-25,9	0,0	0,0	0,0	0,0	-25,9	0,0	0,0	0,0
Interest paid on hybrid capital	-14,0	0,0	0,0	-14,0	0,0	0,0	0,0	0,0	0,0
Equity as at 31.12.2021	**4.234,0**	**207,3**	**387,8**	**351,9**	**413,2**	**2.361,6**	**38,1**	**473,7**	**0,5**

Cash flow statement – parent bank

		31.12.2022	31.12.2021
Operating activities			
Profit/loss before income tax		393,0	387,6
Adjusted for:			
Change in net interest income earned and accrued interest costs		-8,5	-8,5
Net payment/disbursement of loans to financial institutions		-612,2	-369,0
Net receipts/disbursements of loans to customers		1.204,6	-1.058,3
Change in certificates and bonds		2.051,2	-166,8
Changes in value of equities and units		38,7	-43,9
Change in other assets in connection with operations		-81,3	-13,4
Net receipts/disbursement of borrowing from financial institutions		-111,0	-33,8
Net receipts/disbursement of deposits from customers		-1.819,8	2.733,7
Change in other operating liabilities		8,7	-153,1
Non-cash items included in profit/loss before income tax		28,6	20,5
Net gain/loss from investing activities		-5,3	-0,6
Net gain/loss from financing activities		0,5	0,2
Taxes paid for the period		-30,9	-39,0
Net cash flow from operating activities	**A**	**1.056,3**	**1.255,5**
Investing activities			
Payments on purchases of tangible fixed assets		-8,8	-7,9
Receipts from sale of fixed assets		1,5	0,8
Payments upon purchase of intangible assets		-6,6	-9,2
Payments on purchases of financial investments		-15,0	0,0
Proceeds from sales of financial investments		33,7	6,4
Net payment/disbursement concerning investments in subsidiaries		-40,0	-200,0
Net cash flow from investing activities	**B**	**-35,3**	**-209,9**
Financing activities			
Net receipts/disbursements for loans to/from financial institutions		-27,3	-300,0
Payments on repayment of securities		-2.148,4	-1.547,2
Receipts on issuance of securities		1.441,1	799,6
Payment of dividend		-79,8	-93,3
Interest paid on hybrid capital		-17,6	-14,0
Net cash flow from financing activities	**C**	**-832,1**	**-1.154,8**
Net change in cash and cash equivalents	**A+B+C**	189,0	-109,3
Cash and cash equivalents at 01.01.		313,6	422,8
Holding of cash and cash equivalents at the end of the period		**502,5**	**313,6**

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

Additional information for operating activities concerning interest and dividend income	**31.12.2022**	**31.12.2021**
Interest payments received	728,6	502,0
Interest payments made	309,6	159,4
Dividends received	225,0	235,1

Note M1 – Basis for preparation of the financial statements

Accounting policies
The interim financial statements for the parent bank have been prepared in accordance with IAS 34 Interim Financial Reporting (IFRS).
A description of the accounting policies applied in the preparation of the financial statements is presented in the Annual Report for 2021. The accounting policies and calculation methods remain largely unchanged from the annual financial statements for 2021.

All amounts are stated in NOK millions and relate to the parent bank unless otherwise specified.
The interim financial statements have not been audited.

Assessments and use of estimates
The preparation of the accounts requires the management to make estimates and discretionary assessments and to make assumptions which influence the effect of applying the accounting policies and hence the recognised amounts for assets, liabilities, income and expenses. For further details, see the Annual Report for 2021, Note 3 – Assessments and use of estimates.

Note M2 – Capital adequacy

The parent bank uses the standardised approach to calculate the minimum primary capital adequacy requirement for credit risk. Calculations related to operational risk are performed using the basis method. The capital charge for credit valuation adjustment (CVA) is calculated using the standardised approach. Exposure amounts for derivatives are c standardised method (SA-CCR).

The parent bank's primary capital must satisfy the minimum capital adequacy ratio requirements at all times, with the addition of a buffer equivalent to the bank's accepted risk tolerance. See also the bank's Pillar III document, which is available from Sparebanken Øst's website.

	31.12.2022	31.12.2021
CET1 capital		
Book equity	4.029,4	3.882,1
Deduction items in CET1 capital		
Additional value adjustments (prudent valuation requirement) (AVA)	-11,2	-12,0
Dividends	-275,5	-159,6
Goodwill included in the valuation of significant investments	-227,3	-229,0
Intangible assets	-21,6	-22,9
CET1 capital instruments in other financial institutions (not significant)	0,0	0,0
CET1 capital instruments in other financial institutions (significant)	0,0	0,0
Other deductions from CET1 capital	-58,2	-46,8
Total CET1 capital	**3.435,6**	**3.411,9**
Other Tier 1 capital		
Hybrid Tier 1 capital	350,0	350,0
Deductions from other Tier 1 capital		
Other Tier 1 capital instruments in other financial institutions (not significant)	0,0	0,0
Other Tier 1 capital instruments in other financial institutions (significant)	0,0	0,0
Total other Tier 1 capital	**350,0**	**350,0**
Total Tier 1 capital	**3.785,6**	**3.761,9**
Tier 2 capital		
Subordinated loans	400,0	400,0
Deductions from Tier 2 capital		
Tier 2 capital instruments in other financial institutions (not significant)	0,0	0,0
Tier 2 capital instruments in other financial institutions (significant)	0,0	0,0
Total Tier 2 capital	**400,0**	**400,0**
Net subordinated loan capital	**4.185,6**	**4.161,9**

Note M2 – Capital adequacy (cont.)

	31.12.2022	31.12.2021
Governments and central banks	0,0	0,0
Local and regional authorities	0,0	33,5
Publicly owned companies	6,0	0,0
Multilateral development banks	0,0	0,0
Institutions	759,1	631,9
Companies	68,1	243,1
Mass market accounts	961,4	937,1
Accounts secured against property	6.331,9	7.281,2
Accounts due	26,7	93,0
High-risk commitments	163,9	438,1
Covered bonds	2.023,1	2.339,3
Shares in securities fund	0,0	0,0
Equity positions	2.653,7	2.711,0
Other exposures	172,5	149,1
Securitisation	0,0	0,0
Calculation basis for credit and counterparty risk	**13.166,3**	**14.857,3**
Calculation basis for currency risk	**0,0**	**0,0**
Calculation basis for operational risk	**931,0**	**963,2**
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	**16,0**	**12,7**
Deductions from calculation basis	**0,0**	**0,0**
Total calculation basis	**14.113,3**	**15.833,2**
CET1 capital ratio	24,34 %	21,55 %
Tier 1 capital ratio	26,82 %	23,76 %
Capital adequacy	29,66 %	26,29 %
Buffers		
Capital conservation buffer	352,8	395,8
Countercyclical buffer	282,3	158,3
Systemic risk buffer	423,4	475,0
Buffer for systemically important banks	0,0	0,0
Total buffer requirements	**1.058,5**	**1.029,2**
Available buffer capital	**2.800,5**	**2.699,4**
Leverage ratio	8,39 %	7,68 %

Note M3 – Losses on loans, unused credit and guarantees

Loss costs

	Q4 2022	Q4 2021	31.12.2022	31.12.2021
Change in model-based provisions, Stage 1	0,0	-4,7	-0,9	-5,6
Change in model-based provisions, Stage 2	0,2	1,1	1,7	0,0
Change in model-based provisions, Stage 3	0,0	0,0	0,0	0,0
Increase in existing individual loan loss provisions	0,0	0,0	0,0	0,0
New individual loan loss provisions	1,1	0,0	1,2	0,0
Established losses covered by previous individual loan loss provisions	0,0	0,0	0,1	0,0
Reversals of previous individual loan loss provisions	0,0	0,0	-0,1	-0,1
Established losses not covered by previous individual loan loss provisions	0,0	0,0	0,3	0,1
Recovery of previously identified losses	-0,1	0,0	-0,3	-1,2
Amortisation costs for the period	0,1	0,0	0,1	0,0
Losses on loans, unused credit and guarantees	**1,4**	**-3,6**	**1,9**	**-6,9**
- of which losses on loans to retail customers	-0,1	1,9	2,2	2,0
- of which losses on lending to business customers	1,4	-5,5	-0,3	-8,9
- of which losses on unused credit and guarantees	0,1	0,2	-0,3	-0,1

Changes in loan loss provisions

	Expected credit loss	cted credit loss	cted credit loss	
Parent bank — 31.12.2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2022	**5,8**	**5,3**	**4,4**	**15,5**
Transferred to Stage 1	1,2	-1,2	0,0	0,0
Transferred to Stage 2	-0,1	0,1	0,0	0,0
Transferred to Stage 3	0,0	-0,2	0,2	0,0
Net change	-1,5	2,1	1,1	1,7
New losses	2,3	2,2	0,0	4,4
Deducted losses	-2,8	-1,9	-0,2	-5,0
Change in risk model/parameters	0,1	0,6	0,0	0,7
Closing balance as at 31.12.2022	**4,9**	**7,0**	**5,5**	**17,4**
- of which loan loss provisions for lending to retail customers	3,3	5,8	3,7	12,7
- of which loan loss provisions for lending to business customers	1,6	1,2	1,8	4,6
- of which loan loss provisions for unused credit and guarantees	0,3	0,2	0,3	0,8
Model-based loan loss provisions	4,9	7,0	0,3	12,2
Individual loan loss provisions	0,0	0,0	5,2	5,2

	Expected credit loss	cted credit loss	cted credit loss	
Parent bank – 31.12.2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance as at 01.01.2021	**11,4**	**5,3**	**4,5**	**21,3**
Transferred to Stage 1	2,2	-2,2	0,0	0,0
Transferred to Stage 2	-0,3	0,3	0,0	0,0
Transferred to Stage 3	-0,1	-0,2	0,3	0,0
Net change	-6,0	1,4	-0,3	-4,9
New losses	2,3	1,0	0,0	3,3
Deducted losses	-4,0	-1,0	-0,2	-5,1
Change in risk model/parameters	0,2	0,7	0,0	0,9
Closing balance as at 31.12.2021	**5,8**	**5,3**	**4,4**	**15,5**
- of which loan loss provisions for lending to retail customers	3,6	3,5	3,6	10,7
- of which loan loss provisions for lending to business customers	2,2	1,9	0,8	4,8
- of which loan loss provisions for unused credit and guarantees	0,4	0,3	0,3	1,0
Model-based loan loss provisions	5,8	5,3	0,3	11,5
Individual loan loss provisions	0,0	0,0	4,1	4,1

Note M3 – Losses on loans, unused credit and guarantees (cont.)

Change in gross lending, broken down by stage

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

Parent bank — 31.12.2022	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.2022	**16.695,5**	**455,1**	**93,0**	**17.243,6**
Transferred to Stage 1	112,3	-112,2	0,0	0,0
Transferred to Stage 2	-242,1	250,5	-8,4	0,0
Transferred to Stage 3	-5,9	-6,9	12,8	0,0
Net change	-151,8	-7,8	0,0	-159,6
New loans	8.019,9	181,6	0,0	8.201,5
Deducted lending	-8.962,4	-226,0	-68,2	-9.256,5
Closing balance as at 31.12.2022	**15.465,6**	**534,3**	**29,2**	**16.029,1**
- of which lending to retail customers	12.214,7	413,4	22,6	12.650,7
- of which lending to business customers	3.250,8	120,9	6,6	3.378,3
- of which loans with forbearance	0,0	111,9	8,3	120,2

Parent bank – 31.12.2021	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01.01.2021	**15.756,5**	**311,9**	**29,3**	**16.097,8**
Transferred to Stage 1	168,7	-165,6	-3,1	0,0
Transferred to Stage 2	-335,3	338,5	-3,1	0,0
Transferred to Stage 3	-78,9	-8,4	87,3	0,0
Net change	-117,7	-9,1	-4,2	-131,0
New loans	8.402,2	82,1	2,0	8.486,2
Deducted lending	-7.100,0	-94,2	-15,1	-7.209,3
Closing balance as at 31.12.2021	**16.695,5**	**455,1**	**93,0**	**17.243,6**
- of which lending to retail customers	12.607,3	293,0	23,3	12.923,6
- of which lending to business customers	4.088,2	162,1	69,7	4.320,0
- of which loans with forbearance	0,0	57,6	3,7	61,3

Model-based expected credit loss

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

The probability weighting of the macro scenarios used to calculate the model-based expected credit loss changed at the end of 2022 compared with what was used in the preparation of the annual financial statements for 2021. The probability of a pessimistic scenario has been increased from 25 per cent to 30 per cent, while the expected scenario has correspondingly decreased from 75 per cent to 70 per cent. The change was made at the end of Q3 2022, and its impact amounted to NOK 0.6 million in increased loan loss provisions, of which NOK 0.6 million relates to increased provisions in Stage 1 and Stage 2. The factors for the different scenarios, which express the amount of expected credit loss in the optimistic and pessimistic scenarios compared with expected credit loss in the expected scenario, remained unchanged at the end of 2022 compared with what was used in the preparation of the annual financial statements for 2021.

The table below shows the expected credit loss in the different scenarios and the probability weights. Individually assessed loan loss provisions remain unchanged in the different scenarios.

Parent bank – 31.12.2022	Probability weight	Stage 1	Stage 2	Stage 3	Total
Optimistic scenario	0 %	2,6	4,0	5,3	11,9
Expected scenario	70 %	3,3	5,0	5,4	13,6
Pessimistic scenario	30 %	8,6	11,8	5,8	26,1
Loan loss provisions (probability-weighted)	**100 %**	**4,9**	**7,0**	**5,5**	**17,4**

Note M4 – Financial instruments at fair value

The bank classifies fair value measurements using a hierarchy involving the following levels:
Level 1: Observable market prices in active markets.
Level 2: Observable market prices in less active markets, or the use of inputs which are either directly or indirectly observable.
Level 3: Valuation techniques not based on observable market data.

Loans at fair value recognised through total comprehensive income are loans identified as transferable to Sparebanken Øst Boligkreditt AS.
Please see Note 21 in the Annual Report for 2021 for further details of individual accounting items.

31.12.2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value				
Lending to customers	0,0	0,0	4.905,1	4.905,1
Certificates and bonds	0,0	5.343,7	0,0	5.343,7
Shares and units	65,1	10,9	720,0	796,0
Financial derivatives	0,0	29,2	0,0	29,2
Total assets at fair value	**65,1**	**5.383,8**	**5.625,1**	**11.074,0**
Financial derivatives	0,0	105,4	0,0	105,4
Total liabilities at fair value	**0,0**	**105,4**	**0,0**	**105,4**

Movements in level 3 for items valued at fair value	**Fixed-rate loans**	**Shares through profit or loss**	**recognised at fair value through**	**Total**
Balance sheet as at 01.01.22	273,7	780,8	3.361,3	4.415,8
Net realised gains	0,0	0,0	0,0	0,0
Additions	82,3	15,0	6.282,0	6.379,3
Disposals	54,2	33,7	5.033,8	5.121,6
Changes in value	-6,3	-31,2	0,0	-37,5
Transferred from levels 1 and 2	0,0	-10,9	0,0	-10,9
Balance sheet at end of period	**295,5**	**720,0**	**4.609,5**	**5.625,0**

31.12.2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value				
Lending to customers	0,0	0,0	3.635,0	3.635,0
Certificates and bonds	0,0	7.385,7	0,0	7.385,7
Shares and units	67,8	0,0	780,8	848,6
Financial derivatives	0,0	69,4	0,0	69,4
Total assets at fair value	**67,8**	**7.455,1**	**4.415,8**	**11.938,7**
Financial derivatives	0,0	15,4	0,0	15,4
Total liabilities at fair value	**0,0**	**15,4**	**0,0**	**15,4**

Movements in level 3 for items valued at fair value	**Fixed-rate loans**	**Shares through profit or loss**	**recognised at fair value through**	**Total**
Balance sheet as at 01.01.2021	359,1	746,9	1.634,7	2.740,7
Net realised gains	0,0	0,0	0,0	0,0
Additions	70,1	2,2	10.109,5	10.181,8
Disposals	147,7	8,7	8.382,8	8.539,2
Changes in value	-7,9	40,4	0,0	32,5
Transferred from levels 1 and 2	0,0	0,0	0,0	0,0
Balance sheet at end of period	**273,7**	**780,8**	**3.361,3**	**4.415,8**

Note M5 – Securities issued, senior non-preferred bonds and subordinated loan c

Change for securities issued	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Ordinary senior bonds, nominal value	5.179,8	734,6	1.968,4	15,7	6.397,8
Value adjustments	-134,1	0,0	0,0	-139,9	5,8
Accrued interest	65,0	0,0	0,0	7,9	57,2
Total securities issued	**5.110,7**	**734,6**	**1.968,4**	**-116,3**	**6.460,7**

Change for securities issued	31.12.2021	Issued	Due/redeemed	Other changes incl. currency	31.12.2020
Ordinary senior bonds, nominal value	6.397,8	400,0	1.547,2	-0,7	7.545,6
Value adjustments	5,8	0,0	0,0	-146,7	152,4
Accrued interest	57,2	0,0	0,0	-0,6	57,8
Total securities issued	**6.460,7**	**400,0**	**1.547,2**	**-147,9**	**7.755,8**

Change in senior non-preferred bonds	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Senior non-preferred bonds, nominal value	891,3	491,1	0,0	0,6	399,7
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	4,8	0,0	0,0	4,3	0,5
Total senior non-preferred bonds	**896,2**	**491,1**	**0,0**	**4,9**	**400,2**

Change in senior non-preferred bonds	31.12.2021	Issued	Due/redeemed	Other changes incl. currency	31.12.2020
Senior non-preferred bonds, nominal value	399,7	399,6	0,0	0,1	0,0
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	0,5	0,0	0,0	0,5	0,0
Total senior non-preferred bonds	**400,2**	**399,6**	**0,0**	**0,6**	**0,0**

Change in subordinated loan capital	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Ordinary subordinated loan capital, nominal value	419,9	200,0	180,1	0,2	399,8
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	1,0	0,0	0,0	0,4	0,6
Total subordinated loan capital	**420,9**	**200,0**	**180,1**	**0,6**	**400,4**

Change in subordinated loan capital	31.12.2021	Issued	Due/redeemed	Other changes incl. currency	31.12.2020
Ordinary subordinated loan capital, nominal value	399,8	0,0	0,0	0,1	399,7
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	0,6	0,0	0,0	0,1	0,5
Total subordinated loan capital	**400,4**	**0,0**	**0,0**	**0,3**	**400,1**

Note M6 – Transactions with group companies

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

Sparebanken Øst sells mortgages to Sparebanken Øst Boligkreditt AS to replenish the cover pool in the mortgage company. This is either to increase the cover pool in connection with the issuance of new covered bonds or to compensate for mortgages that have been moved to other banks or back to the parent bank. In 2022, Sparebanken Øst Boligkreditt AS purchased net mortgages from Sparebanken Øst worth NOK 4,098 million. The corresponding value for the same period last year was NOK 7,962 million. The parent bank sees no significant accounting gains or losses from selling mortgages to Sparebanken Øst Boligkreditt AS.

The parent bank has issued a revolving credit facility vis-à-vis Sparebanken Øst Boligkreditt AS which guarantees timely payment of outstanding covered bonds that expire during the next 12 months, including the coupon rate, principal and derivative contracts entered into for the purpose of hedging outstanding covered bonds. In addition to the revolving credit facility, Sparebanken Øst Boligkreditt AS has a NOK 3.0 billion credit line from the parent bank.

	31.12.2022	31.12.2021
Income statement		
Interest income and similar income		
Interest income from subsidiaries	72,5	31,0
Interest certificates and covered bonds from subsidiaries	9,6	9,3
Interest costs and similar costs		
Interest and commission to subsidiaries	9,1	2,6
Dividend/group contribution receipts		
Dividends/group contributions from subsidiaries	171,1	163,7
Commission income and income from banking services		
Other operating income from subsidiaries	32,8	31,8
Other operating income		
Rent from subsidiaries	2,0	2,1
Other operating costs		
Rent to subsidiaries	3,7	3,5
Other costs to subsidiaries	0,9	0,6
Balance sheet		
Loans to and receivables from financial institutions		
Loans to subsidiaries	3.186,0	2.588,4
Lending to customers		
Loans to subsidiaries	27,4	27,3
Certificates and bonds		
Investment in covered bonds in subsidiaries	0,0	513,9
Liabilities to financial institutions		
Deposits from subsidiaries	725,0	836,0
Customer deposits		
Deposits from subsidiaries	70,8	74,8
Other liabilities		
Other receivables and liabilities to subsidiaries	103,6	13,5