181th year

Quarterly report

Q4 2023

SPAREBANKEN ØST

Interim financial statements – Q4 2023

Key figures – Group

Income Statement (Amounts in NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Net interest income	215,9	189,4	828,8	686,2
Net commission income	9,4	9,0	43,3	37,4
Net result from financial assets	14,6	11,5	42,7	-28,7
Other operating income	0,4	1,4	2,0	3,4
Total net income	**240,2**	**211,3**	**916,8**	**698,3**
Total operating costs	**93,5**	**82,2**	**345,9**	**309,7**
Profit before losses	**146,7**	**129,1**	**570,9**	**388,6**
Losses on loans, unused credit and guarantees	2,7	2,5	6,7	6,8
Profit/loss before tax	**143,9**	**126,6**	**564,2**	**381,9**
Income tax	31,1	31,7	123,7	85,5
Profit/loss after tax	**112,8**	**94,9**	**440,6**	**296,4**

Key figures	4. kvartal 2023	4. kvartal 2022	Året 2023	Året 2022
Profitability				
Return on equity*	9,66	8,29	9,87	6,65
Net interest income as a % of average total assets	1,89	1,68	1,85	1,49
Profit/loss after income tax as a % of average total assets	0,99	0,84	0,98	0,65
Costs as a % of average total assets	0,82	0,73	0,77	0,67
Costs as a % of income (before losses on loans/guarantees)*	38,94	38,92	37,73	44,35
Costs as a % of income (excl. return on financial investments)*	41,47	41,17	39,57	42,60
Balance sheet figures				
Net lending to customers	37.877,1	36.800,2	37.877,1	36.800,2
Lending growth (quarter/12 months)	1,30	-1,10	2,93	-6,57
Deposits	15.860,8	15.761,3	15.860,8	15.761,3
Deposit growth (quarter/12 months)	3,17	-6,22	0,63	-10,34
Average equity	4.319,1	4.267,1	4.166,1	4.172,9
Average total assets	45.378,7	44.596,0	44.753,3	45.926,7
Loan loss provisions on impaired and non-performing commitments				
Losses as a % of net lending to customers (OB)*	0,03	0,03	0,02	0,02
Loan loss provisions as a % of gross lending to customers*	0,29	0,31	0,29	0,31
Net payments over 90 days past due as a % of net lending*	0,23	0,21	0,23	0,21
Other net non-performing commitments (Stage 3) as a % of net lending*	0,28	0,14	0,28	0,14
Solvency				
CET1 capital ratio (%)	18,67	20,11	18,67	20,11
Tier 1 capital ratio (%)	20,40	21,94	20,40	21,94
Capital adequacy ratio (%)	22,37	24,03	22,37	24,03
Risk-weighted volume (calculation basis)	20.278,7	19.087,0	20.278,7	19.087,0
Leverage ratio (%)	8,89	9,27	8,89	9,27
Liquidity				
Deposit coverage ratio	41,87	42,83	41,87	42,83
LCR (%)	250,14	217,26	250,14	217,26
NSFR (%)	127,65	130,08	127,65	130,08
Branches and full-time equivalents				
No. of branches	29	30	29	30
FTEs	193	180	193	180
Equity certificates				
Ownership fraction (parent bank) (%)**	28,59	28,59	28,59	28,59
No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183
Book equity per equity certificate*	62,88	61,21	62,88	61,21
Earnings per equity certificate*	1,45	1,23	5,67	3,83
Dividend per equity certificate	5,40	3,80	5,40	3,80
Turnover rate	12,42	11,36	14,26	16,30
Price	50,20	47,00	50,20	47,00

* Defined as alternate performance target
** For ownership fraction as at 01.01.2024, see Note K13
For definisjon av nøkkeltall og omtale av alternative resultatmål, se side 35

Quarterly report

In 2023, the Bank can point to very good results and an increased return on equity. The Bank has low risk in its loan portfolios and was assigned a reduced Pillar 2 requirement in 2023. With reduced Pillar 2 requirements, a high CET1 capital ratio and a high leverage ratio, Sparebanken Øst is among Norway's most solid banks.

The Bank's 181st year of trading shows an after-tax profit of NOK 440.6 million, producing an equity ratio of 9.87 per cent. The return on equity is higher than the long-term return target of 9 per cent. The Bank is very happy with this performance in view of its financial strength and the fact that it uses the standard method for calculating capital weights.

Seven interest rate hikes have been implemented in the Bank's customer portfolios, which have taken effect during 2023. The Bank's net interest income increased by NOK 142.6 million compared to 2022. Further interest rate increases were decided, taking effect from the middle of March 2024.

In a market characterised by strong competition for lending customers, the Bank can point to lending growth in 2023, with net lending up by 2.9 per cent. The positive trend is driven by high lending growth to retail customers in the office channel, where the increase is 7.7 per cent.

The Bank still has very low losses on lending and a low rate of non-performing commitments. The Bank's CET1 capital ratio is very solid at 18.67 per cent.

Earnings per equity certificate were NOK 5.67. The Board of Directors proposes that a cash dividend of NOK 5.40 per equity certificate (NOK 111.9 million in all) be distributed for 2023, with provisions for good causes totalling NOK 279.6 million. The Board's proposed distributions constitute 95.2 per cent of the Group's profit for the year allocated to equity certificate holders and primary capital respectively. 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 in the quarter amounts to NOK 112.8 million, an increase of NOK 18.0 million from Q4 2022. The return on equity (ROE) ended at 9.66 per cent, compared to 8.29 per cent in Q4 2022. Earnings per equity certificate were NOK 1.45, up from NOK 1.23 in Q4 2022.

The CET1 capital ratio is 18.67 per cent, compared to 20.11 per cent in Q4 2022. The leverage ratio is 8.89 per cent, down from 9.27 per cent in Q4 2022.

Net interest income amounted to NOK 215.9 million, up NOK 26.5 million from Q4 2022. Measured as a percentage of average total assets, net interest income amounts to 1.89 per cent, an increase of 0.20 percentage points from Q4 2022.

Net other operating income amounted to NOK 24.3 million, up by NOK 2.4 million from Q4 2022. Value changes on the liquidity portfolio came to minus NOK 4.8 million, against a rise of NOK 10.9 million in Q4 2022. Profit effects from the Bank's shareholding in Frende are positive, at NOK 11.4 million net. Changes in value from other ownership interests were plus NOK 5.4 million, compared to minus NOK 6.4 million in Q4 2022. Net commission income amounted to NOK 9.4 million, up NOK 0.4 million from Q4 2022.

Operating costs amounted to NOK 93.5 million, up NOK 11.3 million compared with Q4 2022. The increase is mainly due to an increase in the number of full-time equivalents. Measured as a percentage of income, the Bank has a cost ratio of 38.9 per cent, unchanged from Q4 2022.

Losses amount to NOK 2.7 million compared to NOK 2.5 million in Q4 2022.

Proposed allocation of profits for 2023

The profit for the year is allocated on the basis of the profit/loss for the year to the parent bank. The profit for the year for the parent bank is NOK 426.7 million for 2023, compared with NOK 344.7 million in 2022. The parent bank has recognised NOK 114.2 million in dividends from wholly owned subsidiaries in 2023, compared with NOK 171.1 million in 2022.

The hybrid capital owners' share of the parent bank's profit for the year amounted to NOK 29.3 million in 2023 and is allocated to their share of the equity. The corresponding share of profit amounted to NOK 18.7 million in 2022. The share of the profit is made up of interest and buyback 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 2023 be allocated to equity certificate holders and primary capital as shown in the table below:

(figures in NOK millions)		
Parent bank profit/loss for the year*		**397,4**
Cash dividend for equity certificate holders	111,9	
Allocated to good causes	279,6	
Total distributions		**391,6**
To equalisation fund	1,0	
To primary capital	2,4	
To the fund for unrealised gains	2,4	
Total to equity		**5,8**
Total allocated		**397,4**

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

The proposed distribution of cash dividends amounts to NOK 5.40 per equity certificate, equivalent to NOK 111.9 million in all. This year's provision for grants to good causes is historically high, at NOK 279.6 million. Dividends to equity certificate holders and grants to good causes together constitute 95.2 per cent of the Group's profit for the year allocated to the equity certificate holders and primary capital respectively. The Board's proposed allocation keeps the Bank's ownership fraction unchanged at 28.59 per cent.

The Board’s proposal for distributions is in line with the Bank’s current dividend policy which was amended on 13 July 2023. The change means that, over the next few years, the Bank aims to distribute up to 100 per cent of its profits in dividends to equity certificate holders and donations for charitable purposes, although up to 50 per cent of the profits will still be retained for distribution in the longer term.

The proposed allocation of profits for 2023 is for 98.5 per cent of the parent bank's profit for the year to allocated to equity certificate holders and primary capital to be distributed in dividends and provisions for grants. Under the Financial Institutions Act, the Board of Directors is obliged to notify the Financial Supervisory Authority of Norway when the Board submits a proposal where the total distributions exceed half of the profit. Sparebanken Øst fulfils this duty and informs the Financial Supervisory Authority of Norway of the Board's proposals. The prudence assessments of the Board of Directors in connection with the proposed distributions for 2023 are discussed in more detail in the next section.

THE BOARD'S PRUDENCE ASSESSMENT FOR 2023

The requirements of the Financial Institutions Act for a prudence assessment

The dividends on equity share capital and primary capital must not be set higher than is justifiable and consistent with prudent and good conduct under due consideration for losses that may be incurred following the end of the accounting year, or that may be expected to be incurred, as well as based on the need to build up equity in the bank. If the Board of Directors decides to submit a proposal for distribution which entails that the total dividend in a single year will exceed half of the profit according to the approved income statement for the last financial year, the Board must notify the Financial Supervisory Authority of Norway of the proposal. The Financial Supervisory Authority of Norway may, where the financial institution's solvency so requires, order the institution not to distribute a dividend or to distribute less than what has been proposed by the Board of Directors or adopted by the General Meeting (Section 10-6 of the Financial Institutions Act).

Losses that may have occurred after the end of the financial year, or which must be expected to occur, are recognised in the Bank's quarterly and annual accounts based on IFRS standards, including IFRS 9 Financial Instruments. The Bank’s need for equity is discussed in the ICAAP for 2023. The total capital requirement is expressed through the Bank's capital target, which equals the regulatory requirement plus a capital margin of 1.0 per cent. Sparebanken Øst uses the standard method when calculating its capital requirement. Comparable savings banks mainly use the IRB method for this purpose. The standard method requires significantly higher capital weights than the IRB method for identical risk and identical customers. Compared with banks that use the IRB method, Sparebanken Øst's real loss-absorbing capacity is therefore considerably higher than for IRB banks, other things being equal.

Outlook for the Norwegian and international economy

The Board has assessed macroeconomic conditions nationally and internationally related to inflation, employment and economic development, as well as the influence of geopolitical conditions more generally. The Board’s assessments are based, among other things, on Monetary Policy Report 4/2023 published by Norges Bank. The Board’s prudence assessment assumes continued uncertainty in the international economy with low growth in the economies in 2024, while inflation appears to be under control in many of our main trading partners. The Board assumes modest but positive growth in the Norwegian economy in 2024 with prospects for increased growth in subsequent years. Inflation also appears to be under control in Norway. The Board also assumes that unemployment in Norway will remain low in the future and expects some growth in house prices in 2024. Some continued uncertainty in the demand for commercial property is also assumed. Similarly, weaker growth in revenue in the retail trade and in some service industries cannot be ruled out.

Assessments by the Board of Directors

The Board considers that the Bank’s loan portfolio is of very good quality and the risk of losses and non-performance in the future is still considered to be low, while the ongoing macroeconomic uncertainty will have limited impact on the Bank's lending activities going forward. At the end of 2023, net non-performing commitments as a percentage of net lending were 0.51 per cent. This is an increase from 0.35 per cent at the end of 2022, but on a par with the period prior to the coronavirus pandemic. Losses in 2023 were unchanged at 0.02 per cent of net lending to customers. The Bank has limited lending exposure of NOK 2.5 billion against commercial property, equivalent to about 6.6 per cent of gross lending in the Bank. In 2022, this exposure was reduced as a risk mitigation measure in response to increased macroeconomic uncertainty. The Bank’s share of loans to business customers is low at 10.3 per cent of gross lending. The Bank analyses the composition of the tenant base in the commercial buildings that the Bank has lent against on an ongoing basis. The Bank has low exposure to vulnerable industries such as building and construction projects, craft services, hotels and restaurants and trade related to sports and leisure. Loans to private individuals account for 89.7 per cent of total lending. The average loan-to-value ratio in the mortgage portfolio is 55.0 per cent, and 99.0 per cent of mortgages have an LTV ratio lower than 85 per cent.

The Board of Directors considers that the risk associated with access to liquidity and management of the liquidity portfolio is relatively low, that the ongoing macroeconomic uncertainty will have limited impact on the Bank's access to funding, and that fluctuations in value related to liquidity management will be limited going forward. There is good access to liquidity in the Norwegian capital markets. The liquidity portfolio has low credit risk and limited duration.

The Board has also assessed the prospects related to the Bank's ownership in Frende Forsikring and judges the risk to be relatively low. In 2023, there were several natural perils claims and other large claims payments, which may be regarded as natural fluctuations in our industry. The underlying profitability of Frende is still considered to be good, and with further price increases to compensate for claims inflation, we can expect the underlying insurance profitability to be maintained over time. The Bank's shares in Eksportfinans AS are not considered to be affected to any great extent by the macroeconomic situation, as the company now has very limited operations and substantial equity. The Bank's investments in NBX AS and Kraftbank are collectively very limited in amount, and the consequences of the macroeconomic situation going forward are considered to be very limited for the Bank.

The proposed distributions mean that the ownership fraction is unchanged at 28.6 per cent. The Board of Directors is aware that the Financial Supervisory Authority of Norway interprets Section 10-17(1) of the Financial Institutions Act to mean that dilution of the ownership fraction is contrary to this provision.

On 10 November 2023, the Ministry of Finance presented a Bill (Prop. 13 L 2023-2024) amending the Financial Institutions Act, with changes to the rules for distributing dividends in financial institutions. In a draft consultation note, the FSA has proposed a number of changes to the distribution of dividends to allow Norwegian financial institutions to continue to use their share and equity certificate capital to meet solvency requirements under the European capital requirement rules. From the changes put forward by the FSA,, the Ministry is proposing an amendment to Section 10-18 of the Financial Institutions Act, whereby any distribution of dividends from the equalisation fund will require the consent of the Authority. The proposed amendment has to pass through several legislative instances, starting with the Finance Committee by 13 February 2024. Any amendments to provisions on distribution of dividends are not expected to affect the Board's proposal for allocation of the profits for 2023.

Conclusion of the Board of Directors

The Board of Directors concludes that the Bank has substantial risk-bearing capacity with a CET1 capital ratio of almost 19 per cent, which enables growth in lending to customers going forward. The Board considers the risk in the Bank's balance sheet to be low, even compared with banks that use IRB models, wholly or partly, in their capital adequacy calculations. For 2024, the Bank expects lending growth in line with general credit growth.

As of today, the Board of Directors has no plans to reduce subordinated capital during 2024 beyond the buyback of equity certificates related to savings programmes for employees (up to NOK 5 million).

The Board of Directors assumes that risk assessments and stress tests used in the ICAAP for 2023 will remain relevant and conservative, taking account of the macroeconomic situation nationally and internationally. Based on the above, the Board of Directors sees no need to make extraordinary changes to the Bank's ICAAP, including reassessing the Bank's capital target. The Board of Directors is of the opinion that there are no circumstances as at 8 February 2023 that would indicate that all or part of the profit for 2023 must be retained as equity in the Bank.

More about the results for the quarter

NET INTEREST INCOME

Net interest income amounted to NOK 215.9 million, up NOK 26.5 million from Q4 2022. Net interest income as a percentage of average total assets is 1.89 per cent, an increase of 0.20 percentage points compared to the same quarter in 2022. Higher interest rates, with the key policy rate up by 1.75 percentage points from 2.75 per cent to 4.50 per cent, provide both increased interest income and increased interest rate costs for the Bank. The money market rate, measured as 3-month NIBOR, was reduced in the fourth quarter to a more normal level compared to the key policy rate. This has helped to stabilise the Bank’s wholesale funding costs, and reduced the effect of the time lag whereby loans to customers are generally repriced after a notice period. As a result, the Bank’s lending margin has increased compared to the same quarter last year.

Net interest income

Amounts in NOK million	Q4 23	Q3 23	Q4 22
Loans to & receivables from financial institutions	4,6	4,0	2,6
Lending to customers	560,0	518,3	384,1
Certificates and bonds	84,9	71,9	55,0
Other interest income	1,8	1,5	0,6
Total interest income	651,2	595,7	442,4
Liabilities to financial institutions	2,0	2,1	1,6
Customer deposits	100,8	86,1	50,9
Securities issued	299,9	266,2	183,4
Senior subordinated bonds	21,5	15,9	8,9
Subordinated loan capital	7,2	7,3	4,5
Norwegian Banks Guarantee Fund levy	4,1	4,1	3,7
Total interest costs	435,4	381,5	253,0
Net interest income	215,9	214,1	189,4
Net interest income as a percentage of average total assets	1,89	1,89	1,68

NET OTHER OPERATING INCOME

Net other operating income comprises commission income and expenses, dividends, net value changes and gains/losses on financial instruments and other income. Net other operating income amounted to NOK 24.3 million, up by NOK 2.4 million compared with Q4 2022.

Net commission income amounted to NOK 9.4 million, up NOK 0.4 million from Q4 2022.

Dividends received amount to NOK 0.1 million, down by NOK 3.6 million compared to the same period last year. In Q4 2022, NOK 3.0 million from VN Norge AS was recognised in connection with the sale of shares in Visa Inc.

Net value changes and gains/losses on financial instruments were plus NOK 14.5 million, up NOK 6.7 million from Q4 2022. The value of the liquidity portfolio fell by NOK 4.8 million, compared with a rise of NOK 10.9 million in Q4 2022. The gain in the value of the Bank's shares in Frende totalled NOK 11.4 million. The fall in the value of the Bank's shares in Norwegian Block Exchange (NBX) amounted to NOK 1.0 million, against a fall of NOK 6.3 million in Q4 2022. The value of the Bank's shares in Kraft Bank fell by NOK 0.3 million, against a rise of NOK 0.1 million in Q4 2022. The rise in value of the Bank's shares in Norne Securites totalled NOK 2.4 million. Positive value adjustments related to shares and equity rights in Visa Inc. totalled NOK 4.4 million, compared with a decrease of NOK 0.2 million in Q4 2022. The positive profit effects from foreign exchange, derivatives and fixed rate loans at fair value amounted to NOK 2.6 million. Corresponding profit effects were minus NOK 4.4 million in Q4 2022. The cost of buying back the Bank's own issued debt amounted to NOK 0.2 million in Q4 2023, compared with NOK 1.0 million in the same quarter last year.

Net other operating income

Amounts in NOK million	Q4 23	Q3 23	Q4 22
Net commission income	9,4	9,4	9,0
Dividend	0,1	0,1	3,6
Net value change and gains/losses on certificates and bonds*	14,9	4,6	14,8
Net value change and gains/losses on shares	16,9	9,3	-6,4
Net value change and gains/losses on fixed-interest loans	6,5	-0,4	3,1
Net value change and gains/losses on other financial instruments	-23,7	5,6	-3,6
Other operating income	0,4	0,6	1,4
Net other operating income	24,3	29,2	21,9

*excluding profit/loss effect of financial derivatives entered into for the purpose of
financial interest rate hedging in the liquidity portfolio

OPERATING COSTS

Operating costs amounted to NOK 93.5 million, up NOK 11.3 million compared with Q4 2022. Measured as a percentage of revenue, the cost ratio is 38.9 per cent, unchanged from the fourth quarter of 2022.

Salaries and other personnel costs amounted to NOK 54.4 million, up by NOK 9.9 million compared with Q4 2022. The Bank has strengthened its specialist expertise and staffing in the office channel, and compared with the end of Q4 2022, the number of full-time equivalents has increased by 13 to 193. The increase in salary and other staff costs includes a provision for a distribution of profits of NOK 1.3 million.

Other operating costs amounted to NOK 31.6 million, up NOK 0.9 million compared with Q4 2022. The increase is mainly due to an increase in wealth tax.

Operating costs

Amounts in NOK million	Q4 23	Q3 23	Q4 22
Salaries and other personnel costs	54,4	53,1	44,5
Depreciation/impairment of tangible and intangible assets	7,5	7,1	7,0
Other operating costs	31,6	28,0	30,8
Total operating costs	93,5	88,2	82,2
Costs as a % of average total assets	38,94	36,23	38,92
Costs as a percentage of average total assets	0,82	0,78	0,73

IMPAIRMENTS AND NON-PERFORMING COMMITMENTS

Losses on loans, unused credits and guarantees amounted to NOK 2.7 million, of which changes in model-based loan loss provisions amounted to income of NOK 0.6 million. By comparison, losses amounted to NOK 2.5 million in Q4 2022, of which changes in model-based loan loss provisions produced income of NOK 2.2 million.

Loss costs

Amounts in NOK million	Q4 23	Q3 23	Q4 22
Lending to retail customers of the parent and mortgage credit company	-2,3	-0,2	0,1
Lending to business customers	1,4	0,9	1,1
Lending at AS Financiering	3,3	2,0	1,1
Unused credit and guarantees	0,3	-0,2	0,1
Total loss costs	2,7	2,4	2,5
Losses as a percentage of net lending to customers (OB)	0,03	0,03	0,03

Total loan loss provisions amount to NOK 109.9 million, equivalent to 0.29 per cent of gross lending to customers. By comparison, total loan loss provisions amounted to NOK 113.2 million at the end of Q4 2022, equivalent to 0.31 per cent of gross lending to customers. Individually assessed loan loss provisions amounted to NOK 83.7 million, compared with NOK 85.8 million at the end of Q4 2022. The Bank's loan loss provisions are mainly related to AS Financiering and, compared with the end of Q4 2022, they constitute a reduced percentage of gross lending at AS Financiering.

Loan loss provisions

Amounts in NOK million	Q4 23	Q3 23	Q4 22
Lending to retail customers of the parent and mortgage credit company	14,6	16,8	18,4
Lending to business customers	6,5	5,1	4,3
Lending at AS Financiering	87,4	85,2	89,2
Unused credit and guarantees	1,5	1,3	1,3
Total loan loss provisions	109,9	108,4	113,2
Loan loss provisions as a percentage of gross lending to customers	0,29	0,29	0,31

Net non-performing commitments are low, at NOK 194.6 million or 0.51 per cent of net lending to customers. For comparison, net non-performing commitments amounted to NOK 128.9 million, corresponding to 0.35 per cent of net lending to customers at the end of Q4 2022.
The increase in net non-performing commitments is mainly down to payment relief and the grace period of up to one year.

Non-performing commitments

Amounts in NOK million	Q4 23	Q3 23	Q4 22
Lending to retail customers of the parent and mortgage credit company	80,9	64,0	47,8
Business customers	30,4	13,3	7,1
AS Financiering	168,3	164,4	160,6
Total gross non-performing commitments	279,6	241,7	215,6
Loan loss provisions for non-performing commitments.	85,0	83,1	86,7
Net non-performing commitments	194,6	158,6	128,9
Net non-performing commitments as a percentage of net lending	0,51	0,42	0,35

INCOME TAX

Income tax stands at NOK 31.1 million, equal to 21.6 per cent of the profit before income tax.

Profit/loss for 2023

The profit for the year is NOK 440.6 million, a reduction of NOK 144.2 million from 2022. The return on equity was 9.87 per cent compared with 6.65 per cent in 2022. Earnings per equity certificate were NOK 5.67, up from NOK 3.83 in 2022.

NET INTEREST INCOME

Net interest income amounted to NOK 828.8 million, up NOK 142.6 million from 2022. Net interest income as a percentage of average total assets is 1.85 per cent, an increase of 0.36 percentage points compared to the same period in 2022. The development of net interest income was primarily affected by rising interest rates resulting in increased deposit margins.

Interest income from lending to customers was higher compared with 2022, primarily due to interest rate rises in the Bank's loan portfolio. Interest rates in the Bank's loan portfolio have been increased seven times based on rate rises implemented by Norges Bank in 2023. 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 wholesale funding.

Interest costs on securities issued are closely linked to the development of money market rates. The increase in interest costs compared with 2023 was attributable to rising money market rates following rate hikes and expectations of further rate hikes by Norges Bank. The money market premium was high in the first three quarters and resulted in higher wholesale funding costs than the policy rate would indicate under normal conditions.

Net interest income

Amounts in NOK million	2023	2022
Loans to & receivables from financial institutions	15,7	5,7
Lending to customers	1.950,8	1.202,9
Certificates and bonds	273,9	145,9
Other interest income	4,5	1,0
Total interest income	2.244,9	1.355,5
Liabilities to financial institutions	9,3	6,7
Customer deposits	312,5	136,4
Securities issued	993,7	479,0
Senior subordinated bonds	59,0	19,6
Subordinated loan capital	25,4	12,8
Norwegian Banks Guarantee Fund levy	16,3	14,7
Total interest costs	1.416,1	669,3
Net interest income	828,8	686,2
Net interest income as a percentage of average total assets	1,85	1,49

NET OTHER OPERATING INCOME

Net commission income amounted to NOK 43.3 million, up NOK 5.9 million from 2022. The increase is mainly due to increased commission income from insurance intermediation.

Dividends received amounted to NOK 45.9 million, of which NOK 45.6 million related to dividends received from Frende. Dividends received totalled NOK 53.9 million in 2022, of which dividends from Frende accounted for NOK 49.1 million, while dividends from VN Norge AS came to NOK 3.0 million (sale of shares in Visa Inc.).

Net value changes and gains/losses from financial instruments amounted to a loss of NOK 3.3 million, compared with a loss of NOK 82.6 million in 2022. The value of the liquidity portfolio fell by NOK 7.6 million, compared with a reduction of NOK 46.8 million in 2022. Last year's fall in value was mainly due to the effects of the geopolitical uncertainty associated with the invasion of Ukraine. The fall in value of the Bank's shares in Norwegian Block Exchange AS (NBX) amounted to NOK 6.8 million. By comparison, the fall in the value of the shareholding in NBX amounted to NOK 30.9 million in 2022. The value of the Bank's shares in Kraft Bank ASA fell by NOK 1.9 million, against a fall of NOK 5.3 million in 2022. The rise in value of the Bank's shares in Norne Securites totalled NOK 2.4 million. Positive value changes related to shares and options in Visa Inc. amounted to NOK 13.6 million compared with an increase of NOK 1.5 million in 2022. The positive profit effect on the Bank's shareholding in Frende AS amounts to NOK 4.8 million in 2022.

The negative profit effects from foreign exchange, derivatives and fixed rate loans at fair value amounted to NOK 0.7 million. The corresponding profit effects were minus NOK 2.4 million in 2022. The cost of buying back the Bank's own issued debt amounted to NOK 2.2 million, compared with NOK 3.9 million in 2022.

Net other operating income

Amounts in NOK million	2023	2022
Net commission income	43,3	37,4
Dividend	45,9	53,9
Net value change and gains/losses on certificates and bonds*	-1,9	-50,5
Net value change and gains/losses on shares	7,3	-29,5
Net value change and gains/losses on fixed-interest loans	1,3	-6,3
Net value change and gains/losses on other financial instruments	-10,0	3,6
Other operating income	2,0	3,4
Net other operating income	88,0	12,1

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

financial interest rate hedging in the liquidity portfolio

OPERATING COSTS

Operating costs amount to NOK 345.9 million, an increase of NOK 36.2 million from 2022. Measured as a percentage of revenue, the cost ratio is 37.7 per cent, down from 44.4 per cent in 2022.

Salaries and personnel costs amounted to NOK 194.7 million, up by NOK 26.3 million from 2022. The Bank has strengthened its specialist expertise and staffing in the office channel, and compared with the end of 2022, the average number of full-time equivalents has increased by 13. The increase in salary and staff costs includes a provision for a distribution of profits of NOK 2.8 million in 2023

Other operating costs amount to NOK 122.3 million, an increase of NOK 8.2 million from 2022. Of this increase, NOK 4.2 million comes from increased IT costs and NOK 2.7 million from an increase in the rate of wealth tax.

Operating costs

Amounts in NOK million	2023	2022
Salaries and other personnel costs	194,7	168,5
Depreciation/impairment of tangible and intangible assets	29,0	27,2
Other operating costs	122,3	114,1
Total operating costs	345,9	309,7
Costs as a % of average total assets	37,73	44,35
Costs as a percentage of average total assets	0,77	0,67

IMPAIRMENTS AND NON-PERFORMING COMMITMENTS

Losses on loans, unused credits and guarantees amounted to NOK 6.7 million, of which changes in model-based losses amounted to income of NOK 1.2 million. By comparison, losses amounted to NOK 6.8 million in 2022, of which changes in model-based loan loss provisions produced income of NOK 2.3 million.

Loss costs

Amounts in NOK million	2023	2022
Lending to retail customers of the parent and mortgage credit company	-3,8	2,3
Lending to business customers	2,2	-0,1
Lending at AS Financiering	8,0	4,7
Unused credit and guarantees	0,2	-0,1
Total loss costs	6,7	6,8
Losses as a percentage of net lending to customers (OB)	0,02	0,02

INCOME TAX

Income tax stands at NOK 123.7 million, equal to 21.9 per cent of the profit before tax.

Main items on the balance sheet

Total assets amounted to NOK 45.4 billion at the end of 2023, an increase of NOK 1.3 billion from the end of 2022.

LENDING TO CUSTOMERS

Net lending to customers totalled NOK 37.9 billion, up NOK 1.1 billion or 2.9 per cent in the past 12 months.

Net lending to retail customers amounted to NOK 34.0 billion, up NOK 0.7 billion or 2.1 per cent in the past 12 months. Within the retail market in the office channel (Sparebanken Øst) and in AS Finansiering, the Bank can point to very good lending growth. Lending growth in the RM office channel was 1.8 per cent in the quarter and 7.7 per cent in the last 12 months. In AS Finansiering, lending growth was 1.1 per cent in the quarter and 9.6 per cent in the last 12 months. Lending growth in RM digital concepts (Sparebanken Øst) is positive by 0.8 per cent in the quarter and negative by 10.6 per cent in the last 12 months. Loans and credits to retail customers 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 low LTV ratios. The LTV ratio in the residential mortgage portfolio averages 55.0 per cent, based on the value of the collateral at the date of approval. Given the Group's high share of loans to retail customers, which mainly cover the central area of Eastern Norway, the retail customer portfolio is considered to serve low-risk customers in a housing and labour market that is expected to function well over time. Gross lending to retail customers accounted for 89.7 per cent of total lending to customers.

Net lending to business customers amounted to NOK 3.9 billion, an increase of NOK 0.4 billion in the past 12 months. There is still considerable uncertainty around developments in the commercial property market. There are still very few transactions in the market and this makes any valuation uncertain. After a long period of rising commercial property values (lower yields), yields have increased significantly, as have financing costs for commercial property. The Bank takes a cautious approach to business customers, requiring good collateral and low loan-to-value ratios. 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 2.5 billion, or about 6.6 per cent of total gross lending, up from NOK 2.3 billion or approx. 6.2 per cent at the end of 2022. The Bank does not have exposure to oil and oil-related business or fishing and aquaculture activities. In general terms, the Bank can also be said to have little direct or indirect exposure to construction and development projects, handicraft services, 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 17.5 billion, up NOK 0.2 billion, or 0.9 per cent, in the past 12 months. The deposit-to-loan ratio is 41.9 per cent. Deposits from retail customers amounted to NOK 10.1 billion, down NOK 0.3 billion in the past 12 months. Deposits from business customers amounted to NOK 5.8 billion, up NOK 0.4 billion in the past 12 months.

LIQUIDITY AND FINANCING

With a robust liquidity portfolio and a balanced maturity structure for its wholesale funding, the Bank felt little impact from the banking and market turbulence that occurred in the first quarter.

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

Holdings of certificates and bonds totalled NOK 5.9 billion, an increase of NOK 0.3 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 250.1 per cent, compared with 217.3 per cent at the end of 2022. The Bank's liquidity strategy entails a high proportion of securities that count towards the LCR calculation and in periods when little wholesale funding falls due, the Group will have a high reported LCR.

Securities issued totalled NOK 21.7 billion, an increase of NOK 0.3 billion in the past 12 months. The Bank also has senior non-preferred debt (SNP) with a nominal value of NOK 1.5 billion, an increase of NOK 0.6 billion over the past 12 months. The Bank considers its access to wholesale funding to be good.

The degree of stable and long-term financing measured as NSFR (net stable funding ratio) is 127.7 per cent, compared with 130.1 per cent at the end of 2022. The average maturity for wholesale funding was 3.02 years, compared with 3.01 years at the end of 2022. Short-term borrowing (defined as borrowing with a remaining term to maturity of less than 1 year) amounted to NOK 3.9 billion at the end of 2023.

FRENDE FORSIKRING

The Bank owns 13.03 per cent of Frende Holding AS (Frende), 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. In order to highlight the added value to the Bank from Frende through the year, the shareholding has been revalued each quarter since Q1 2023. The Bank's stake in Frende is valued at NOK 456.1 million, or NOK 518 per share.

In 2023, the positive profit effect came to NOK 45.6 million, all of it in dividend income received.

On 19 January 2024, together with 22 other owners in Frende, the Bank entered into an agreement to acquire Haugesund Sparebank's stake in Frende at a price of NOK 520 per share. The agreement means that, from Q1 2024, Sparebanken Øst increases its ownership fraction by 0.22 per cent and now owns 13.25 per cent of Frende. The share transfer is not expected to have any significant profit effect in 2024.

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 stake in Vipps Holding AS is 0.72 per cent, and the shareholding is valued at NOK 64.4 million. Vipps Holding owns 72.22 per cent of the shares in Vipps AS and 100 per cent of the shares in BankID BankAxept AS.

The Bank owns 'C' shares in Visa Inc. The shareholding is valued at NOK 50.2 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 10.8 million.

The Bank owns 6.85 per cent of the shares in Kraft Bank ASA. Kraft Bank is listed on Euronext Growth Oslo and the Bank's shareholding is valued at NOK 24.2 million.

The Bank owns 9.43 per cent of the shares in Norwegian Block Exchange AS (NBX). NBX is listed on Euronext Growth Oslo and the Bank's shareholding is valued at NOK 4.1 million.

Capital adequacy

The CET1 capital ratio was 18.67 per cent at the end of 2023, down from 20.11 per cent at the end of 2022.

The current Pillar 2 requirement for Sparebanken Øst is 1.1 per cent, of which at least 56.25 per cent has to be covered by CET1 capital and at least 75 per cent by core capital. The requirement took effect on 30 September 2023. The requirement for an increased systemic risk buffer for standard method customers increased by 1.5 percentage points from 3.0 per cent to 4.5 per cent from 31 December 2023. Given the current capital requirements, this entails a total CET1 capital requirement of at least 14.62 per cent at the end of 2023.

Added to the Financial Supervisory Authority of Norway's expectation of a solvency capital margin of at least 1.0 per cent, there is a total regulatory requirement of at least 15.62 per cent at the end of 2023.

In June 2023, the Board of Directors changed its capital target from a CET1 capital ratio to a capital adequacy ratio. The capital target is expressed as follows: The Sparebanken Øst Group should have capital coverage equal to the regulatory requirement plus a capital margin of 1.0 percentage point. Based on current regulatory requirements at the end of 2023, the capital adequacy target is a minimum of 19.60 per cent. The minimum CET1 capital ratio is then 15.62 per cent.

Net subordinated loan capital at the end of 2023 amounted to NOK 4.5 billion, of which the Group's CET1 capital accounted for NOK 4.1 billion. With a calculation basis of NOK 20.3 million, this corresponds to a capital adequacy ratio of 22.37 per cent, of which 20.40 per cent constitutes the Tier 1 capital ratio. The leverage ratio was 8.89 per cent at the end of 2023, down from 9.27 per cent at the end of 2022. The current leverage ratio requirement is 3.0 per cent.

Capital level

per cent	2023	2022
CET1 capital ratio	18,67	20,11
Tier 1 capital ratio	20,40	21,94
Capital adequacy	22,37	24,03
Leverage ratio	8,89	9,27

MREL

For Sparebanken Øst, the Financial Supervisory Authority has laid down a minimum requirement for the sum of subordinated loan capital and convertible debt (minimum requirement for own funds and eligible liabilities - MREL), effective from 1 January 2024. The requirement for effective MREL is set at 34.7 per cent of an adjusted basis for calculation, with a further requirement that 27.7 per cent of the adjusted basis for calculation should consist of subordinated debt. At the end of 2023, Sparebanken Øst's actual MREL was 41.4 per cent, while the proportion of subordinated debt was 29.5 per cent.

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 loan portfolios. The end of the Basel 1 floor for Norwegian IRB banks from 31 December 2019 altered the competitive situation in the Norwegian market to a significant degree and has also left its mark on profit performance.

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

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

Sparebanken Øst believes that the differential treatment of the capital requirements for equal risk provides for significantly higher leverage for the IRB banks with the possibility of significantly higher lending volumes relative to equity levels, or alternatively reduced equity requirements, resulting in higher return on equity. The differential treatment of identical risk results in a very great competitive disadvantage for the standard method banks as they also have to safeguard the interests of the their equity certificate investors. Sparebanken Øst is working to ensure that the framework conditions for Norwegian banks become more aligned and that the banks compete on equal terms.

Rating

Sparebanken Øst has a long-term deposit and issuer rating of A1 from Moody's Investor Services. The rating was last confirmed by Moody's in December 2022. Sparebanken Øst has had an A1 rating since January 2021, when it 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 wholesale funding. At the end of 2023, the company had total assets of NOK 19.0 billion, consisting mainly of first priority mortgages on homes financed through covered bonds and drawing rights from the parent bank. The company has a low LTV ratio in the cover pool. The loan-to-value ratio at the end of 2023 was 46.7 per cent, compared with 45.6 per cent at the end of 2022. In

2023, the company had a profit of NOK 84.7 million, compared with NOK 73.1 million in 2022. The company has no employees, but sources services from Sparebanken Øst.

AS Financiering's main product is secured loan financing for used cars. At the end of 2023, the company had total assets of NOK 2.8 billion. In 2023, the company had a profit of NOK 41.8 million, compared with NOK 41.1 million in 2022. 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 6.2 million in 2023, compared with NOK 5.8 million in 2022. In 2023, the company had a profit of NOK 2.2 million, compared with NOK 1.6 million in 2022. The company has 1.2 employees, corresponding to 1.2 FTEs.

Øst Prosjekt AS's main purpose is to take over projects and to undertake industrial and commercial activities to hedge and realise exposed positions in the parent bank. The company posted a deficit of NOK 0.6 million in 2023, compared with a deficit of NOK 1.1 million in 2022.

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

The Board of Directors decided on 13 July 2023 to change the Bank's dividend policy. The change meant that, over the next few years, the Bank aims to distribute up to 100 per cent of its profits in dividends to equity certificate holders and donations for charitable purposes, although up to 50 per cent of the profits will still be retained for distribution in the longer term. The change was based on the Bank's very good capital situation and the low level of risk in the business. Moreover, the Bank is a standard method bank which uses conservative capital weights when calculating capital adequacy, and the introduction of a more risk-sensitive standard method (Basel IV) could have positive effects in the form of higher capital adequacy. The Bank's dividend policy is as follows:

Sparebanken Øst's 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 ensure that up to 100 per cent of the profits allocated to equity certificate holders are paid as dividends over the next few years, while retaining up to 50 per cent of the profits allocated to equity certificate holders to be paid as dividends in the longer term.

We also aim to distribute dividends on the Bank's primary capital in the form of gifts to charity, the donations fund and/or charitable foundations, up to 100 per cent of the profits allocated to primary capital over the next few years, while retaining up to 50 per cent of the profits allocated to primary capital to be distributed as dividends on the Bank's primary capital in the form of gifts to charity, the donations fund and/or charitable foundations in the longer term.

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)

Sparebanken Øst's return target is for the Group to have a return on equity of 9 per cent over time. Given the current regulatory framework conditions and its status as a standard method bank, in the opinion of the Board a target return of 9 per cent for the next few years represents an ambitious, but not unrealistic target for Sparebanken Øst.

The macro situation

Inflation, rising interest rates and uncertain growth prospects dominated the economy in 2023. Inflation in Norway is slowing after remaining very high - well above the inflation target - for a long period. In December, the consumer price index (CPI) was 4.8 per cent higher than in the same month last year. Core inflation (CPI-ATE) was 5.7 per cent. High prices for food, drink and rent have contributed a lot to the rise in prices. The electricity price, on the other hand, has had a dampening effect on inflation over the past 12 months. The Norwegian krone has weakened compared to 12 months ago, but strengthened somewhat through the fourth quarter. A strengthening krone has helped to reduce imported inflation compared to earlier quarters in 2023. High inflation has also contributed to high wage growth in this year's pay settlement, making it more difficult to bring inflation down towards the target of 2 per cent over time. On the international front, many of Norway's most important trading partners are seeing a fall in inflation, although it remains high in many countries and economies.

After two months of growth, mainland GDP fell by 0.2 per cent from October to November. For the three-month period from September to November, there was a marginal increase of 0.1 per cent. In 2023, there were signs of the economy slowing down. The figures indicate weaker performance in the Norwegian economy than in previous years, and there are strong indications that higher interest rates have started to have a serious impact on consumers. The latest report from the Regional Network shows that companies are expecting stagnation in the economy in the fourth quarter and a 0.3 per cent drop in the first quarter of 2024. Lower household demand and lower levels of construction activity are curbing growth. On the other hand, the weak krone has contributed to improved competitiveness for exporters in 2023.

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

Norges Bank has raised its key policy rate by 1.75 percentage points in 2023 to 4.50 per cent by the end of 2023. The key policy rate was last raised by 0.25 per cent in December. The weak krone, along with price growth that is still well above the target, was one of the main arguments for the rise in interest rates. This is the highest key policy rate level since autumn 2008. When raising its interest rate in December, Norges Bank also indicated that the peak had probably been reached and that it could envisage a rate cut towards the end of 2024.

Money market rates rose sharply in 2023, a result of both expected and actual increases in the key policy rate. In the fourth quarter, however, the money market rate, 3-month NIBOR, was stable at about 4.72 per cent.

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

Future prospects

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

Unemployment is still low, and a large proportion of the population is in work. Norges Bank expects weak growth in employment in the coming years to lead to slightly higher unemployment, which will eventually return to the level it was at before the pandemic.

After the inflation figures for December showed marginally lower inflation than expected, the market was strengthened in its belief that Norges Bank would lower the key policy rate significantly more in 2024 than the Bank itself had signalled at the monetary policy meeting in December. The market is pricing in a decrease in Norges Bank’s key policy rate before the summer and anticipates a key policy rate of 3.0 per cent by the end of 2024.

With prospects of continuing lower credit growth in society, we may expect continued strong competition for lending. With high lending rates, house prices are stay quite flat in the future, but low construction activity and a tight labour market could offset this to some extent and produce growth in house prices. Banks' deposit margins have increased over the past year. Increased competition and pressure on deposit margins are expected in the future.

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

Sparebanken Øst is a cost-effective bank and believes that low costs will constitute a competitive advantage. The Bank has had a stable and low cost level over time and intends to maintain good cost control going forward. High inflation, rising wages and expectations of higher IT costs will affect the Bank's costs.

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

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

Sparebanken Øst, as an owner and distributor for Frende Forsikring and Norne savings products, collaborates on a regular basis with the other banks with stakes in the “Frende companies”. This collaboration is now slightly more formalised through the establishment of the Frendegruppen group. The objectives in the future are to be able to collaborate more on technology, establishing a basis for joint development of selected products and services, and establishing new product companies to promote growth and profitability in the banks. Frendegruppen also wants to be seen as a reliable and cost-effective collaboration that has succeeded in recruiting new members.

Sparebanken Øst bases its capital calculations on the principles in the standard method. On 13 December 2023, the Ministry of Finance announced a package of measures that will improve the framework conditions for small and medium-sized banks. The most important measure is that the Ministry has asked the Financial Supervisory Authority to examine the changes in the banks’ capital requirements, including the introduction of a new and more risk-sensitive standard method for calculating capital needs for credit risk (Basel IV). The aim is that this should apply in Norway from 1 January 2025. In the Bank’s opinion, there is considerable uncertainty about how Basel IV will be introduced in Norway. Based on preliminary analyses and assumptions, the Bank expects that the introduction will provide it with improved competitive conditions in the form of lower capital needs in Pillar 1. It is expected that the current differential treatment of banks using the standard method, compared to banks that can use IRB models for all or part of their loan portfolios, will be reduced. However, banks such as Sparebanken Øst are expected to remain at a competitive disadvantage as a result of differential treatment.

On 10 November 2023, the Ministry of Finance presented a Bill (Prop. 13 L 2023-2024) amending the Financial Institutions Act, including changes to the rules for distributing dividends in financial institutions. The FSA has proposed a number of changes to the distribution of dividends to allow Norwegian financial institutions to continue to use their share and equity certificate capital to meet solvency requirements under the European capital requirement rules. The reason is that the European Banking Authority (EBA) has suggested that some features of these capital instruments are not in line with the rules. From the changes put forward by the FSA,, the Ministry is proposing an amendment whereby any distribution of dividends from the equalisation fund will require the consent of the Authority. In August 2023, a committee was set up to assess the capital structure in savings banks. The committee is due to report back by the end of September 2024. In other words, there is an ongoing broad review of the position of the equity certificate, where where we may expect clarifications and new rules relating to e.g. dividend distributions and expectations on the size of equalisation funds. Ongoing processes are creating some uncertainty about the position of the equity certificate and dividend opportunities in the future.

<u>Hokksund, 31 December 2023</u>
Drammen, 8 February 2024

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 million)	Note	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Interest income from assets valued at amortised cost		564,1	385,1	1.962,2	1.201,1
Interest income from assets valued at fair value		87,2	57,3	282,7	154,3
Interest costs		435,4	253,0	1.416,1	669,3
Net interest income	7	**215,9**	**189,4**	**828,8**	**686,2**
Commission income and income from banking services		21,6	21,2	90,9	86,2
Commission costs and costs for banking services		12,2	12,2	47,6	48,8
Dividend		0,1	3,6	45,9	53,9
Net value changes and gains/losses on financial instruments	8	14,5	7,9	-3,3	-82,6
Other operating income		0,4	1,4	2,0	3,4
Net other operating income		**24,3**	**21,9**	**88,0**	**12,1**
Salaries and other personnel costs		54,4	44,5	194,7	168,5
Depreciation/impairment of tangible and intangible assets		7,5	7,0	29,0	27,2
Other operating costs		31,6	30,8	122,3	114,1
Total operating costs	9	**93,5**	**82,2**	**345,9**	**309,7**
Profit before losses		**146,7**	**129,1**	**570,9**	**388,6**
Losses on loans, unused credit and guarantees	5	2,7	2,5	6,7	6,8
Profit/loss before tax		**143,9**	**126,6**	**564,2**	**381,9**
Income tax		31,1	31,7	123,7	85,5
Profit/loss after tax		**112,8**	**94,9**	**440,6**	**296,4**
Hybrid capital owners' share of the result		7,7	5,7	29,3	18,7
Equity certificate holders' and primary capital share of profits		105,2	89,1	411,3	277,7
Profit/loss after tax		**112,8**	**94,9**	**440,6**	**296,4**
Earnings per equity certificate		1,45	1,23	5,67	3,83
Diluted earnings per equity certificate		1,45	1,23	5,67	3,83

Comprehensive income – Group

(Amounts in NOK million)	Note	4. kvartal 2023	4. kvartal 2022	Året 2023	Året 2022
Profit/loss after tax		**112,8**	**94,9**	**440,6**	**296,4**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans		-20,3	-26,9	-20,3	-26,9
Tax related to items that cannot be reclassified		5,1	6,7	5,1	6,7
Comprehensive income		**97,6**	**74,7**	**425,4**	**276,2**

Balance Sheet – Group

(Amounts in NOK million)	Note	31.12.2023	31.12.2022
Assets			
Cash and receivables from central banks	10	417,3	486,4
Loans to and receivables from financial institutions	10	16,5	16,1
Lending to customers	2,5,10,11	37.877,1	36.800,2
Certificates and bonds	10,11	5.914,0	5.635,3
Financial derivatives	10,11	67,6	44,4
Shares and units	10,11	809,6	796,0
Intangible assets		33,0	33,9
Investment properties		13,1	11,4
Tangible fixed assets		122,8	120,5
Lease rights		40,2	41,1
Other assets		67,4	93,0
Total assets		**45.378,6**	**44.078,4**
Liabilities and equity			
Liabilities to financial institutions	10	219,6	274,1
Customer deposits	2.10	15.860,8	15.761,3
Securities issued	10,12	21.658,5	21.375,7
Financial derivatives	10,11	147,4	131,7
Other liabilities		433,8	238,4
Pension liabilities		60,2	52,7
Tax payable		126,7	90,1
Deferred tax		4,5	1,4
Provisions, unused credit and guarantees		1,5	1,3
Lease liabilities	10	41,5	42,2
Senior subordinated bonds	10,12	1.508,2	896,2
Subordinated loan capital	10,12	402,4	420,9
Total liabilities		**40.465,0**	**39.286,1**
Paid-up equity		595,1	595,1
Hybrid capital		353,7	352,9
Retained earnings		3.964,8	3.844,3
Total equity		**4.913,6**	**4.792,3**
Total liabilities and equity		**45.378,6**	**44.078,4**

Changes in equity - Group

(Amounts in NOK millions) 31.12.2023	Total equity	Paid-up equity		Hybrid capita	Retained earnings				
		Equity certificates	Share mium reserve	litional Tier 1 capital	Equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity
Equity at 31.12.2022	**4.792,3**	**207,3**	**387,8**	**352,9**	**443,0**	**2.555,3**	**38,1**	**397,3**	**410,7**
Ordinary profit	440,6	0,0	0,0	29,3	112,9	282,1	0,0	2,4	13,9
Actuarial gains and losses on defined-benefit plans	-15,2	0,0	0,0	0,0	-4,1	-10,3	0,0	0,0	-0,8
Comprehensive income	**425,4**	**0,0**	**0,0**	**29,3**	**108,8**	**271,8**	**0,0**	**2,4**	**13,1**
Dividend to equity certificate holders 2022 – adopted	-78,8	0,0	0,0	0,0	-78,8	0,0	0,0	0,0	0,0
Grants for good causes 2022 – adopted	-196,8	0,0	0,0	0,0	0,0	-196,8	0,0	0,0	0,0
Interest paid on hybrid capital	-27,8	0,0	0,0	-27,8	0,0	0,0	0,0	0,0	0,0
Issue of new hybrid capital	200,0	0,0	0,0	200,0	0,0	0,0	0,0	0,0	0,0
Hybrid capital redemption	-200,7	0,0	0,0	-200,7	0,0	0,0	0,0	0,0	0,0
Equity at 31.12.2023	**4.913,6**	**207,3**	**387,8**	**353,7**	**473,0**	**2.630,3**	**38,1**	**399,7**	**423,8**

The year's proposed dividend to equity certificate holders of NOK 111.9 million (NOK 5.40 per equity certificate) remains part of the equalisation fund, and the year's provision for grants for good causes of NOK 279.6 million remains part of the primary capital until finally adopted.

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

Cash Flow Statement – Group

(Amounts in NOK millions)		31.12.2023	31.12.2022
Operating activities			
Profit/loss before income tax		564,2	381,9
Adjusted for:			
Change in net interest income earned and accrued interest costs		12,1	8,0
Net receipts/disbursements of loans to customers		-1.043,5	2.621,4
Change in certificates and bonds		-264,9	1.574,4
Value adjustment, shares and units		-19,8	38,7
Net change in financial derivatives (net assets and liabilities)		40,3	5,1
Net change in other assets		36,5	-62,9
Net receipts/disbursement of borrowing from financial institutions		0,0	0,0
Net receipts/disbursement of deposits from customers		93,2	-1.816,5
Net change in other debt		-23,8	-149,7
Depreciation/write-downs of tangible fixed assets and lease rights		29,0	27,2
Write-downs of financial assets		-3,5	-13,2
Amortisation of financing activities measured at amortised cost		-16,5	-17,9
Net gain/loss from investing activities		-0,1	-5,3
Net gain/loss from financing activities		2,2	4,0
Taxes paid for the period		-89,8	-82,5
Net cash flow from operating activities	**A**	**-684,4**	**2.512,6**
Investing activities			
Payments on purchases of tangible fixed assets		-12,6	-12,3
Receipts from sale of fixed assets		0,9	1,9
Payments on the purchase of intangible assets		-10,2	-12,3
Payments on purchases of financial investments		6,2	-15,0
Proceeds from sales of financial investments		0,0	33,7
Net cash flow from investing activities	**B**	**-15,7**	**-4,1**
Financing activities			
Net receipts/disbursements for loans to/from financial institutions		-54,5	-27,3
Payments on repayment of securities		-3.768,3	-5.152,2
Receipts on issuance of securities		4.561,5	2.957,2
Payment of dividend		-78,8	-79,8
Payment disbursed for repayment of hybrid capital		-200,7	0,0
Payment received for issue of hybrid capital		200,0	0,0
Interest paid on hybrid capital		-27,8	-17,6
Net cash flow from financing activities	**C**	**631,3**	**-2.319,6**
Net change in cash and cash equivalents	**A+B+C**	-68,7	188,9
Cash and cash equivalents as at 1 Jan		502,5	313,6
Holdings of cash and cash equivalents at end of period		**433,8**	**502,5**

*Liquidity reserves include NOK 417.3 million in cash and deposits with central banks and NOK 16.5 million in loans to and deposits with financial institutions which are pure investments.

Additional information on operating activities relating to interest and dividend income	**31.12.2023**	**31.12.2022**
Interest payments received	2.204,4	1.322,1
Interest payments made	1.388,4	644,9
Dividends received	45,9	53,9

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 2022. The accounting policies and calculation methods remain largely unchanged from the annual financial statements for 2022.

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 2022, 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

2023	Retail market	market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Net interest and commission income	423,4	155,3	-33,7	131,7	0,5	152,3	-0,7	828,8
Other operating income	61,3	4,3	-5,7	-25,5	6,2	54,3	-7,0	88,0
Operating costs	72,0	14,5	0,0	42,1	3,8	220,7	-7,2	345,9
Profit before losses	**412,7**	**145,1**	**-39,4**	**64,1**	**2,8**	**-14,0**	**-0,5**	**570,9**
Losses on loans, unused credit and guarantees	-4,6	3,3	0,0	8,0	0,0	-0,1	0,0	6,7
Profit/loss before tax	**417,3**	**141,8**	**-39,4**	**56,0**	**2,8**	**-13,9**	**-0,5**	**564,2**
Income tax	0,0	0,0	0,0	14,2	0,6	108,9	-0,1	123,7
Profit/loss after tax	**417,3**	**141,8**	**-39,4**	**41,8**	**2,2**	**-122,9**	**-0,4**	**440,6**

2022	Retail market	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 before losses	**359,1**	**134,1**	**-119,4**	**59,7**	**2,0**	**-56,0**	**9,2**	**388,6**
Losses on loans, unused credit and guarantees	2,4	-0,2	0,0	4,7	0,0	-0,1	0,0	6,8
Profit/loss before tax	**356,8**	**134,3**	**-119,4**	**55,0**	**2,0**	**-55,9**	**9,2**	**381,9**
Income tax	0,0	0,0	0,0	13,8	0,4	69,0	2,3	85,5
Profit/loss after tax	**356,8**	**134,3**	**-119,4**	**41,1**	**1,6**	**-124,9**	**6,9**	**296,4**

Balance sheet

31.12.2023	Retail market	market	Finance	AS Financiering	Sparebanken Øst Eiendom AS	Unallocated	Eliminations	Group
Lending to customers	30.721,2	3.775,8	0,0	2.759,6	0,0	628,4	-7,9	37.877,1
Other assets	3,4	0,0	6.072,3	63,6	86,0	4.103,2	-2.826,9	7.501,5
Total assets	**30.724,6**	**3.775,8**	**6.072,3**	**2.823,2**	**86,0**	**4.731,6**	**-2.834,8**	**45.378,6**
Customer deposits	10.698,3	3.038,5	2.020,8	0,0	0,0	139,6	-36,3	15.860,8
Other liabilities/offsetting	20.026,3	737,3	4.051,5	2.371,8	10,7	-181,2	-2.412,2	24.604,2
Equity	0,0	0,0	0,0	451,4	75,3	4.773,2	-386,2	4.913,6
Total liabilities and equity	**30.724,6**	**3.775,8**	**6.072,3**	**2.823,2**	**86,0**	**4.731,6**	**-2.834,8**	**45.378,6**

31.12.2022	Retail market	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**

Note K2 Operating segments (cont.)

Deposits from customers divided by sector and industry

	31.12.2023	31.12.2022
Salaried employees	9.975,6	10.303,7
Public administration	333,5	401,5
Agriculture, forestry, fishing, etc.	139,7	104,8
Industry and mining, power and water supply	1.131,5	543,6
Building and construction	647,4	662,2
Wholesale and retail trade, hotels and restaurants	477,1	408,4
Transport and communications	175,2	169,1
Business financial services	924,6	1.309,7
Other service industries	870,1	842,6
Real estate sales and operation	1.057,0	916,2
Abroad	129,3	99,4
Total customer deposits	**15.860,8**	**15.761,3**

Lending, guarantees and credit facilities by sector and industry

	Gross lending		Guarantees		Potential exposure via overdraft facilities	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Salaried employees	34.061,6	33.341,2	0,6	1,0	3.865,0	3.613,9
Public administration	7,1	7,1	0,0	0,0	0,0	0,0
Agriculture, forestry, fishing, etc.	93,5	78,1	0,3	0,3	15,7	15,1
Industry and mining, power and water supply	50,3	49,3	0,1	0,3	4,8	3,0
Building and construction	551,5	457,0	4,8	21,1	74,9	33,9
Wholesale and retail trade, hotels and restaurants	93,5	97,6	5,4	6,9	23,4	24,0
Transport and communications	14,1	16,7	3,8	3,9	2,2	4,1
Business financial services	133,1	73,6	2,9	0,0	5,3	4,2
Other service industries	468,3	468,4	1,6	1,6	19,8	6,3
Real estate sales and operation	2.502,5	2.287,7	7,4	15,6	21,5	36,0
Abroad	10,0	35,4	0,0	0,0	2,7	3,1
Total	**37.985,5**	**36.912,1**	**26,7**	**50,7**	**4.035,0**	**3.743,6**

Geographical distribution of lending to customers

	31.12.2023	31.12.2022
Drammen	7.370,5	7.289,6
Øvre Eiker	2.252,5	1.965,3
Rest of Buskerud	2.540,8	2.335,2
Asker	4.596,7	4.057,8
Other Akershus	5.081,5	5.073,6
Oslo	7.272,8	7.558,7
Østfold	1.994,9	1.815,5
Vestfold	3.191,0	2.933,4
Rest of Norway	3.674,7	3.847,6
Abroad	10,0	35,5
Gross lending to customers	**37.985,5**	**36.912,1**

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 calcu 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.

	31.12.2023	**31.12.2022**
CET1 capital		
Book equity	4.559,9	4.439,4
Deduction items in CET1 capital		
Approval for acquisition of own equity certificates	-28,3	0,0
Additional value adjustments (prudent valuation requirement) (AVA)	-7,2	-6,9
Dividends	-391,6	-275,5
Goodwill included in the valuation of significant investments	-247,6	-227,3
Intangible assets	-33,0	-33,9
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	-65,7	-58,2
Total CET1 capital	**3.786,6**	**3.837,5**
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	**4.136,6**	**4.187,5**
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	**4.536,6**	**4.587,5**

Note K3 - Capital adequacy (contd.)

	31.12.2023	31.12.2022
Governments and central banks	0,0	0,0
Local and regional authorities	0,0	0,0
Publicly owned companies	0,0	6,0
Multilateral development banks	0,0	0,0
Institutions	83,6	77,3
Companies	118,3	66,4
Mass market accounts	3.241,0	2.925,9
Accounts secured against property	13.128,7	12.832,3
Accounts due	232,1	151,7
High-risk commitments	597,1	163,9
Covered bonds	448,3	424,1
Shares in securities fund	0,0	0,0
Equity positions	750,0	808,5
Other exposures	195,0	192,6
Securitisation	0,0	0,0
Calculation basis for credit and counterparty risk	**18.794,1**	**17.648,7**
Calculation basis for currency risk	**0,0**	**0,0**
Calculation basis for operational risk	**1.456,4**	**1.411,3**
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	**28,3**	**27,0**
Deductions from calculation basis	**0,0**	**0,0**
Total calculation basis	**20.278,7**	**19.087,0**

Capital coverage taken into account the year's profit and the Board's proposal for performance allocation		
CET1 capital ratio	18,67 %	20,11 %
Tier 1 capital ratio	20,40 %	21,94 %
Capital adequacy	22,37 %	24,03 %

Buffers		
Capital conservation buffer	507,0	477,2
Countercyclical buffer	507,0	381,7
Systemic risk buffer	912,5	572,6
Buffer for systemically important banks	0,0	0,0
Total buffer requirements	**1.926,5**	**1.431,5**
Available buffer capital	**2.874,0**	**2.978,6**

Leverage ratio	8,89 %	9,27 %

Note K4 – 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 class
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 behaviou
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 %
J and K	99,99 %	100,00 %

31.12.2023	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commitments, Stage 1	Loan loss provisions, Stage 1	Commitments, Stage 2	Loan loss provisions, Stage 2	Commitments, Stage 3	Loan loss provisions, Stage 3*
A	13.556,9	11,8	1.509,3	15.078,0	36	15.059,7	1,1	18,4	0,0	0,0	0,0
B	14.818,1	3,7	2.324,1	17.145,9	41	16.990,7	3,5	155,2	0,2	0,0	0,0
C	5.146,4	5,7	132,3	5.284,4	13	5.150,1	2,5	134,3	0,3	0,0	0,0
D	1.492,4	0,4	40,2	1.533,0	4	1.155,9	0,9	377,1	1,6	0,0	0,0
E	1.097,9	2,1	9,2	1.109,2	3	869,1	1,2	240,1	1,2	0,0	0,0
F	938,5	0,2	12,0	950,7	2	694,6	1,6	256,1	1,9	0,0	0,0
G	344,1	0,1	0,7	344,9	1	243,7	0,8	101,2	0,7	0,0	0,0
H	146,5	0,0	0,1	146,6	0	45,1	0,3	101,6	1,1	0,0	0,0
I	166,1	0,2	4,9	171,3	0	16,7	0,5	154,6	5,5	0,0	0,0
J	98,5	0,1	1,8	100,4	0	0,0	0,0	0,5	0,0	99,9	0,0
K	179,2	0,5	0,0	179,7	0	0,0	0,0	0,0	0,0	179,7	85,0
Unallocated	0,9	1,9	0,4	3,2	0	3,2	0,0	0,0	0,0	0,0	0,0
Total	**37.985,5**	**26,7**	**4.035,0**	**42.047,3**	**100**	**40.228,8**	**12,4**	**1.538,9**	**12,6**	**279,6**	**85,0**

* Stage 3 provisions include individually assessed loan loss provisions of NOK 83.7 million.

** Gross lending includes loans at both amortised cost and fair value.

31.12.2022	Gross lending**	Guarantee liabilities	Overdraft facilities	Total commitments	%	Commitments, Stage 1	Loan loss provisions, Stage 1	Commitments, Stage 2	Loan loss provisions, Stage 2	Commitments, 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.

Note K5 - Losses on loans, unused credit and guarantees

Loss costs

	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Change in model-based provisions, Stage 1	0,5	-1,3	1,1	-2,3
Change in model-based provisions, Stage 2	-0,9	-0,6	-2,7	0,4
Change in model-based provisions, Stage 3	-0,2	-0,3	0,4	-0,5
Increase in existing individual loan loss provisions	2,2	3,0	8,0	9,4
New individual loan loss provisions	3,2	3,6	9,3	9,4
Established losses covered by previous individual loan loss provisions	3,2	18,9	14,3	23,2
Reversals of previous individual loan loss provisions	-3,3	-20,7	-19,5	-29,9
Established losses not covered by previous individual loan loss provisions	-0,4	1,4	1,7	1,0
Recovery of previously identified losses	-1,7	-1,5	-6,2	-4,1
Amortisation costs for the period	0,1	0,1	0,2	0,1
Losses on loans, unused credit and guarantees	**2,7**	**2,5**	**6,7**	**6,8**
- of which losses on lending to retail customers of the parent bank and mortgage credit company	-2,3	0,1	-3,8	2,3
- of which losses on lending to business customers	1,4	1,1	2,2	-0,1
- of which losses on lending AS Financiering	3,3	1,1	8,0	4,7
- of which losses on unused credit and guarantees	0,3	0,1	0,2	-0,1

Changes in loan loss provisions

	Expected credit loss	cted credit loss	cted credit loss	
Group – 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 01.01.23	**11,2**	**15,3**	**86,7**	**113,2**
Transferred to Stage 1	3,7	-3,3	-0,3	0,0
Transferred to Stage 2	-0,5	1,0	-0,5	0,0
Transferred to Stage 3	-0,2	-2,4	2,5	0,0
Net change	-4,5	2,2	8,7	6,5
New losses	6,5	4,1	1,5	12,1
Deducted losses	-4,5	-4,8	-13,6	-22,8
Change in risk model/parameters	0,6	0,4	0,0	1,0
Closing balance at 31.12.23	**12,4**	**12,6**	**85,0**	**109,9**
- of which loan loss provisions for lending to retail customers of the parent bank and mortgage credit company	6,0	4,9	3,7	14,6
- of which loan loss provisions for lending to business customers	2,5	2,4	1,5	6,5
- of which loan loss provisions on lending AS Financiering	3,2	4,7	79,5	87,4
- of which loan loss provisions for unused credit and guarantees	0,7	0,5	0,3	1,5
Model-based loan loss provisions	12,4	12,6	1,3	26,2
Individual loan loss provisions	0,0	0,0	83,7	83,7

	Expected credit loss	cted credit loss	cted credit loss	
Group – 31.12.2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 01.01.22	**13,5**	**14,8**	**98,2**	**126,5**
Transferred to Stage 1	4,2	-3,6	-0,6	0,0
Transferred to Stage 2	-0,6	1,3	-0,7	0,0
Transferred to Stage 3	-0,2	-1,3	1,5	0,0
Net change	-5,5	3,6	9,8	7,9
New losses	6,4	6,4	2,1	14,9
Deducted losses	-5,7	-4,8	-23,3	-33,8
Change in risk model/parameters	-0,9	-1,2	-0,2	-2,3
Closing balance at 31.12.22	**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

Note K5 - 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 – 31.12.2023	Stage 1	Stage 2	Stage 3	Total
Opening balance at 01.01.23	**35.129,5**	**1.272,1**	**215,0**	**36.616,5**
Transferred to Stage 1	361,5	-355,3	-6,2	0,0
Transferred to Stage 2	-654,2	678,4	-24,2	0,0
Transferred to Stage 3	-59,0	-83,5	142,5	0,0
Net change	-247,9	-92,5	-34,4	-374,8
New loans	18.909,4	546,6	22,1	19.478,1
Deducted lending	-17.467,8	-475,1	-37,5	-17.980,4
Closing balance at 31.12.23	**35.971,5**	**1.490,7**	**277,2**	**37.739,4**
- of which lending to retail customers of the parent bank and mortgage credit company	30.008,5	946,7	79,6	31.034,8
- of which lending to business customers	3.569,0	259,3	29,3	3.857,6
- of which lending AS Financiering	2.394,0	284,7	168,3	2.847,0
- of which loans with forbearance	0,0	222,3	41,2	263,5

Group – 31.12.2022	Stage 1	Stage 2	Stage 3	Total
Opening balance at 01.01.22	**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 at 31.12.22	**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

Model-based expected credit loss

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

The probability weighting of the macro scenarios used to calculate the model-based expected credit loss changed at the end of 2023 compared with what was used in the preparation of the annual financial statements for 2022. The factors for the different scenarios, which express the amount of expected credit loss in the optimistic and pessimistic scenarios compared with expected credit loss in the expected scenario, remained unchanged at the end of 2023, except for the commercial property segment, compared with what was used in the preparation of the annual financial statements for 2022. In the commercial property segment, the factor has been increased from 600 to 1,000 in Q4 2023 The change resulted in NOK 1.0 million in increased model-based loan loss provisions.

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 various scenarios.

31.12.23 - Group	Probability weight	Stage 1	Stage 2	Stage 3	Total
Optimistic scenario	0 %	6,8	6,9	84,5	98,2
Expected scenario	70 %	8,5	8,7	84,6	101,8
Pessimistic scenario	30 %	21,4	21,6	85,9	128,9
Loan loss provisions (probability-weighted)	**100 %**	**12,4**	**12,6**	**85,0**	**109,9**

Note K6 - Non-performing commitments, customers

		31.12.2023	31.12.2022
	Payments over 90 days past due		
	Business	10,9	7,0
+	Retail	13,6	10,2
+	AS Financiering	146,5	145,0
=	Gross payment defaults	171,0	162,3
-	Loan loss provisions	84,0	86,1
=	**Net payment defaults**	**87,0**	**76,2**
	Other non-performing commitments		
	Business	19,5	0,1
+	Retail	67,3	37,6
+	AS Financiering	21,7	15,6
=	Gross other non-performing commitments	108,5	53,3
-	Loan loss provisions	1,0	0,6
=	**Net other non-performing commitments**	**107,5**	**52,7**
	Non-performing commitments		
	Business	30,4	7,1
+	Retail	80,9	47,8
+	AS Financiering	168,3	160,6
=	Gross non-performing commitments	279,6	215,6
-	Loan loss provisions	85,0	86,7
=	**Net non-performing commitments**	**194,6**	**128,9**

Note K7 Net interest income

	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Interest income from loans to and receivables from financial institutions	4,6	2,6	15,7	5,7
Interest income from loans to customers	560,0	384,1	1.950,8	1.202,9
Interest income from certificates and bonds	84,9	55,0	273,9	145,9
Other interest income	1,8	0,6	4,5	1,0
Total interest income	**651,2**	**442,4**	**2.244,9**	**1.355,5**
Interest costs on liabilities to financial institutions	2,0	1,6	9,3	6,7
Interest on deposits from customers	100,8	50,9	312,5	136,4
Interest on securities issued	299,9	183,4	993,7	479,0
Interest on senior subordinated bonds	21,5	8,9	59,0	19,6
Interest on subordinated loan capital	7,2	4,5	25,4	12,8
Other interest costs	4,1	3,7	16,3	14,7
Total interest costs	**435,4**	**253,0**	**1.416,1**	**669,3**
Net interest income	**215,9**	**189,4**	**828,8**	**686,2**

Note K8 - Net changes in value and gains/losses on financial instruments

	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Net changes in value and gains/losses on certificates and bonds	14,9	14,8	-1,9	-50,5
Net value change and gains/losses on shares	16,9	-6,4	7,3	-29,5
Net changes in value and gains/losses on fixed-interest loans	6,5	3,1	1,3	-6,3
Net changes in value and gains/losses on other financial instruments	-23,7	-3,6	-10,0	3,6
Net value change and gains/losses on financial instruments	**14,5**	**7,9**	**-3,3**	**-82,6**

Note K9 - Operating costs

	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Payroll costs incl. AGA and financial activity tax	48,8	39,8	171,0	148,2
Pension costs	2,7	2,2	15,0	13,0
Other personnel-related costs	2,9	2,5	8,7	7,3
IT costs	12,9	12,5	50,7	46,5
Other administrative costs	4,9	5,5	16,9	17,4
Depreciation/impairment of tangible and intangible assets	7,5	7,0	29,0	27,2
Operating costs, properties and premises	2,4	2,2	10,7	10,1
Other operating costs	11,5	10,5	44,0	40,0
Total operating costs	**93,5**	**82,2**	**345,9**	**309,7**

Note K10 - Classification of financial instruments

31.12.2023	Fair value through profit and loss		Measured at amortised cost*	Total
	Mandatory	Designated		
Cash and receivables from central banks	0,0	0,0	417,3	417,3
Net loans to and receivables from financial institutions	0,0	0,0	16,5	16,5
Net lending to customers	0,0	246,1	37.631,0	37.877,1
Certificates and bonds	5.914,0	0,0	0,0	5.914,0
Financial derivatives**	67,6	0,0	0,0	67,6
Shares and units	809,6	0,0	0,0	809,6
Total financial assets	**6.791,2**	**246,1**	**38.064,8**	**45.102,1**
Liabilities to financial institutions	0,0	0,0	219,6	219,6
Customer deposits	0,0	0,0	15.860,8	15.860,8
Securities issued	0,0	0,0	21.658,5	21.658,5
Financial derivatives**	147,4	0,0	0,0	147,4
Lease liabilities	0,0	0,0	41,5	41,5
Senior subordinated bonds	0,0	0,0	1.508,2	1.508,2
Subordinated loan capital	0,0	0,0	402,4	402,4
Total financial liabilities	**147,4**	**0,0**	**39.690,9**	**39.838,3**

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

31.12.2022	Fair value through profit and loss		Measured at amortised cost*	Total
	Mandatory	Designated		
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	36.800,2
Certificates and bonds	5.635,3	0,0	0,0	5.635,3
Financial derivatives**	44,4	0,0	0,0	44,4
Shares and units	796,0	0,0	0,0	796,0
Total financial assets	**6.475,7**	**295,5**	**37.007,2**	**43.778,4**
Liabilities to financial institutions	0,0	0,0	274,1	274,1
Customer deposits	0,0	0,0	15.761,3	15.761,3
Securities issued	0,0	0,0	21.375,7	21.375,7
Financial derivatives**	131,7	0,0	0,0	131,7
Lease liabilities	0,0	0,0	42,2	42,2
Senior subordinated bonds	0,0	0,0	896,2	896,2
Subordinated loan capital	0,0	0,0	420,9	420,9
Total financial liabilities	**131,7**	**0,0**	**38.770,4**	**38.902,1**

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

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 25 in the Annual Report for 2022 for further details of individual accounting items.

31.12.2023	Level 1	Level 2	Level 3	Total
Fair value				
Lending to customers	0,0	0,0	246,1	246,1
Certificates and bonds	0,0	5.914,0	0,0	5.914,0
Financial derivatives	0,0	67,6	0,0	67,6
Shares and units	74,4	4,1	731,1	809,6
Total assets at fair value	**74,4**	**5.985,8**	**977,2**	**7.037,3**
Financial derivatives	0,0	147,4	0,0	147,4
Total liabilities at fair value	**0,0**	**147,4**	**0,0**	**147,4**

Movements in level 3 for items valued at fair value	Fixed-rate loans	through profit and loss	Total
Balance sheet as at 01.01.23	295,5	720,0	1.015,5
Net realised gains	0,0	0,0	0,0
Additions	48,5	6,2	54,7
Disposals	99,2	0,0	99,2
Changes in value	1,3	4,9	6,2
Transferred from levels 1 and 2	0,0	0,0	0,0
Balance sheet at end of period	**246,1**	**731,1**	**977,2**

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
Financial derivatives	0,0	44,4	0,0	44,4
Shares and units	65,1	10,9	720,0	796,0
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 and 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**

Note K12 - Securities issued, senior subordinated bonds and subordinated loan cap

Change in securities issued	31.12.2023	Issued	Due/redeemed	Other changes incl. currency	31.12.2022
Ordinary senior bonds, nominal value	5.124,9	995,0	1.054,1	4,2	5.179,8
Covered bonds, nominal value	16.522,3	2.766,8	2.494,2	14,9	16.234,7
Value adjustments	-132,2	0,0	0,0	13,8	-146,1
Accrued interest	143,5	0,0	0,0	36,3	107,2
Total securities issued	**21.658,5**	**3.761,8**	**3.548,3**	**69,2**	**21.375,7**
Of which: green bonds, nominal value	2.497,1	2.497,1	0,0	0,0	0,0

Green bonds are subordinated bond loans issued issued under a green framework where the monies are used exclusively to finance a portfolio of loans that will contribute to the transition towards lower carbon emissions and climate-resilient development.

Change in 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	3.003,7	-15,0	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**	**4.972,1**	**-202,2**	**24.283,8**

Change in senior subordinated bonds	31.12.2023	Issued	Due/redeemed	Other changes incl. currency	31.12.2022
Senior subordinated bonds, nominal value	1.492,7	599,7	0,0	1,7	891,3
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	15,4	0,0	0,0	10,6	4,8
Total senior subordinated bonds	**1.508,2**	**599,7**	**0,0**	**12,3**	**896,2**

Change in senior subordinated bonds	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Senior subordinated 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 subordinated bonds	**896,2**	**491,1**	**0,0**	**4,9**	**400,2**

Change in subordinated loan capital	31.12.2023	Issued	Due/redeemed	Other changes incl. currency	31.12.2022
Ordinary subordinated loan capital, nominal value	400,0	200,0	220,1	0,1	419,9
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	2,4	0,0	0,0	1,4	1,0
Total subordinated loan capital	**402,4**	**200,0**	**220,1**	**1,5**	**420,9**

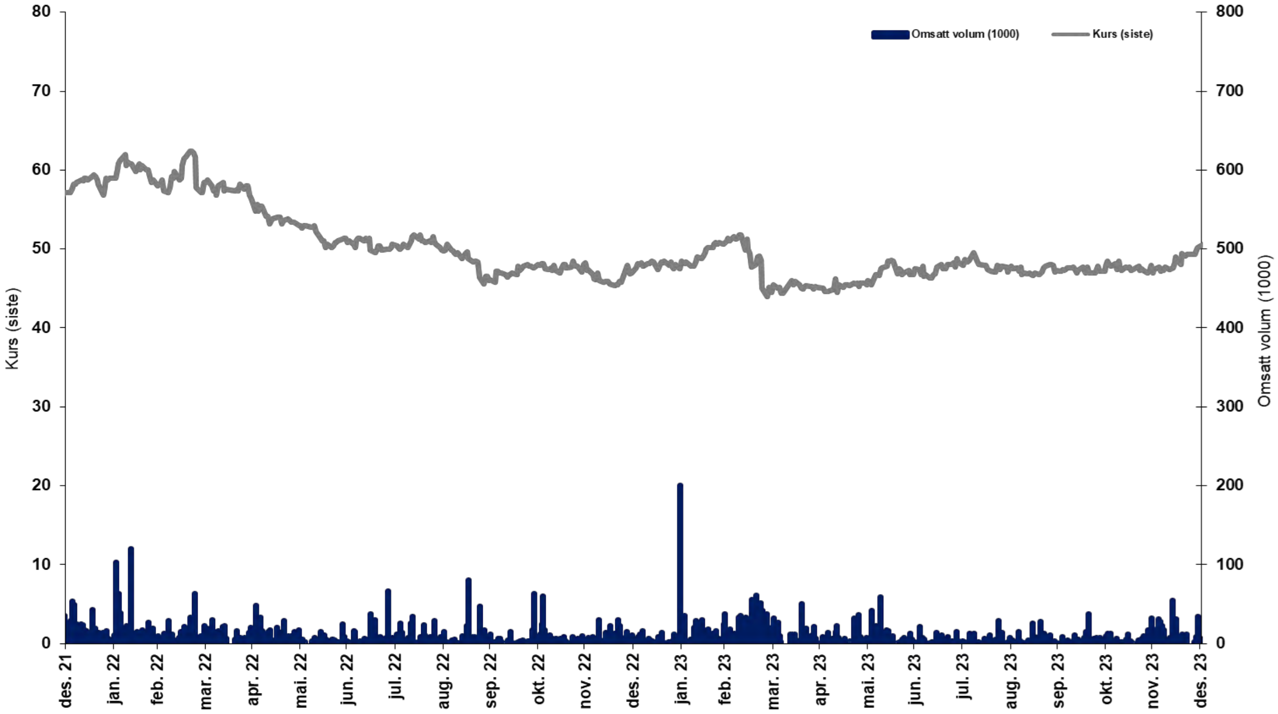
Change in subordinated loan capital	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Ordinary subordinated loan capital, nominal value	419,9	200,0	180,1	0,2	399,8
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	1,0	0,0	0,0	0,4	0,6
Total subordinated loan capital	**420,9**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

Note K13 - Equity certificates

Ownership fraction, parent bank

	01.01.2024	01.01.2023
Equity certificate capital	207,3	207,3
Premium reserve	387,8	387,8
Equalisation fund (excl. dividend)	361,1	364,2
Share of Fund for Unrealised Gains	114,4	113,8
Total numerator (A)	1.070,5	1.073,1
Total equity excl. hybrid capital (dividend provisions for the year excluded)	3.745,0	3.753,8
Total denominator (B)	3.745,0	3.753,8
Ownership fraction (A/B) in per cent*	**28,59**	**28,59**

Sparebanken Øst (SPOG)



The 20 largest equity certificate holders as at 31.12.2023

	Name	Number	%		Name	Number	%
1	MP Pensjon	1.467.815	7,08 %	11	Bergen Kommunale Pensjonskasse	220.000	1,06 %
2	Directmarketing Invest AS	999.500	4,82 %	11	Active Portfolio AS	210.000	1,01 %
3	VPF Eika Egenkapitalbevis	988.314	4,77 %	13	Intertrade Shipping AS	205.000	0,99 %
4	KLP	641.465	3,09 %	14	Profond AS	168.529	0,81 %
5	Foretakskonsulenter AS	589.435	2,84 %	15	Morgan Stanley & Co. Internal	135.542	0,65 %
6	Hansen, Asbjørn Rudolf	445.502	2,15 %	16	Teigen, Anne Kristine	121.025	0,58 %
7	Jag Holding AS	395.897	1,91 %	17	Spesialfondet Borea Utbytte	120.400	0,58 %
8	Wenaasgruppen AS	273.000	1,32 %	18	Hifo Invest AS	108.462	0,52 %
9	BKK Norwegian Public Service Pension Fund	250.000	1,21 %	18	Saturn Invest AS	108.462	0,52 %
10	AS Andersen Eiendomselskap	230.900	1,11 %	20	Juel, Iver Albert	107.500	0,52 %

Note K14 Pledged assets and preferential rights

Pledges of security	31.12.2023	31.12.2022
Bonds, nominal value, pledged as security for borrowing facilities at Norges Bank	1.160,0	1.317,0
Total pledges of security	**1.160,0**	**1.317,0**

Preferential rights	31.12.2023	31.12.2022
Preferential rights in accordance with Section 11-15 of the Norwegian Financial Institutions Act (nominal value)	16.459,0	16.150,0
Total preferential rights	**16.459,0**	**16.150,0**

Changes in key figures – Group

		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	Profitability					
1.	Return on equity*	9,66	9,98	9,59	8,87	8,29
2.	Net interest income as a % of average total assets	1,89	1,89	1,81	1,82	1,68
3.	Profit/loss after income tax as a % of average total assets	0,99	1,06	0,99	0,90	0,84
4.	Costs as a % of average total assets	0,82	0,78	0,68	0,82	0,73
5.	Costs as a % of income (before losses on loans/guarantees)*	38,94	36,23	34,64	41,17	38,92
6.	Costs as a % of income (excl. return on financial investments)*	41,47	39,35	35,83	41,47	41,17
	Balance sheet figures					
7.	Net lending to customers	37.877,1	37.390,8	37.274,5	36.688,0	36.800,2
8.	Lending growth (quarter)	1,30	0,31	1,60	-0,31	-1,10
9.	Deposits	15.860,8	15.374,1	15.521,7	15.159,7	15.761,3
10.	Deposit growth (quarter)	3,17	-0,95	2,39	-3,82	-6,22
11.	Average equity	4.319,1	4.414,4	4.307,4	4.209,9	4.267,1
12.	Average total assets	45.378,7	44.897,6	44.465,3	44.296,2	44.596,0
	Loan loss provisions on impaired and non-performing commitments					
13.	Losses as a % of net lending to customers (OB)*	0,03	0,03	0,00	0,02	0,03
14.	Loan loss provisions as a % of gross lending to customers*	0,29	0,29	0,29	0,31	0,31
15.	Net payment defaults exceeding 90 days as a % of net lending	0,23	0,22	0,23	0,23	0,21
16.	Other net non-performing commitments (Stage 3) as a % of net lending	0,28	0,21	0,16	0,19	0,14
	Solvency					
17.	CET1 capital ratio, including 50% of retained earnings (%)	18,67	19,87	20,02	20,37	20,11
18.	CET1 capital ratio (%)	18,67	19,10	19,52	20,13	20,11
19.	Tier 1 capital ratio (%)	20,40	20,86	21,31	21,96	21,94
20.	Capital adequacy ratio (%)	22,37	22,87	23,36	24,05	24,03
21.	Risk-weighted volume (calculation basis)	20.278,7	19.926,5	19.530,4	19.104,0	19.087,0
22.	Tier 1 leverage ratio, including 50% of retained earnings (%)	8,89	9,26	9,34	9,29	9,27
23.	Leverage ratio (%)	8,89	8,93	9,13	9,19	9,27
	Liquidity					
24.	Deposit coverage ratio	41,87	41,12	41,64	41,32	42,83
25.	LCR (%)	250,14	344,20	278,99	301,67	217,26
26.	NSFR (%)	127,65	130,82	126,07	132,46	130,08
	Branches and full-time equivalents					
27.	No. of branches	29	29	29	29	30
28.	FTEs	193	193	192	184	180
	Equity certificates					
29.	Ownership fraction (parent bank) (%)	28,59	28,59	28,59	28,59	28,59
30.	No. of equity certificates	20.731.183	20.731.183	20.731.183	20.731.183	20.731.183
31.	Book equity per equity certificate*	62,88	61,63	60,10	58,68	61,21
32.	Earnings per equity certificate*	1,45	1,53	1,42	1,27	1,23
33.	Dividend per equity certificate	5,40	0,00	0,00	0,00	3,80
34.	Turnover rate	12,42	7,73	13,84	22,99	11,36
35.	Price	50,20	47,30	47,50	45,50	47,00

* Defined as alternative performance target

Definitions of key figures and alternative performance 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 a % 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 commission i value changes and gains/losses on financial instruments and other operating income. The key figure is used to provide information 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 and 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 gro
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 growth.
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 a % 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 Grou 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 payment defaults exceeding 90 days 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 judged to be useful additional information to what is 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 judged to be useful additional information to what is stated in the loss notes.
Solvency	
17. CET1 capital ratio, including 50% of retained earnings (%)	Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of the 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 (calculation basis)
20. Capital adequacy ratio (%)	Total subordinated loan 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. Tier 1 leverage ratio, including 50% of retained earnings (%)	Tier 1 capital incl. 50% of equity certificate holders' and primary capital share of the unallocated profit as a % of the unweighted bas
23. Leverage ratio (%)	Tier 1 capital as a percentage of unweighted basis for calculation
Liquidity	
24. Deposit coverage ratio	Deposits as a % of net loans to customers
25. LCR (%)	Liquid assets as a percentage of net payments in a stress scenario lasting 30 days
26. NSFR (%)	Available stable financing as a % of required stable financing
Branches and full-time equivalents	
27. No. of branches	
28. FTEs	
Equity certificates	
29. 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 on issue).
30. No. of equity certificates	Total no. of outstanding equity certificates
31. 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.
32. 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.
33. Dividend per equity certificate	Dividend in NOK per equity certificate
34. Turnover rate	Annualised turnover rate (traded as a % of issued)
35. Price	The most recently traded price on the Oslo Stock Exchange at the balance sheet date.

* Defined as alternative performance target

Financial performance – Group

(Amounts in NOK million)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Interest income	651,2	595,7	512,3	485,7	442,4
Interest costs	435,4	381,5	312,2	287,1	253,0
Net interest income	**215,9**	**214,1**	**200,2**	**198,6**	**189,4**
Commission income and income from banking services	21,6	21,4	20,7	27,2	21,2
Commission costs and costs for banking services	12,2	12,0	11,7	11,6	12,2
Dividend	0,1	0,1	45,7	0,1	3,6
Net changes in value and gains/losses on financial instruments	14,5	19,1	-38,5	1,5	7,9
Other operating income	0,4	0,6	0,6	0,5	1,4
Net other operating income	**24,3**	**29,2**	**16,7**	**17,7**	**21,9**
Salaries and other personnel costs	54,4	53,1	38,3	48,9	44,5
Depreciation/impairment of tangible and intangible assets	7,5	7,1	7,3	7,0	7,0
Other operating costs	31,6	28,0	29,6	33,1	30,8
Total operating costs	**93,5**	**88,2**	**75,1**	**89,1**	**82,2**
Profit before losses	**146,7**	**155,2**	**141,8**	**127,3**	**129,1**
Losses on loans, unused credit and guarantees	2,7	2,4	-0,2	1,7	2,5
Profit/loss before tax	**143,9**	**152,8**	**142,0**	**125,6**	**126,6**
Income tax	31,1	33,2	31,8	27,6	31,7
Profit/loss after tax	**112,8**	**119,5**	**110,2**	**98,0**	**94,9**
Hybrid capital owners' share of the result	7,7	8,4	7,2	6,0	5,7
Equity certificate holders' and primary capital share of profits	105,2	111,1	103,0	92,0	89,1
Profit/loss after tax	**112,8**	**119,5**	**110,2**	**98,0**	**94,9**
Earnings per equity certificate	1,45	1,53	1,42	1,27	1,23
Diluted earnings per equity certificate	1,45	1,53	1,42	1,27	1,23

Comprehensive income performance – Group

(Amounts in NOK million)	4. kvartal 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Profit/loss after tax	**112,8**	**119,5**	**110,2**	**98,0**	**94,9**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans	-20,3	0,0	0,0	0,0	-26,9
Tax related to items that cannot be reclassified	5,1	0,0	0,0	0,0	6,7
Comprehensive income	**97,6**	**119,5**	**110,2**	**98,0**	**74,7**

Balance sheet performance – Group

(Amounts in NOK millions)	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Assets					
Cash and receivables from central banks	417,3	497,4	437,8	594,8	486,4
Loans to and receivables from financial institutions	16,5	11,1	13,1	36,0	16,1
Lending to customers	37.877,1	37.390,8	37.274,5	36.688,0	36.800,2
Certificates and bonds	5.914,0	6.230,4	5.485,3	6.017,8	5.635,3
Financial derivatives	67,6	46,6	24,6	48,7	44,4
Shares and units	809,6	786,5	777,2	810,4	796,0
Intangible assets	33,0	32,4	33,7	34,6	33,9
Investment properties	13,1	13,1	13,2	13,0	11,4
Tangible fixed assets	122,8	121,8	123,0	120,6	120,5
Lease rights	40,2	40,9	42,1	44,6	41,1
Other assets	67,4	207,8	192,1	105,7	93,0
Total assets	**45.378,6**	**45.378,7**	**44.416,5**	**44.514,1**	**44.078,4**
Liabilities and equity					
Liabilities to financial institutions	219,6	249,9	246,7	277,3	274,1
Customer deposits	15.860,8	15.374,1	15.521,7	15.159,7	15.761,3
Securities issued	21.658,5	22.110,6	21.420,8	22.324,9	21.375,7
Financial derivatives	147,4	287,6	240,5	138,4	131,7
Other liabilities	433,8	436,7	449,7	534,5	238,4
Pension liabilities	60,2	52,7	52,7	52,7	52,7
Tax payable	126,7	92,5	55,7	72,2	90,1
Deferred tax	4,5	1,3	1,5	1,5	1,4
Provisions, unused credit and guarantees	1,5	1,3	1,5	1,3	1,3
Lease liabilities	41,5	42,1	43,3	45,8	42,2
Senior subordinated bonds	1.508,2	1.504,1	1.199,2	896,1	896,2
Subordinated loan capital	402,4	402,3	400,9	400,8	420,9
Total liabilities	**40.465,0**	**40.555,3**	**39.634,2**	**39.905,2**	**39.286,1**
Paid-up equity	595,1	595,1	595,1	595,1	595,1
Hybrid capital	353,7	353,5	423,4	353,0	352,9
Retained earnings	3.964,8	3.874,9	3.763,8	3.660,8	3.844,3
Total equity	**4.913,6**	**4.823,4**	**4.782,2**	**4.608,8**	**4.792,3**
Total liabilities and equity	**45.378,6**	**45.378,7**	**44.416,5**	**44.514,1**	**44.078,4**

Income statement – parent bank

(Amounts in NOK million)	Note	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Interest income		370,0	252,9	1.254,4	751,0
Interest costs		224,7	123,5	704,7	325,9
Net interest income		**145,2**	**129,4**	**549,7**	**425,1**
Commission income and income from banking services		27,2	26,7	112,7	110,1
Commission costs and costs for banking services		4,6	4,3	17,1	17,2
Dividend		114,3	174,7	160,1	225,0
Net changes in value and gains/losses on financial instruments		15,9	7,9	1,1	-84,3
Other operating income		1,1	1,3	4,6	5,0
Net other operating income		**153,8**	**206,3**	**261,4**	**238,5**
Salaries and other personnel costs		48,9	39,4	176,0	149,9
Depreciation/impairment of tangible and intangible assets		7,2	6,5	27,6	25,8
Other operating costs		24,1	25,5	96,0	93,0
Total operating costs		**80,2**	**71,4**	**299,6**	**268,7**
Profit before losses		**218,9**	**264,3**	**511,5**	**394,9**
Losses on loans, unused credit and guarantees	3	0,6	1,4	-0,2	1,9
Profit/loss before tax		**218,3**	**262,9**	**511,8**	**393,0**
Income tax		21,8	23,6	85,1	48,3
Profit/loss after tax		**196,5**	**239,3**	**426,7**	**344,7**
Hybrid capital owners' share of the result		7,7	5,7	29,3	18,7
Equity certificate holders' and primary capital share of profits		188,9	233,5	397,4	326,0
Profit/loss after tax		**196,5**	**239,3**	**426,7**	**344,7**
Earnings per equity certificate		2,61	3,22	5,48	4,50
Diluted earnings per equity certificate		2,61	3,22	5,48	4,50

Comprehensive income – parent bank

(Amounts in NOK millions)	Note	4. kvartal 2023	4. kvartal 2022	Året 2023	Full year 2022
Profit/loss after tax		**196,5**	**239,3**	**426,7**	**344,7**
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit plans		-19,2	-25,8	-19,2	-25,8
Tax related to items that cannot be reclassified		4,8	6,4	4,8	6,4
Items that may subsequently be reclassified to the income statement					
Lending at fair value		0,0	0,2	-0,4	0,2
Tax related to items that can be reclassified		0,0	-0,1	0,1	-0,1
Comprehensive income		**182,1**	**220,1**	**412,0**	**325,6**

Balance sheet – parent bank

(Amounts in NOK millions)	Note	31.12.2023	31.12.2022
Assets			
Cash and receivables from central banks		417,3	486,4
Loans to and receivables from financial institutions		3.041,7	3.217,4
Lending to customers	4	17.051,1	16.308,0
Certificates and bonds	4	5.601,9	5.343,7
Financial derivatives	4	67,6	29,2
Shares and units	4	809,6	796,0
Ownership interests in Group companies		1.800,0	1.800,0
Intangible assets		22,3	21,6
Tangible fixed assets		73,7	71,4
Lease rights		73,0	69,5
Deferred tax asset		10,1	11,8
Other assets		64,7	91,3
Total assets		**29.032,9**	**28.246,2**
Liabilities and equity			
Liabilities to financial institutions		858,2	999,0
Customer deposits		15.909,1	15.831,2
Securities issued	5	5.115,2	5.110,7
Financial derivatives	4	97,7	105,4
Other liabilities		427,6	319,9
Pension liabilities		57,8	51,1
Tax payable		90,0	57,0
Loss provisions, unused credit and guarantees		1,0	0,8
Lease liabilities		75,5	71,6
Senior subordinated bonds	5	1.508,2	896,2
Subordinated loan capital	5	402,4	420,9
Total liabilities		**24.542,7**	**23.863,9**
Paid-up equity		595,1	595,1
Hybrid capital		353,7	352,9
Retained earnings		3.541,4	3.434,3
Total equity		**4.490,2**	**4.382,3**
Total liabilities and equity		**29.032,9**	**28.246,2**

Changes in equity - parent bank

(Amounts in NOK millions) 31.12.2023	Total equity	Paid-up equity Equity certificates	 Share mium reserve	Hybrid capita litional Tier 1 capital	Retained earnings Equalisation fund	 Primary capital	 Endowment fund	 Fund for unrealised gains	 Value change nsive income as reclass.
Equity at 31.12.2022	**4.382,3**	**207,3**	**387,8**	**352,9**	**443,0**	**2.555,3**	**38,1**	**397,3**	**0,7**
Ordinary profit	426,7	0,0	0,0	29,3	112,9	282,1	0,0	2,4	0,0
Change in lending at fair value through comprehensive income	-0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,3
Actuarial gains and losses on defined-benefit plans	-14,4	0,0	0,0	0,0	-4,1	-10,3	0,0	0,0	0,0
Comprehensive income	**412,0**	**0,0**	**0,0**	**29,3**	**108,8**	**271,8**	**0,0**	**2,4**	**-0,3**
Dividend to equity certificate holders 2022 – adopted	-78,8	0,0	0,0	0,0	-78,8	0,0	0,0	0,0	0,0
Grants for good causes 2022 – adopted	-196,8	0,0	0,0	0,0	0,0	-196,8	0,0	0,0	0,0
Interest paid on hybrid capital	-27,8	0,0	0,0	-27,8	0,0	0,0	0,0	0,0	0,0
Issue of new hybrid capital	200,0	0,0	0,0	200,0	0,0	0,0	0,0	0,0	0,0
Hybrid capital redemption	-200,7	0,0	0,0	-200,7	0,0	0,0	0,0	0,0	0,0
Equity at 31.12.2023	**4.490,2**	**207,3**	**387,8**	**353,7**	**473,0**	**2.630,3**	**38,1**	**399,7**	**0,4**

The year's proposed dividend to equity certificate holders of NOK 111.9 million (NOK 5.40 per equity certificate) remains part of the equalisation fund, and the year's provision for grants for good causes of NOK 279.6 million remains part of the primary capital until finally adopted.

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

Cash flow statement – parent bank

		31.12.2023	31.12.2022
Operating activities			
Profit/loss before income tax		511,8	393,0
Adjusted for:			
Change in net interest income earned and accrued interest costs		-4,9	-8,5
Net payment/disbursement of loans to financial institutions		176,9	-612,2
Net receipts/disbursements of loans to customers		-725,4	1.204,6
Change in certificates and bonds		-245,1	2.051,2
Value adjustment, shares and units		-19,8	38,7
Net change in financial derivatives (net assets and liabilities)		10,1	5,1
Net change in other assets		26,6	-71,0
Net receipts/disbursement of borrowing from financial institutions		-86,4	-111,0
Net receipts/disbursement of deposits from customers		71,6	-1.819,8
Net change in other debt		-103,8	8,7
Depreciation/write-downs of tangible fixed assets and lease rights		27,6	25,8
Write-downs of financial assets		-0,5	2,1
Amortisation of financing activities measured at amortised cost		1,9	0,7
Net gain/loss from investing activities		-0,1	-5,3
Net gain/loss from financing activities		-0,8	0,5
Taxes paid for the period		-56,5	-30,9
Net cash flow from operating activities	**A**	**-416,9**	**1.071,7**
Investing activities			
Payments on purchases of tangible fixed assets		-8,6	-8,8
Receipts from sale of fixed assets		0,5	1,5
Payments on the purchase of intangible assets		-8,6	-6,6
Payments on purchases of financial investments		6,2	-15,0
Proceeds from sales of financial investments		0,0	33,7
Net payment/disbursement concerning investments in subsidiaries		0,0	-40,0
Net cash flow from investing activities	**B**	**-10,5**	**-35,3**
Financing activities			
Net receipts/disbursements for loans to/from financial institutions		-54,5	-27,3
Payments on repayment of securities		-1.274,2	-2.148,4
Receipts on issuance of securities		1.794,7	1.425,8
Payment of dividend		-78,8	-79,8
Net payments on repayment of hybrid capital		-200,7	0,0
Net receipts on issue of hybrid capital		200,0	0,0
Interest paid on hybrid capital		-27,8	-17,6
Net cash flow from financing activities	**C**	**358,6**	**-847,4**
Net change in cash and cash equivalents	**A+B+C**	-68,7	189,0
Cash and cash equivalents as at 1 Jan		502,5	313,6
Holdings of cash and cash equivalents at end of period		**433,8**	**502,5**

*Liquidity reserves include NOK 417.3 million in cash and deposits with central banks and NOK 16.5 million in loans to and deposits with financial institutions which are pure investments.

Additional information on operating activities relating to interest and dividend income	**31.12.2023**	**31.12.2022**
Interest payments received	1.226,2	728,6
Interest payments made	677,9	309,6
Dividends received	160,1	225,0

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 2022. The accounting policies and calculation methods remain largely unchanged from the annual financial statements for 2022.

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 2022, 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 calcu 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.

	31.12.2023	**31.12.2022**
CET1 capital		
Book equity	4.136,5	4.029,4
Deduction items in CET1 capital		
Approval for acquisition of own equity certificates	-28,3	0,0
Additional value adjustments (prudent valuation requirement) (AVA)	-9,2	-11,2
Dividends	-391,6	-275,5
Goodwill included in the valuation of significant investments	-247,6	-227,3
Intangible assets	-22,3	-21,6
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	-64,4	-58,2
Total CET1 capital	**3.373,2**	**3.435,6**
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	**3.723,2**	**3.785,6**
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	**4.123,2**	**4.185,6**

Note M2 - Capital adequacy (contd.)

	31.12.2023	31.12.2022
Governments and central banks	0,0	0,0
Local and regional authorities	0,0	0,0
Publicly owned companies	0,0	6,0
Multilateral development banks	0,0	0,0
Institutions	773,2	759,1
Companies	120,0	68,1
Mass market accounts	1.040,9	961,4
Accounts secured against property	6.578,1	6.331,9
Accounts due	83,6	26,7
High-risk commitments	597,1	163,9
Covered bonds	2.080,7	2.023,1
Shares in securities fund	0,0	0,0
Equity positions	2.610,4	2.653,7
Other exposures	172,6	172,5
Securitisation	0,0	0,0
Calculation basis for credit and counterparty risk	**14.056,4**	**13.166,3**
Calculation basis for currency risk	**0,0**	**0,0**
Calculation basis for operational risk	**1.016,6**	**931,0**
Calculation basis for impaired counterparty credit valuation adjustment (CVA)	**11,5**	**16,0**
Deductions from calculation basis	**0,0**	**0,0**
Total calculation basis	**15.084,5**	**14.113,3**

Capital coverage taken into account the year's profit and the Board's proposal for performance allocation		
CET1 capital ratio	22,36 %	24,34 %
Tier 1 capital ratio	24,68 %	26,82 %
Capital adequacy	27,33 %	29,66 %

Buffers		
Capital conservation buffer	377,1	352,8
Countercyclical buffer	377,1	282,3
Systemic risk buffer	678,8	423,4
Buffer for systemically important banks	0,0	0,0
Total buffer requirements	**1.433,0**	**1.058,5**
Available buffer capital	**2.694,4**	**2.800,5**

Leverage ratio	8,05 %	8,39 %

Note M3 - Losses on loans, unused credit and guarantees

Loss costs

	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Change in model-based provisions, Stage 1	0,5	0,0	1,0	-0,9
Change in model-based provisions, Stage 2	0,0	0,2	-1,3	1,7
Change in model-based provisions, Stage 3	-0,1	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	0,0	1,1	0,0	1,2
Established losses covered by previous individual loan loss provisions	0,0	0,0	0,0	0,1
Reversals of previous individual loan loss provisions	0,0	0,0	0,0	-0,1
Established losses not covered by previous individual loan loss provisions	0,0	0,0	0,1	0,3
Recovery of previously identified losses	0,0	-0,1	-0,2	-0,3
Amortisation costs for the period	0,1	0,1	0,2	0,1
Losses on loans, unused credit and guarantees	**0,6**	**1,4**	**-0,2**	**1,9**
- of which losses on loans to retail customers	-1,1	-0,1	-2,7	2,2
- of which losses on lending to business customers	1,7	1,4	2,4	-0,3
- of which losses on unused credit and guarantees	0,3	0,1	0,2	-0,3

Changes in loan loss provisions

	Expected credit loss	cted credit loss	cted credit loss	
Parent bank - 31.12.2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 01.01.23	**4,9**	**7,0**	**5,5**	**17,4**
Transferred to Stage 1	1,2	-1,2	0,0	0,0
Transferred to Stage 2	-0,2	0,2	0,0	0,0
Transferred to Stage 3	-0,1	-0,9	0,9	0,0
Net change	-1,7	0,7	-0,9	-1,9
New losses	3,1	2,0	0,0	5,1
Deducted losses	-2,0	-2,6	0,0	-4,6
Change in risk model/parameters	0,6	0,4	0,0	1,0
Closing balance at 31.12.23	**5,8**	**5,7**	**5,5**	**17,1**
- of which loan loss provisions for lending to retail customers	3,4	3,0	3,7	10,1
- of which loan loss provisions for lending to business customers	2,4	2,7	1,8	7,0
- of which loan loss provisions for unused credit and guarantees	0,3	0,4	0,3	1,0
Model-based loan loss provisions	5,8	5,7	0,3	11,8
Individual loan loss provisions	0,0	0,0	5,2	5,2

	Expected credit loss	cted credit loss	cted credit loss	
Parent bank - 31.12.2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 01.01.22	**5,8**	**5,3**	**4,4**	**15,5**
Transferred to Stage 1	1,2	-1,2	0,0	0,0
Transferred to Stage 2	-0,1	0,1	0,0	0,0
Transferred to Stage 3	0,0	-0,2	0,2	0,0
Net change	-1,5	2,1	1,1	1,7
New losses	2,3	2,2	0,0	4,4
Deducted losses	-2,8	-1,9	-0,2	-5,0
Change in risk model/parameters	0,1	0,6	0,0	0,7
Closing balance at 31.12.22	**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

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 - 31.12.2023	Stage 1	Stage 2	Stage 3	Total
Opening balance at 01.01.23	**15.465,6**	**534,3**	**29,2**	**16.029,1**
Transferred to Stage 1	105,9	-105,8	-0,1	0,0
Transferred to Stage 2	-312,9	321,1	-8,3	0,0
Transferred to Stage 3	-27,3	-24,1	51,4	0,0
Net change	-147,5	-29,6	-0,1	-177,2
New loans	8.822,4	223,9	8,6	9.054,9
Deducted lending	-7.858,6	-220,6	-6,5	-8.085,7
Closing balance at 31.12.23	**16.047,6**	**699,2**	**74,2**	**16.821,1**
- of which lending to retail customers	12.599,8	452,2	44,9	13.096,8
- of which lending to business customers	3.447,9	247,0	29,3	3.724,2
- of which loans with forbearance	0,0	70,6	26,9	97,5

Parent bank - 31.12.2022	Stage 1	Stage 2	Stage 3	Total
Opening balance at 01.01.22	**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 at 31.12.22	**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

Model-based expected credit loss

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

The probability weighting of the macro scenarios used to calculate the model-based expected credit loss remained unchanged at the end of 2023 compared with what was used in the preparation of the annual financial statements for 2022. The factors for the different scenarios, which express the amount of expected credit loss in the optimistic and pessimistic scenarios compared with expected credit loss in the expected scenario, remained unchanged at the end of 2023, except for the commercial property segment, compared with what was used in the preparation of the annual financial statements for 2022. In the commercial property segment, the factor has been increased from 600 to 1,000 in Q4 2023 The change resulted in NOK 1.0 million in increased model-based loan loss provisions.

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 various scenarios.

31.03.2023 - Parent bank	Probability weight	Stage 1	Stage 2	Stage 3	Total
Optimistic scenario	0 %	2,8	2,7	5,4	10,9
Expected scenario	70 %	3,5	3,4	5,4	12,3
Pessimistic scenario	30 %	11,3	11,1	5,9	28,3
Loan loss provisions (probability-weighted)	**100 %**	**5,8**	**5,7**	**5,5**	**17,1**

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 25 in the Annual Report for 2023 for further details of individual accounting items.

31.12.2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value				
Lending to customers	0,0	0,0	2.601,6	2.601,6
Certificates and bonds	0,0	5.601,9	0,0	5.601,9
Financial derivatives	0,0	67,6	0,0	67,6
Shares and units	74,4	4,1	731,1	809,6
Total assets at fair value	**74,4**	**5.673,6**	**3.332,7**	**9.080,7**
Financial derivatives	0,0	97,7	0,0	97,7
Total liabilities at fair value	**0,0**	**97,7**	**0,0**	**97,7**

Movements in level 3 for items valued at fair value	**Fixed-rate loans**	**Shares through profit and loss**	**recognised at fair value through**	**Total**
Balance sheet as at 01.01.23	295,5	720,0	4.609,5	5.625,0
Net realised gains	0,0	0,0	0,0	0,0
Additions	48,5	6,2	7.355,6	7.410,4
Disposals	99,2	0,0	9.609,6	9.708,9
Changes in value	1,3	4,9	0,0	6,2
Transferred from levels 1 and 2	0,0	0,0	0,0	0,0
Balance sheet at end of period	**246,1**	**731,1**	**2.355,5**	**3.332,7**

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
Financial derivatives	0,0	29,2	0,0	29,2
Shares and units	65,1	10,9	720,0	796,0
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 and loss**	**Lending recognised at fair value through comprehensive income**	**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**

Note M5 - Securities issued, senior subordinated bonds and subordinated loan cap

Change in securities issued	31.12.2023	Issued	Due/redeemed	Other changes incl. currency	31.12.2022
Ordinary senior bonds, nominal value	5.124,9	995,0	1.054,1	4,2	5.179,8
Value adjustments	-86,2	0,0	0,0	47,9	-134,1
Accrued interest	76,5	0,0	0,0	11,5	65,0
Total securities issued	**5.115,2**	**995,0**	**1.054,1**	**63,6**	**5.110,7**

Change in 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 in senior subordinated bonds	31.12.2023	Issued	Due/redeemed	Other changes incl. currency	31.12.2022
Senior subordinated bonds, nominal value	1.492,7	599,7	0,0	1,7	891,3
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	15,4	0,0	0,0	10,6	4,8
Total senior subordinated bonds	**1.508,2**	**599,7**	**0,0**	**12,3**	**896,2**

Change in senior subordinated bonds	31.12.2022	Issued	Due/redeemed	Other changes incl. currency	31.12.2021
Senior subordinated 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 subordinated bonds	**896,2**	**491,1**	**0,0**	**4,9**	**400,2**

Change in subordinated loan capital	31.12.2023	Issued	Due/redeemed	Other changes incl. currency	31.12.2022
Ordinary subordinated loan capital, nominal value	400,0	200,0	220,1	0,1	419,9
Value adjustments	0,0	0,0	0,0	0,0	0,0
Accrued interest	2,4	0,0	0,0	1,4	1,0
Total subordinated loan capital	**402,4**	**200,0**	**220,1**	**1,5**	**420,9**

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**

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. So far this year, Sparebanken Øst Boligkreditt AS has purchased mortgages from Sparebanken Øst worth NOK 5,489 million net. The corresponding value for the same period last year was NOK 4,098 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.

	31.12.2023	31.12.2022
Profit/loss		
Interest income and similar income		
Interest income from subsidiaries	141,6	72,5
Interest certificates and covered bonds from subsidiaries	0,0	9,6
Interest costs and similar costs		
Interest and commission to subsidiaries	24,8	9,1
Dividend/group contribution receipts		
Dividends/group contributions from subsidiaries	114,2	171,1
Commission income and income from banking services		
Other operating income from subsidiaries	31,9	32,8
Other operating income		
Rent from subsidiaries	2,3	2,0
Other operating costs		
Rent to subsidiaries	4,1	3,7
Other costs to subsidiaries	0,9	0,9
Balance sheet		
Loans to and receivables from financial institutions		
Loans to subsidiaries	3.025,2	3.186,0
Lending to customers		
Loans to subsidiaries	7,3	27,4
Certificates and bonds		
Investment in covered bonds in subsidiaries	0,0	0,0
Liabilities to financial institutions		
Deposits from subsidiaries	638,6	725,0
Customer deposits		
Deposits from subsidiaries	47,9	70,8
Other liabilities		
Other receivables from and liabilities to subsidiaries	13,0	103,6