

## Note 11 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2014-2023.

Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The value are determined using fixed models, and actual realisation value are validated to test their reliability of the model. In accordance with the capital requirements regulations the estimates are downturn estimates. Based on the collateral cover (RE value / EAD) the exposure is classified to one of seven classes, the best of which has a collateral cover above 120 per cent, and the lowest has a collateral cover below 20 per cent.

Credit quality step	Probability of default		Moody's	Historical default	Default 2022	Collateral cover		
	From	To				Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.02 %	0.04 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.05 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.09 %	0.12 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.30 %	0.20 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.63 %	1.10 %	5	40	60
F	1.25 %	2.50 %		1.30 %	1.99 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.11 %	2.74 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.75 %	5.17 %			
I	10.00 %	99.99 %	B3-Caa3	14.59 %	19.97 %			
J	Default							
K	Problem loans							

The Bank's exposures are classified into risk groups based on credit quality step.

Credit quality step	Risk groups
A - C	Lowest risk
D - E	Low risk
F - G	Medium risk
H	High risk
I	Highest risk
J - K	Default and credit impaired

Parent Bank (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2022
Lowest risk	1.1 %	128,796	0.9 %	115,527
Low risk	2.4 %	25,369	1.3 %	24,473
Medium risk	3.5 %	22,533	1.7 %	18,093
High risk	2.1 %	2,389	3.0 %	2,719
Highest risk	3.5 %	2,305	2.2 %	1,693
Default and/or problem loans	5.7 %	2,090	10.0 %	2,051
<b>Total</b>		<b>183,481</b>		<b>164,556</b>

Group (NOK million) (NOK million)	Averaged unhedged exposure		Averaged unhedged exposure	
	31 Dec 2023	Total exposure 31 Dec 2023	31 Dec 2022	Total exposure 31 Dec 2022
Lowest risk	1.2 %	129,031	0.6 %	116,505
Low risk	2.2 %	28,025	1.2 %	26,996
Medium risk	2.6 %	30,362	2.2 %	25,200
High risk	1.4 %	3,743	3.6 %	3,772
Highest risk	2.6 %	3,069	2.9 %	2,462
Default and/or problem loans	5.3 %	2,284	10.9 %	2,222
<b>Total</b>		<b>196,514</b>		<b>177,157</b>

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn.