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Maria Meidell Borgersen
Storebrand

Annual report 2017
Storebrand Boligkreditt AS

Company information

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Content

This document contains Alternative Performance Measures as defined by the European Securities and Market Authority (ESMA).
An overview of APMs used in financial reporting is available on storebrand.com/ir.

Key figures

NOK million	2017	2016
Profit and loss account: (as % of avg. total assets) [1]		
Net interest income	1,00 %	0,79 %
Main balance sheet figures:		
Total assets	14 944,9	13 690,5
Average total assets	15 328,5	14 852,7
Gross lending to customers	14 542,2	13 375,5
Equity	1 153,4	1 010,2
Other key figures:		
Loan losses and provisions as % of average total lending	0,02 %	0,00 %
Individual loan loss provisions as % of gross loss-exposed loans [3]	31,2 %	22,6 %
Cost/income ratio	46,1 %	58,6 %
Return on equity after tax [2]	5,2 %	3,6 %
Core equity Tier 1 (CET1) capital ratio	19,0 %	19,6 %
LCR [4]	205,0 %	189,0 %

Definitions:

1) Average total assets is calculated on the basis of monthly total assets.

2) Annualised profit after tax as % of average equity.

3) Gross loss-exposed loans with evidence of impairment.

4) Liquidity coverage requirement.

Annual Report

HIGHLIGHTS

Storebrand Boligkreditt AS is a wholly-owned subsidiary of Storebrand Bank ASA (parent bank). The company is connected to Storebrand Bank ASA's head office at Lysaker in the municipality of Bærum.

The company is a finance company and has a license from the Financial Supervisory Authority of Norway to issue covered bonds (OMFs). Assets consist primarily of securitized mortgages that are purchased from Storebrand Bank ASA. Storebrand Bank ASA manages the mortgages on behalf of Storebrand Boligkreditt AS. The established loan programme is AAA rated by the rating agency S&P Global Rating Services. At the end of 2017, Storebrand Boligkreditt AS had issued covered bonds worth approximately NOK 11.4 billion with remaining maturities ranging from 6 months to 5 years The issued volume is partly placed in the market and partly placed in the parent bank's balance.

At the end of 2017, the lending volume had increased compared with the end of 2016 and amounted to 7,858 mortgages and residential mortgage products corresponding to NOK 14.5 billion (13.4 billion). The quality of the portfolio is extremely good. At year-end, there were 14 loans in default, corresponding to NOK 26 million. This represents 0.18 per cent of the portfolio. The average loan-to-value ratio is approximately 51 per cent.

FINANCIAL PERFORMANCE

The company's operating profit before losses for 2017 was NOK 78 million (NOK 48 million). Net losses on lending represented costs of NOK 2 million (expense of NOK 0.1 million), in which group write-downs increased by NOK 2.1 million (income of NOK 0.6 million). The annual profit after tax for Storebrand Boligkreditt AS was NOK 58 million, compared with NOK 36 million for 2016.

NET INTEREST INCOME

Net interest income was NOK 154 million for the year (NOK 118 million), which is an increase compared with the previous year mainly due to lower borrowing cost. Lending margins are under pressure due to the bank group having used more competitive prices. Net interest income as a percentage of average total assets was 1.00 per cent in 2017 compared with 0.79 per cent in 2016.

OTHER INCOME

Other income was a net negative amount of NOK 8 million in 2017, compared with negative income of NOK 3 million in 2016. Other income in 2017 primarily related to commission income on loans and net loss on financial instruments.

OPERATING EXPENSES

Operating expenses were virtually unchanged in 2017 compared with 2016 and amounted to NOK 67 million. The company has no employees and purchases services, primarily from Storebrand Bank ASA and Storebrand Livsforsikring AS.

LOSSES AND DEFAULTS

Losses on lending accounted for a cost of NOK 2.5 million in 2017, compared with NOK 0.1 million in 2016. At the end of 2017, default volume amounted to NOK 26 million (NOK 25 million). This volume corresponds to 0.18 per cent (0.19 per cent) of gross lending. All of the loans have a loan-to-value ratio within 75 per cent of market value or are generally written down.

BALANCE SHEET

The company's total assets under management at the end of 2017 were NOK 14.9 billion compared with NOK 13.7 billion at the end of 2016.

Borrowing is in the form of covered bonds in Norwegian kroner and drawing facilities with Storebrand Bank ASA. The financing structure is balanced and adapted to a credit company. The company issued covered bonds totalling NOK 3.0 billion in 2017 and maturities or repayments are at about the same amount. At the end of 2017, covered bonds worth NOK 11.4 billion have been issued, with maturities from 6 months to 4.5 years. NOK 11.1 billion of these bonds has been invested in the market, while the remaining NOK 0.3 billion is being held in the parent bank.

RISK MANAGEMENT

A credit company's core activity is credit exposure with low risk. Storebrand Boligkreditt AS is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. The risk profile is considered very low.

Risk in Storebrand Boligkreditt AS is monitored in accordance with the Board's adopted guidelines for risk management and internal control. For the individual forms of risk defined in the guidelines, policy documents are prepared that state the target parameters. The development of these parameters is monitored through risk reports to the company's Board.

Credit risk and liquidity risk are the most significant forms of risk for Storebrand Boligkreditt AS. The company is also exposed to operational risk, including IT risk, compliance risk and, to a lesser extent, market risk.

CREDIT RISK

Storebrand Boligkreditt AS has lending totalling NOK 14.5 billion, in addition to unused credit facilities of NOK 1.5 billion as at 31 December 2017. Non-performing and doubtful loans accounted for 0.18 per cent of gross lending.

Even though the non-performing volume is low, the default volume is monitored carefully. Storebrand Bank ASA, which manages the loans of Storebrand Boligkreditt AS, has a conservative lending practice with regard to the customers' ability to pay. Security is assessed as being extremely good, since most loans are less than 60 per cent of collateral value. Average loan-to-value ratio in Storebrand Boligkreditt AS' portfolio is 51 per cent (48 per cent), and at the date of transfer the maximum loan-to-value ratio is 75 per cent. Loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans. The risk in the lending portfolio is therefore considered to be very low. Approximately 99 per cent of mortgages have a loan-to-value ratio within 80 per cent.

The company has not issued any guarantees. Storebrand Boligkreditt AS has not deposited securities with Norges Bank as surety.

LIQUIDITY RISK

Liquidity in a credit company must be sufficient at all times to support balance sheet growth and to redeem loans that fall due. The company controls its liquidity position based on minimum liquid holdings and maximum volume per issue within a 6 month period.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility must have a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 31 days. This drawing right may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity.

The purpose of the liquidity coverage requirement (LCR) is to measure the size of the company's liquid assets in relation to the net liquidity outflow 30 days in the future given a stress situation in the money and capital markets. The LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016, with a minimum LCR with escalation. From and including 31 December 2017, the credit company must comply with an LCR of 100 per cent. At the end of the year, the company's LCR was 205 per cent.

Storebrand companies receive credit ratings from Standard & Poor's Rating Services.

MARKET RISK

The company's aggregate interest and foreign currency exposure is limited by means of low exposure limits in the risk policies.

Storebrand Boligkreditt AS has limited ceilings for interest risk, and this is assessed to be low, since all lending has administration-determined interest rates and borrowing is either on variable rates or swapped to three month floating NIBOR.

At the end of 2017, Storebrand Boligkreditt AS had no interest rate risk, since all the company's lending and borrowing is in NOK.

OPERATIONAL RISK

In order to manage operational risk, the company's administration prioritises the establishment of good work and control routines. Systematic risk reviews are performed every six months, as well as with special transactions or unexpected events. The most recent risk review was performed in autumn 2016.

Pursuant to the management agreement between Storebrand Bank ASA and Storebrand Boligkreditt AS, the bank is responsible for establishing and managing loans in the company. The agreement is followed up by the company through daily checks of the balance, spot checks of block transfers from the bank to the company, and in connection with monthly reports to the external investigator. In addition, there is follow-up of the development of risk classes and defaults in the monthly risk reports.

Among other things, the bank's IT systems are vital for credit approval in the bank and for portfolio follow-up and accounting in the company. Errors and disruptions can have consequences for the operation of the company and may impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced. The bank's system platform that is used by Storebrand Boligkreditt AS is based on purchased standard systems operated and monitored through service agreements. The bank group has established an intra-group management model with close supplier follow-up and internal control activities with the objective of reducing risk associated with the development, administration and operation of IT systems and information security.

COMPLIANCE RISK

The risk that public sanctions or financial losses are incurred due to failure to comply with external and internal regulations is defined as the compliance risk. Storebrand Boligkreditt AS is particularly aware of the risk in relation to compliance with and implementation of amendments to applicable laws concerning capital adequacy, liquidity management and the application of international accounting standards.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY

Equity in the company at the end of the year amounted to NOK 1,153 million. The net primary capital at year-end after group contributions paid/received amounted to NOK 1,097 million (NOK 1,096 million). Storebrand Boligkreditt AS' capital base consists entirely of pure core capital. The pure core capital adequacy ratio was 19.0 per cent (19.6 per cent) at the end of the year and the company satisfied the combined capital and capital buffer requirements by a good margin at the end of the year.

PERSONNEL, ORGANISATION, GOVERNING BODIES AND THE ENVIRONMENT

SUSTAINABILITY - A FUTURE TO LOOK FORWARD TO

The Storebrand Group has worked on sustainability in a systematic and goal-oriented manner for almost 20 years. Our sustainability work originated in asset management, where sustainability is currently part of the fundamental pillar of Storebrand's investment strategy.
During 2016 we established our driving force. Our driving force is what Storebrand stands for. We create security today and a future you can look forward to. Our objective describes what we work towards every day: a safe, sustainable future with financial freedom to experience what you want to experience. We shall ensure that our customers have a future they can look forward to. We shall do this by thinking long-term, demonstrating that this together with sustainability is the way forward, and always putting the needs of the customers first.
Storebrand bases its work with sustainability and sustainable investments on global standards for environmental and human rights. We also support UN conventions and guidelines and have signed the UN's Principles for Responsible Investment (UNPRI) and the UN's Principles for Sustainable Insurance (PSI).

Sustainability is integrated into everything we do and is based on 10 clear guidelines for the Group. The Group has published environmental reports since 1995 and sustainability reports since 1999 and these are now an integrated part of the annual report of Storebrand ASA. The reports follow the GRI 4 guidelines for reporting.

ETHICS AND CONFIDENCE

Storebrand lives on confidence. The company sets a requirement that the Group's employees must have high ethical standards. Storebrand also has ethical rules, which are an important tool in our daily operations, and are followed up every year through training and monitoring. Management teams at all levels of the Group discuss ethical dilemmas and review the rules at least annually. The Group's rules relating to anti-corruption, notification and work against internal fraud are included in the ethical rules and apply to all employees and consultants that work for Storebrand.

THE ENVIRONMENT

The company makes a focused effort to reduce the impact of its business activities on the environment, through their own operations, investments, purchasing and property management. The Storebrand Group places strict environmental demands on its suppliers and companies in which it invests. The company's head office is a low-emission building that uses renewable energy sources such as solar energy and district heating. The building is also Eco-Lighthouse certified.

PERSONNEL AND ORGANISATION

At the end of 2017 there were no employees in the company. For this reason, no special working environment measures have been taken.

The company has entered into an agreement with Storebrand Bank ASA regarding terms and conditions for the purchase, transfer and management of loans. The company's tasks are performed by employees of Storebrand Bank ASA and other companies in the Storebrand Group. The services purchased are regulated through service agreements and price agreements that are updated annually.

DIVERSITY

The Board of Storebrand Boligkreditt AS consists of four members, three men and one woman. The CEO is a woman.

CORPORATE GOVERNANCE

Storebrand Boligkreditt AS' systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. These guidelines are determined annually by the Board. Storebrand Boligkreditt AS has established service agreements with Storebrand Livsforsikring AS that include purchase of all accounting competence, accounting and reporting from Storebrand Livsforsikring AS.

The management and Board of Storebrand ASA consider the principles for corporate governance every year. Storebrand ASA established principles for corporate governance in 1998. In accordance with Section 3-3b of the Accounting Act and the Norwegian recommendation for corporate governance (most recently revised on 30 October 2014), Storebrand ASA presents a report on its principles and practices for corporate governance. For a more detailed report on Storebrand's corporate governance in accordance with Section 3-3b of the Accounting Act, see the specific article on this in the Storebrand Group's annual report for 2017.

Storebrand Boligkreditt AS publishes four quarterly financial statements in addition to the ordinary annual financial statement. The financial reports must satisfy the requirements of laws and regulations and must be presented in accordance with adopted accounting principles, as well as following the deadlines determined by the Board of Storebrand ASA. The company accounts for Storebrand Boligkreditt AS are prepared by the Group Accounts department of Storebrand Livsforsikring AS, which is under the Storebrand Group's CFO. Key managers in Group Accounts have a fixed annual remuneration that is not affected by the Group's financial results. A number of risk assessment and control measures have been established in connection with the presentation of the financial reports. Internal meetings are held, as well as meetings in which external auditors participate, to identify risk conditions and measures in connection with significant accounting items or other circumstances. Corresponding quarterly meetings are also held with various professional centres in the Group that are key to the assessment and valuation of lending and financial instruments, as well as other items for assessment. These meetings have a particular focus on any market changes, specific conditions relating to default trends, individual loans and investments, transactions and operational conditions etc. Assessments relating to significant accounting items and any changes in principles etc. are described in a separate document (assessment item memo). The external auditor participates in board meetings as needed and at least once a year, as well as in meetings of the audit committee of Storebrand ASA. Monthly and quarterly operating reports are prepared in which results by business area and product area are analysed and assessed against predetermined budgets. The operating reports are reconciled against other financial reporting. Otherwise, there is ongoing reconciliation of technical systems etc. against the accounting system.

The Board’s method of working is regulated by specific instructions to the Board. The Board of Storebrand ASA has also established a general ”Governing Document for Risk Management and Internal Control in Storebrand 2014” as well as instructions to the boards of subsidiaries. These documents describe how guidelines, plans and strategies adopted by the Group’s Board of Directors are expected to be followed, as well as how risk management and control is to be performed in the Group. The Board of Storebrand ASA has three advisory sub-committees that are common to the Storebrand Group: The Compensation Committee, Audit Committee and Risk Committee.

The company has no articles or authorities that enable the Board to decide that the company may buy back or issue own shares or capital certificates.

CHANGES TO THE COMPOSITION OF THE BOARD

Heidi Skaaret replaced Geir Holmgren as deputy chairman from and including June 2017. Heidi Skarret replaced Odd Arild Grefstad as chairman from and including 2017, and Jostein Dalland was elected deputy chairman. Odd Arild Grefstad stepped down from the Board in December 2017.

SOCIAL RESPONSIBILITY

Reference is made to the detailed description regarding sustainability, included in the 2017 annual report of the Storebrand Group.

GOING CONCERN

The Board confirms that the basis for continued operation as a going concern is in place and the annual financial report has been presented on this assumption.

EVENTS AFTER THE BALANCE DATE

The Board is not aware of any events that have occurred after the end of the financial year that have any significant effect on the annual financial statements that have been presented.

ALLOCATION OF PROFIT

The company’s profit for the year amounted to NOK 57.7 million. The Board proposes to pay a group contribution of NOK 81.9 million before tax (NOK 62.2 million after tax) to Storebrand Bank ASA. The Board considers the company’s capital situation to be good in relation to the risk profile and proposes the following allocation of the profit for the year to the company’s general meeting:

Amounts in NOK million	Amount
Transferred to/from other equity	4.5
Group contribution paid to parent company (after tax)	-62.2
Total allocation	**-57.7**

The company received a group contribution (tax-exempt) of NOK 5.9 million from Storebrand Bank ASA.

STRATEGY AND OUTLOOK FOR 2018

In 2018, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2018.

The housing market and developments in total non-performing loans will be closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in 2018.

New issues of covered bonds will be made available when the company decides it is prudent to do so and there is sufficient security. Storebrand Boligkreditt AS will continue to contribute to Storebrand Bank ASA having diversified financing.

Lysaker, 6 February 2018
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Heidi Skaaret
- Chairman of the Board -

Jostein Dalland
- Deputy Chairman of the Board -

Leif Helmich Pedersen
- Board Member -

Tor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

Profit and loss account
1 January - 31 December

NOK million	Note	2017	2016
Interest income		358.0	340.7
Interest expense		-204.1	-222.7
Net interest income	11	**153.8**	**118.0**
Net gains on financial instruments	11	-10.1	-5.1
Other income		1.7	2.1
Total other operating income		**-8.3**	**-3.0**
Staff expenses	13, 27	-0.2	-0.2
General administration expenses	13	-0.2	-0.2
Other operating costs	12, 13	-66.6	-67.0
Total operating costs		**-67.0**	**-67.4**
Operating profit before losses and other items		**78.5**	**47.6**
Loan losses	14	-2.5	-0.1
Profit before tax		**76.0**	**47.5**
Tax	15	-18.3	-11.9
Profit for the year		**57.7**	**35.6**

Statement of comprehensive income

NOK million	Note	2017	2016
Profit for the year		57.7	35.6
Other comprehensive income			
Total comprehensive income for the period		**57.7**	**35.6**
Allocations:			
Transferred to other equity		-57.7	-35.6
Total allocations		**-57.7**	**-35.6**

Statement of financial position - Balance sheet
31 December

ASSETS

NOK million	Note	2017	2016
Loans to and deposits with credit institutions	5, 9, 16	251.2	141.0
Financial assets designated at fair value through profit and loss account:			
Bonds and other fixed-income securities	5, 9, 16, 17	40.9	41.4
Derivatives	5, 6, 9, 16, 18, 23	87.1	123.0
Other current assets	16, 22	25.9	12.7
Gross loans to customers	5, 16, 19, 20	14,542.2	13,375.5
Loan loss provisions	5, 16, 19, 21	-4.7	-4.1
Net loans to customers		14,537.5	13,371.4
Deferred tax assets	15	2.3	1.0
Total assets		**14,944.9**	**13,690.5**

LIABILITIES AND EQUITY

NOK million	Note	2017	2016
Liabilities to credit institutions	6, 9, 16	2,295.8	1,091.0
Other financial liabilities:			
Commercial papers and bonds issued	6, 9, 16	11,474.5	11,575.4
Other liabilities	6, 15, 16, 24	21.2	13.8
Total liabilities		**13,791.5**	**12,680.3**
Paid-in equity		1,074.4	949.4
Other equity		79.0	60.8
Total equity	**26**	**1,153.4**	**1,010.2**
Total liabilities and equity		**14,944.9**	**13,690.5**

Lysaker, 6 February 2018
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Heidi Skaaret
- Chairman of the Board -

Jostein Dalland
- Deputy Chairman of the Board -

Leif Helmich Pedersen
- Board Member -

Tor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

Statement of changes in equity

NOK million	Share capital	Share premium	Other paid-in capital	Total paid-in capital	Other equity	Total other equity	Total equity
Equity at 31.12.2015	455.0	270.1	118.9	844.0	130.6	130.6	974.6
Profit for the period					35.6	35.6	35.6
Other comprehensive income							
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**35.6**	**35.6**	**35.6**
Equity transactions with the owner:							
Group contribution received			105.4	105.4			105.4
Group contribution paid					-105.4	-105.4	-105.4
Equity at 31.12.2016	**455.0**	**270.1**	**224.3**	**949.4**	**60.8**	**60.8**	**1,010.2**
Profit for the period					57.7	57.7	57.7
Other comprehensive income							
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**57.7**	**57.7**	**57.7**
Equity transactions with the owner:							
Group contribution received			125.0	125.0			125.0
Group contribution paid					-39.5	-39.5	-39.5
Equity at 31.12.2017	**455.0**	**270.1**	**349.3**	**1,074.4**	**79.0**	**79.0**	**1,153.4**

Storebrand Boligkreditt AS is 100% owned by Storebrand Bank ASA. Number of shares are 35.000.000 at nominal value NOK 13,- per share.

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly on the balance sheet. Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium fund may be used to cover a loss, and other equity may be used in accordance with the provisions of the Company Act.

Storebrand Boligkreditt AS actively manages the level of equity in the company. The capital level is tailored to the economic risk and capital requirements in which the composition of its business areas and their growth will be an important driver. The goal of the capital management is to ensure an effective capital structure and secure an appropriate balance between internal goals in relation to regulatory and the rating companies' requirements. If there is a need for new capital, this must be issued by the parent bank Storebrand Bank ASA.

Storebrand Boligkreditt AS is a credit institution subject to statutory requirements regarding primary capital under the capital adequacy regulations. Primary capital encompasses both equity and subordinated loan capital. For Storebrand Boligkreditt, these legal requirements are most important in its capital management.

For further information on the company's fulfilment of the capital requirements, see note 26.

Statement of cash flow
1 January - 31 December

NOK million	2017	2016
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	355.7	344.4
Net disbursement/payments on customer loans	-1,170.0	886.6
Net receipts/payments - securities at fair value	-6.7	-42.9
Payments of operating costs	-73.8	-54.9
Net cash flow from operating activities	**-894.9**	**1,133.1**
Cash flow from investment activities		
Net payments on purchase/sale of fixed assets etc.		
Net cash flow from investment activities	**0.0**	**0.0**
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-3,065.0	-3,599.2
Receipts - new loans and issuing of bond debt	4,202.6	2,500.0
Payments - interest on loans	-205.0	-236.0
Receipts - group contribution	125.0	105.4
Payments - group contribution	-52.7	-144.4
Net cash flow from financing activities	**1,005.0**	**-1,374.1**
Net cash flow in period	**110.1**	**-241.0**
Net movement in cash and bank deposits	110.1	-241.0
Cash and bank deposits at the start of the period	141.0	382.0
Cash and bank deposits at the end of the period	**251.2**	**141.0**

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.2017. See also Note 6.

The cash flow analysis shows the company's cash flows for operational, investment and financial activities pursuant to the direct method. The cash flows show the overall change in means of payment over the year.

Operational activities
A substantial part of the activities in a credit institution will be classified as operational.

Investment activities
Includes cash flows from tangible fixed assets.

Financing activities
Financing activities include cash flows for equity, subordinated loans and other borrowing that helps fund the company's activities. Payments of interest on borrowing and payments of group ccontribution are financial activities.

Cash/cash equivalents
Cash/cash equivalents are defined as claims on central banks and lending to and claims on financial institutions.

Notes
Storebrand Boligkreditt AS

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Boligkreditt AS is a Norwegian limited company with bonds listed on the Oslo Stock Exchange. The company's financial statements for 2017 were approved by the Board of Directors on 6 February 2018.

Storebrand Boligkreditt AS offers home mortgages to the retail market. Storebrand Boligkreditt AS consists of the retail market business area. Storebrand Boligkreditt AS is headquartered at Professor Kohts vei 9, Lysaker.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the company accounts are described below. The policies are applied consistently to similar transactions and to other events involving similar circumstances.

The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS.
The preparation of the annual financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See note 3 for further information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL STATEMENT OF FINANCIAL POSITION ITEMS

The asset side of the company's statement of financial position primarily consists of financial instruments. The majority of the financial instruments fall within the category Loans and Receivables and are stated at amortised cost. Capitalised intangible assets are also included on the statement of financial position. The liabilities side of the company's statement of financial position primarily consists of financial instruments (liabilities). With the exception of derivatives that are stated at fair value, the majority of the financial liabilities are stated at amortised cost.

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have a significant impact on the company's financial statements have not been implemented in 2017.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT
IFRS9
IFRS 9 Financial Instruments will replace IAS 39 – Financial Instruments: Recognition and. Measurement. IFRS 9 covers recognition, classification and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective from 1 January 2018 and the standard is endorsed by the EU-commission. Early application is permitted, but Storebrand Boligkreditt AS has not early adopted the standard.

Transitional rules
IFRS 9 shall be applied retrospectively, with the exception of hedge accounting. Retrospective application means that Storebrand Boligkreditt AS shall calculate the opening balance for 1 January 2018 as if it has always applied the new principles. Storebrand Boligkreditt AS does not intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Storebrand Boligkreditt AS has chosen to introduce hedge accounting pursuant to IFRS 9. This means that hedge accounting shall be done pursuant to the IFRS 9 principles prospectively from the date of transition to IFRS 9.
The effects of the new principles on the opening balance for 2018 are recognised in equity.

CLASSIFICATION AND MEASUREMENT
Financial assets
Under IFRS 9, financial assets shall be classified into three measurement categories: fair value through profit and loss, fair value through other comprehensive income (OCI) and at amortised cost. For financial assets, a distinction is made between debt instruments, derivatives, and equity instruments, where debt instruments are all financial assets that are not derivatives or equity instruments.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that consist solely of payment of principal and interest on specified dates and which are held in a business model for the purpose of receiving contractual cash flows shall be measured at amortised cost. Instruments with contractual cash flows that are solely payments of principal and interest (SPPI) on specified dates and which are held in a business model for the purpose of receiving contractual cash flows and for sale shall be measured at fair value through other comprehensive income, with interest income, foreign currency effects and impairments through profit and loss. Any value adjustments through other comprehensive income are recycled through to profit and loss on sale or other disposal of the assets. Other debt instruments are measured at fair value through profit and loss. This applies to instruments with cash flows that are not only payment of principal and normal interest, and instruments held in a business model where the main objective is not receipt of contracted cash flows.

Instruments that are to be measured at amortised cost or fair value through other comprehensive income may be designated for measurement at fair value through profit and loss if this eliminates or significantly reduces an accounting mismatch.

Derivatives and investments in equity instruments

In principle, all derivatives shall be measured at fair value with all fair value adjustments recognised in profit and loss; but derivatives designated as hedging instruments shall be recognised in accordance with the principles governing hedge accounting. Investments in equity instruments shall be measured at fair value in the balance sheet. Value adjustments must as a general rule be reported in profit and loss, but an equity instrument not held for trading purposes and which is not a conditional consideration after a transfer of business may be designated as measured at fair value with value adjustments presented in other comprehensive income.

Financial liabilities

The rules governing financial liabilities are essentially the same as in IAS 39. A significant change from IAS 39 is that for financial liabilities that it has been decided are to be recognised at fair value through profit or loss, changes in value attributable to the company's own credit risk must be presented in comprehensive income rather than in profit or loss, as is the case at present, unless this creates or enlarges an accounting mismatch.

Hedge accounting

IFRS 9 simplifies the requirements pertaining to hedge accounting in that hedge effectiveness is linked more closely to the management's risk management. The 80–125 per cent hedge effectiveness requirement has been removed and replaced by more qualitative requirements, including that there must be an economic relationship between the hedging instrument and the hedged item, and that credit risk must not dominate the value adjustments in the hedging instrument. Hedging documentation is still required.

IMPAIRMENT LOSSES ON LOANS

In IAS 39, losses shall only be impaired if there is objective evidence of the occurrence of a loss event after initial recognition of the asset. Under IFRS 9, loss allowances are recognised on the basis of expected credit loss (ECL). The general model for impairment of financial assets in IFRS 9 will apply to financial assets that are measured at amortised cost or at fair value through other comprehensive income and for which no losses were determined at initial recognition. Loan commitments, financial guarantee contracts not measured at fair value through profit and loss, and lease receivables are also encompassed by the model.

Measurement of the allowance for expected loss in the general model depends on whether the credit risk has increased significantly since initial recognition. On initial recognition and when the credit risk has not increased significantly since initial recognition, provisions should be equal to 12-month expected loss. The 12-month expected loss is the loss that is expected to occur over the lifetime of the instrument, but that can be linked to events occurring during the initial 12 months. If the credit risk has increased significantly since initial recognition, a loss allowance must be made for expected loss during the lifetime of the instrument. Expected credit loss are calculated on basis of the present value of all cash flows over the remaining life expectancy, i.e. the difference between the contractual cash flows according to the contract and the cash flows expected to be received, minus the effective interest on the instrument.

In addition to the general model, there are separate principles for issued, including renegotiated, loans that are treated as new, and bought loans where there is accrued credit loss on initial recognition in the balance sheet. For these, an effective interest rate will be calculated that takes into account expected credit loss, and in the event of any changes in expected cash flows, the change will be discounted with the originally set effective interest rate and recognised in the income statement. For these assets, there is thus no need to monitor whether there has been a substantial increase in credit risk after initial recognition, as the expected losses over the whole lifetime are taken into account.

For accounts receivable without a significant financing component, a simplified model will be used, where provisions will be made for expected loss over the entire lifetime from initial recognition. Storebrand Boligkreditt AS has chosen to use the simplified model as the accounting policy also for accounts receivable with a significant financing component and lease receivables.

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised on the trading day, i.e. the date on which Storebrand Boligkreditt AS becomes party to the instruments' contractual terms.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the rights to the cash flows from the asset are transferred such that substantially all the risks and returns relating to ownership of the asset are transferred. Financial liabilities are derecognised when the contractual terms have been fulfilled, cancelled or expire.

MODIFIED ASSETS AND LIABILITIES
If terms of an existing financial asset or obligation are modified or changed, the instrument is treated as a new financial asset if the renegotiated terms are substantially different from the old terms. If the terms are substantially different, the old financial asset or liability is derecognised and a new financial asset or liability is recognised. In general, a loan is considered to be a new financial asset if new loan documentation is issued and a new credit granting process is undertaken, resulting in new loan terms and conditions.

If the modified instrument is not considered to be substantially different from the existing instrument, the instrument is treated as a continuation of the existing instrument in terms of accounting. In the event of modification that is treated as a continuation of the existing instrument in the accounts, the new cash flows are discounted with the instrument's original effective interest rate, and any difference compared with the existing book value is recognised.

EFFECT OF INTRODUCTION OF IFRS 9
See note 2 for the effects of transition to IFRS 9.

IFRS 15
New standard for accounting of operating revenues from contracts with customers comes into effect from 1 January 2018. IFRS 15 introduces a five-step model for recognition of income from contracts with customers. Under IFRS 15, revenue is recognised equivalent to an amount that reflects the consideration an undertaking expects to be entitled to receive in exchange for goods or services supplied to a customer. The standard applies to all contracts that are entered into starting from 1 January 2018, and to existing contracts that have not yet been fulfilled. The purpose of this standard is to remove inconsistencies and weaknesses in the current revenue recognition standards and to improve the comparability of revenue recognition between businesses, industries and geographical regions.

The new revenue standard will replace all the current revenue recognition requirements according to IFRS.

Revenue recognition in Storebrand Boligkreditt AS is primarily governed by IAS 39 / IFRS 9. Revenue that is recorded under "Other income" is assessed against IFRS 15. Implementation of IFRS 15 will not have a significant effect on Storebrand Boligkreditt AS's financial statements.

IFRS 16
IFRS 16 Leases replaces the current IAS 17 and comes into force from 1 January 2019. IFRS 16 sets out principles for recognition, measurement, presentation and publication of leases. The new leasing standard will not entail any major changes for lessors, but will entail substantial changes for lessees' accounting. IFRS 16 requires that lessees shall in principle recognise all lease contracts in the balance sheet in accordance with a simplified model similar to the accounting of financial leases under IAS 17. The present value of the total lease payments shall be recognised as a liability and an asset that reflect the right of use of the asset in the lease period. The recognised asset is amortised over the lease period, and the depreciation cost is recognised in the income statement on an ongoing basis as an operating cost. Interest charges on the lease commitment are recognised as a financial cost.

Storebrand is working to prepare for implementation of IFRS 16, including mapping the effects of implementation of IFRS 16 for Storebrand Boligkreditt AS's financial statements.

5. INCOME RECOGNITION

INTEREST INCOME - BANKING
Interest income related to loans and bonds are recognised in the income statement using the effective interest method.

INCOME FROM FINANCIAL ASSETS
Income from financial assets is described in Section 6.

OTHER INCOME
Fees are recognised when the income can be measured reliably and earned, fixed fees are recognised as income in line with delivery of the service, and performance fees are recognised as income once the success criteria have been met

6. FINANCIAL INSTRUMENTS

6-1. GENERAL POLICIES AND DEFINITIONS
Recognition and derecognition
Financial assets and liabilities are recognised in the statement of financial position from such time Storebrand Boligkreditt AS becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial assets are booked on the transaction date and

financial liabilities are booked on the settlement date. When a financial asset or a financial liability is initially recognised, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value through profit or loss.

Financial assets are derecognised when the contractual right to the cash flows from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e once the contractual liability has been fulfilled, cancelled or has expired.

Definition of amortised cost

Subsequent to initial recognition, loans and receivables, as well as financial liabilities not at fair value through profit or loss, are measured at amortised cost using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all contractual terms of the financial instruments (for example, early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Definition of fair value

Fair value is the amount for which an asset could be exchanged between well-informed, willing parties in an arm's length transaction. The fair value of financial assets listed on a stock exchange or on another regulated market in which regular trading takes place is determined as the bid price on the last trading day up to and including the reporting date.

If a market for a financial instrument is not active, fair value is determined by using recognised valuation techniques. Such valuation techniques make use of recent arm's length market transactions between knowledgeable and independent parties, where available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and options pricing models. If a valuation technique is in common use by participants in the market for pricing the instrument and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method is used.

In calculating the fair value of loans the current market rate on similar loans is used. Changes in credit risk are taken into account.

Impairment of doubtful financial assets

For financial assets carried at amortised cost, an assessment is made on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that impairment has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate calculated at initial recognition). The amount of the loss is recognised through profit or loss.

Losses expected as a result of future events, no matter how likely, are not recognised.

6-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option
- Financial assets, loans and receivables

Held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing it in the near term, is part of a portfolio of identified financial instruments that are managed together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

With the exception of derivatives, only a limited proportion of the company's financial instruments fall into this category.

Financial assets held for trading are measured at fair value on the reporting date. Changes in the fair value are recognised through profit or loss.

At fair value through profit or loss account in accordance with the fair value option

The liquidity portfolio of Storebrand Boligkreditt AS consisting of certificates and bonds will be classified at fair value through profit or loss because:

- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities, or that
- the financial assets form part of a portfolio that is measured and reported at fair value on an ongoing basis

The accounting is equivalent to that of the held for trading category (the instruments are assessed at fair value and changes in value are recognised in the income statement).

Loans and receivables

A significant proportion of Storebrand Boligkreditt's financial instruments are classified in the category Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, with the exception of assets that the company intends to sell immediately or in the near term that are classified as held for trading and those that the company upon initial recognition designates at fair value through profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method.

6-3. DERIVATIVES

Definition of a derivative

A derivative is a financial instrument or other contract within the scope of IAS 39, with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (sometimes called the 'underlying')
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors
- it is settled at a future date.

Accounting treatment of derivatives that are not hedging

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

The majority of the derivatives used routinely for asset management fall into this category.

6-4. HEDGE ACCOUNTING

Fair value hedging

Storebrand Boligkreditt uses fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value through profit or loss. Changes in the value of the hedged item that are attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss.

6-5. FINANCIAL LIABILITIES

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using an effective interest method, or at fair value in accordance with the fair value option.

7. TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the statement of total comprehensive income. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

Deferred tax assets is calculated on the basis of the company's tax loss carryforwards, deductible temporary differences and taxable temporary differences.

FINANCIAL TAX

In connection with the national budget for 2017, it was agreed to introduce a financial tax consisting of two elements:

- Financial tax on salaries. This is set at 5 per cent and will follow the rules for employer's National Insurance contributions.
- The tax rate on the ordinary income for companies subject to the financial tax will be continued at the 2016 level (25 per cent), while it will otherwise be reduced to 23 per cent 1 January 2018.

The financial tax applies from and including the 2017 financial year. Since the company does not have any employees, the tax rate for 2018 will be reduced to 23 per cent.

8. PROVISION FOR GROUP CONTRIBUTIONS

In accordance with IAS 10 on events after the statement of financial position date, proposed group contributions are to be classified as equity until approved by the general meeting.

9. LEASING

A lease is classified as a finance lease if it essentially transfers the risk and rewards incident to ownership. Other leases are classified as operating leases. Storebrand Boligkreditt AS has no finance leases.

10. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the direct method and shows cash flows grouped by sources and uses. Cash is defined as cash, receivables from central banks and receivables from credit institutions with no agreed period of notice.
The statement of cash flows is classified according to operating, investing and financing activities.

Note 2 - Effects of transition to IFRS 9

CHANGES IN CLASSIFICATION OF FINANCIAL INSTRUMENTS

NOK million	Note	Classification according to IAS 39	Classification according to IFRS 9	Book value according to IAS 39 31 December 2017	Book value according to IFRS 9 1 January 2018
Loans to and deposits with credit institutions		AC	AC	251	251
Loans to and receivables from customers - floating interest		AC	FVOCI	14,538	14,540
Loans to and receivables from customers - fixed interest		FVP&L (FVO)	FVP&L (FVO)	0	0
Bonds and other fixed-income securities		FVP&L (FVO)	FVP&L (FVO)	41	41
Bonds and other fixed-income securities		AC	AC	0	0
Liabilities to credit institutions		AC	AC	2,296	2,296
Commercial papers and bonds issued		AC	AC	11,475	11,475
Fianancial derivatives		FVP&L/Hedge Accounting	FVP&L/Hedge Accounting	87	87

EFFECTS OF TRANSITION TO IFRS 9

NOK million	Book value according to IAS 39 31 December 2017	Change due to reclassification	Change due to remeasurement	Book value according to IFRS 9 1 January 2018
Loans and receiveavbles and instruments held to maturity according to IAS 39 which will be measured at amortised cost according to IFRS 9				0
Debt instruments classified as available for sale according to IAS 39 which will be measured at amortised cost according to IFRS 9				0
Total instruments measured at amortised cost according to IFRS 9	**0**	**0**	**0**	**0**
Loans and receivables and instruments held to maturity according to IAS 39 which will be measured at fair value over other comprehensive income (OCI) according to IFRS 9	14,538		3	14,540
Debt instruments classified as available for sale according to IAS 39 which will be measured at fair value over other comprehensive income (OCI) according to IFRS 9.				0
Total instruments measured at fair value over OCI according to IFRS 9	**14,538**	**0**	**3**	**14,540**
Loans and receivables and instruments at fair value through profit & loss according to IAS 39 which will be measured at fair value through profit & loss according to IFRS 9	41			41
Debt instruments classified at fair value through profit & loss according to IAS 39 which will be measured at fair value through profit & loss according to IFRS 9				0
Total instruments measured at fair value through profit & loss according to IFRS 9	**41**	**0**	**0**	**41**
Total	**14,578**	**0**	**3**	**14,581**
Financial guarantee agreements				0
Loan committments				0
Total financiel guarantees and loan commitments	**0**	**0**	**0**	**0**

Below is a description of new impairment model due to implementaion IFRS 9. See also note 1 for other information about IFRS 9.

DESCRIPTION OF NEW IMPAIRMENT MODEL DUE TO IMPLEMENTAION IFRS 9

Generally about the model

Under IFRS 9, impairments are based on expected credit loss (ECL). In order to estimate expected credit loss, models have been developed to calculate three indicators: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These models have been derived from similar models used for internal capital needs assessments. The models used for IFRS 9 purposes are based on the current macroeconomic situation and forecasts, and the models for PD, LGD and EAD are thus point in time (PIT) models, as opposed to through the cycle (TTC) models, which are used for capital needs purposes. The risk parameters in IFRS 9 have also been calibrated to be more forward-looking. Since the future is always uncertain, different future scenarios are used to compute PD, LGD and EAD for the bank's financial instruments. The various future scenarios have different weights determined by their position in the economic cycle and the forecasts of future events and economic conditions. The final expected credit loss per financial instrument will be a weighted average of the expected credit losses in the various scenarios. Total expected credit loss for the portfolio is the sum of the weighted credit losses per financial instrument.

In the PD model, financial circumstances are a significant predictor, combined with behavioural data on the individual customer. The model is a statistical model based on logistic regression. Loan-to-value ratio is a significant factor in the LGD model. For EAD, the most significant factors are loan size for downpayment loans and credit limit for lines of credit. The models are validated annually.

Forecasts affect the PD and LGD estimates in particular.

Storebrand Boligkreditt AS uses future scenarios to calculate expected credit losses. Storebrand Bank bases its future scenarios on the future scenarios presented by Norges Bank in its Financial Stability Report and assessments by Statistics Norway. The scenarios build on the current macroeconomic situation, economic forecasts, and the impact the macroeconomic situation is expected to have on the credit risk of the bank's financial instruments. These expectations affect the probability of default, exposure at default, and loss given default.

Probability of default is affected by unemployment, wage growth and interest rates, among others. Higher unemployment and interest rates result in weaker capacity to service debt in the portfolio, and lower wage growth also entails weaker capacity to service debt and thus increased probability of default. Macrovariables will have different effects on the risk parameters, and the impact will vary significantly for the individual customers in the portfolio. Average probability of default will increase during periods of economic downturn.

Periods of economic downturn will *per se* result in weaker house price growth, which will in turn affect loan-to-value ratio and thus also loss given default. For many financial instruments, the losses will be very small, given the existing market prices. The increase in loss given default as a result of falling house prices is greater than the reduction in loss given default when house prices are rising. Nonlinearities in expected credit loss are taken into account by estimating expected credit loss in a variety of scenarios.

Stress tests and sensitivity tests are used in the assessment, linked to the influence and sensitivity of various input variables on expected credit loss. Alternative assessments are also made of the macrovariables' influence on the input variables in the models and thus the expected credit losses. Stage migration is also considered by assessing the change in expected credit losses when transitioning from 12-month PD to lifetime PD for parts of the stage 1 portfolio. Sensitivity analyses are carried out in ICAAP on a regular basis.

ECL in IFRS 9 is expected to be more volatile than under IAS 39. The provisions will be more closely aligned to the macroeconomic cycle than in IAS 39. ECL of the portfolio is regarded to be sensitive with respect to the default rate of the portfolio and expected life time of the financial assets. There is uncertainty in the models regarding the different estimates. There is uncertainty regarding forecasts and development of different macro variables in the different macro scenarios including the effect of these macro scenarios on the different parameters.

Definition of default

Storebrand Boligkreditt AS assesses default at the account / facility level for retail customers. In the retail market, a facility / account is considered to be in default if the repayment instalments and/or interest on the loan is overdue by more than 90 days or credit limits have been overdrawn for more than 90 days and the amount is not insignificant. The threshold for what is considered a significant amount is NOK 2,000. In the corporate market, the entire customer relationship is regarded as in default if one facility or account is in default. A financial instrument is also considered to be in default if individual impairments are recorded on the instrument.

The definition of default has been changed for the retail market in connection with the transition to IFRS 9. The definition of default is in accordance with internal credit risk assessments, credit risk models and reporting. The credit risk models have been developed at the facility / account level in the retail market.

Calculating impairment

Division into stages and moving between stages.

Stage 1

The starting point for all financial assets is stage 1. Stage 1 encompasses all financial assets that do not have substantially higher credit risk than at initial recognition. Financial assets with low credit risk will always be in stage 1. In stage 1, expected credit loss is calculated over 12 months.

Stage 2

Stage 2 consists of financial assets where there has been a significant increase in credit risk since initial recognition, but that are not in default or where there is objective evidence of loss. For financial assets in stage 2, expected credit loss is calculated over the expected term of the loan. Expected term deviates from contractual term and is estimated on the basis of historically observed performance. Stage 2 contains a sub-group – weak stage 2, which consists of financial assets with a 12-month PD of over 5%. For weak stage 2 assets, expected credit loss is calculated over the contractual term of the loan.

Stage 3

Stage 3 consists of financial instruments with a substantial increase in credit risk and where the asset is in default and/or where there is objective evidence of loss. Financial instruments in IFRS 9 stage 3 are instruments that are defined as in default (over 90 days) and/or impaired in accordance with IAS 39.

Substantial increase in credit risk

Substantial increase in credit risk is assessed on the basis of the financial instrument's probability of default at the time of measurement compared with at initial recognition. The assessment is based on both changes in probability of default during the expected lifetime and changes in probability of default in the next 12 months. The assessments are based on absolute changes and relative changes.

Financial instruments that are overdue by 30 days or more are always assessed as substantially deteriorated. The same applies to loans granted temporary postponement of payment (forbearance).

Expected maturity

Expected maturity is estimated for various financial instruments. Expected maturity is significant because for financial instruments with substantial deterioration of credit risk, including defaulted financial instruments, i.e. financial instruments in stage 2 and stage 3, expected credit loss shall be calculated over the financial instruments' expected maturity. Probability of default increases over the time horizon it is measured over, and expected credit loss over the expected maturity is therefore higher than 12-month expected credit.

Expected maturity is calculated for different products. Expected maturity is estimated to around five years for downpayment loans and six years for lines of credit. For financial instruments in weak stage 2, expected maturity is contractual maturity. Contractual maturity is also expected maturity for top-up loans (loan share greater than LTV of 70%), building credit and bridging loans.

Expected maturity is reassessed and validated regularly.

Categorisation into portfolios

The retail market portfolio consists of housing loans and housing credits.

Note 3 - Important accounting estimates and judgements

In preparing the company's financial statements, the management are required to make judgements, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis, and they are based on historical experience and expectations of future events and represent the management's best judgement at the time the financial statements were prepared.

Actual results may differ from these estimates.

The company's critical estimates and judgements that could result in material adjustment of recognised amounts are discussed below.

LOAN WRITE-DOWNS

Loans valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a loan or group of loans is impaired. A judgement must be used in assessing whether impairment has occurred and the amount of the impairment loss. Uncertainty grows when there is turmoil in the financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect an assessment of whether impairment is indicated. There will thus be uncertainty concerning the recognised amounts of individual and group write-downs.

INDIVIDUAL WRITE-DOWNS

When write-downs for individual customers are estimated, both their current and expected future financial positions and relevant collateral must be assessed. When it comes to the corporate market, one must also assess the market situation of the customer and the security, market conditions within the relevant industry, and general market conditions of significance for the commitment. Opportunities for restructuring, refinancing and recapitalisation also have to be assessed. The overall assessment of these factors provides a basis for estimating future cash flows and repayment capacity. The discounting period is estimated individually or based on historical data about the period up to a solution to the circumstances that caused the commitment to be exposed to impairment.

GROUP WRITE-DOWNS

On the statement of financial position date, one estimates the impairment of commitments not identified by the individual assessments. The bank differentiates between the corporate market and retail customers, and further categorisation is carried out to ensure as similar risk characteristics as possible within the various categories. Group write-downs are carried out when objective impairment criteria have been met. These criteria are i) change in risk class and ii) change in macroeconomic conditions.

i. If the risk classification significantly changes in a negative direction, then a group write-down has to be made based on the portfolio's probable future cash flow. Such assessments are made at an account level and the customer's current classification is assessed in relation to the classification when the individual commitment was granted. It is the negative changes in classification from the date the commitments were established to the current classification that determine whether or not a commitment falls into a group that is the subject of write-downs. These write-downs are based on the write-down rates that are set on the basis of the bank's best judgement and the assumption that there will be a delay between when the loss incident occurs and when it is discovered.
ii. Groups write-downs based on macro factors are made in light of objective macroeconomic events. Examples of such events include higher unemployment, higher interest rates, poorer economic cycle forecasts, falling house prices, etc. Groups write-downs are calculated by multiplying the total commitment amount for a group of commitments that are assumed to be affected by such macroeconomic incidents by a write-down rate for macro factors.

CONTINGENT LIABILITIES

The company can be a party in legal disputes. Contingent liabilities are assessed in each case and will be based on legal considerations.

Note 4 - Risk Management

Continuous monitoring and active management of risk is a core area of the company's activities. The basis of risk management follows from the board's annual discussion of the planning process and determination of general risk ceilings for the activities. Responsibility for risk management and internal control is an integral part of management responsibility in the Storebrand group.

ORGANISATION OF RISK MANAGEMENT

The Storebrand group's organisation of risk management responsibility follows a model based on 3 lines of defence. The model must safeguard risk management responsibility at company and group level.

The board of Storebrand Boligkreditt AS has ultimate responsibility for limiting and monitoring the company's risks. The board annually determines ceilings and guidelines for the risks taken by the operation, receives reports of actual risk levels and gives a forward assessment of risks.

The CEO is responsible for risk management in the company. In areas where the company buys services from Storebrand Bank ASA it is the bank that is responsible for risk management. Good risk management relies on working with targets, strategies and action plans, identifying and evaluating risks, documentation of processes and routines, prioritising and implementation of improvement measures and communication, information and reporting.

All employees must be familiar with the concept that awareness of risks and risk management are vital elements of group's culture.

The CEO submits an annual confirmation that documents how risk management has functioned during the period.

INDEPENDENT CONTROL FUNCTION

Storebrand Boligkreditt AS has an independent control function for the company's risk management (Chief Risk Officer, CRO) and for the regulatory compliance (Chief Compliance Officer, CCO). CRO and CCO are both responsible directly to the CEO and reports to the company's board. This function has the independent control function under the authority of the group CRO, who is in turn responsible to the group CEO and reports to the board of Storebrand ASA.

Internal auditing is under the direct authority of the board and is intended to give the board a confirmation of the appropriateness and effectiveness of the company's risk management, including how the lines of defence are functioning.

Note 5 - Credit risk

Credit risk is the risk of loss if a counterparty does not fulfil its debt obligations.

All loans of Storebrand Boligkreditt AS are granted in Storebrand Bank ASA. Loan are given on the basis of a credit score combined with an individual assessment of ability to repay.

The bank's routines for credit processing are laid down in the credit manual for Private Market. The credit manual is directed primarily at customer contacts and others who participate in the case handling process. The credit manual contains common guidelines for credit activities in the bank and is intended to ensure the uniform and consistent processing of credit.

Counterparty risk in connection with trade in financial derivatives with customers as the counterparty is included under credit risk and is managed according to a specific policy on the basis of rating and amount under management.

The CRO reports to the board on credit risk trends on an ongoing basis.

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. The increase in the maximum credit exposure from the end of 2016 is mainly related to higher engagement amount to customers.

NOK million	Maximum credit exposure 2017	2016
Loans to and deposits with credit institutions	251.2	141.0
Liquidity portfolio	40.9	41.4
Total commitments customers *)	16,052.0	15,107.9
Interest rate swaps	87.1	123.0
Total	**16,431.2**	**15,413.3**
*) Of which net loans to and amounts due from customers measured at fair value:	0.0	0.0

The amounts stated for the various financial instruments constitute the value recognised in the balance sheet, with the exception of net lending to and receivables from customers, which also includes unused credit facility and guarantees (see "Credit exposure for lending activities" below).

CREDIT RISK LIQUIDITY PORTFOLIO

INTEREST-BEARING SECURITIES AT FAIR VALUE

Credit risk per counterparty

Short-term holdings of interest-bearing securities

Issuer category	AAA	AA	A	BBB	NIG	Total 2017	Total 2016
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Sovereign and Government Guaranteed bonds	40.9					40.9	41.4
Total	**40.9**	**0.0**	**0.0**	**0.0**	**0.0**	**40.9**	**41.4**
Rating classes are based on Standard & Poors.							
Change in value:							
Total change in value on the balance sheet	-0.7					-0.7	-0.3
Change in value recognised in the profit and loss during the period	-0.4					-0.4	-0.3

CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

CREDIT RISK PER COUNTERPARTY

	AAA	AA	A	BBB	NIG	Total 2017	Total 2016
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		230.9	20.2			251.2	141.0
Total	**0.0**	**230.9**	**20.2**	**0.0**	**0.0**	**251.2**	**141.0**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

Mortgage customers are assessed in relation to their ability and willingness to repay the loan. Ability to pay is calculated and a risk assessment of customers is made at the time of application. The loan-to-value ratio for customers of Storebrand Boligkreditt AS is less than 75% at the time of transfer from Storebrand Bank ASA.

Storebrand Boligkreditt AS provides loans with residential property as security. There is some volume where some or all of the security is in holiday and leisure property. For this type of security, the maximum loan-to-value ratio at the time of transfer is 60%.

When loans are entered into, information of significance to the value of the home is obtained. Updated, independent valuations of homes are obtained every quarter from the property valuation company Eiendomsverdi AS. For homes where Eiendomsverdi does not have an up-to-date valuation (such as housing cooperative apartments, owner-tenant apartments and some leisure properties) the most recent updated market value is used until further notice. Where Eiendomsverdi AS cannot determine the market value of a property with a high degree of certainty, a "haircut" is used so as to reduce the risk of giving an inflated estimate of market value. If Eiendomsverdi AS has never had information about the home's market value, the value registered on entering into the contract will be used. A list of collateral that has had no value update in the last three years is regularly reviewed so as to initiate measures to reduce the number of items on the list.

The average weighted loan-to-value ratio in the mortgage business is approximately 51%, and approximately 99% of the mortgages have a loan-to-value ratio of less than 80%. Approximately 56% of the company's mortgages have a loan-to-value ratio of less than 60% per 31 December 2017.

The credit quality of unmatured loans is good.

The security in Storebrand Boligkreditt AS is security on residential property. Security for the portfolio is assessed as being extremely good. Security for matured loans is also considered good.

Security for private-customer defaulted loans without value loss is good. Average weighted loan-to-value ratio for these loans is approximately 54%, and the largest observed loan-to-value ratio for loans in default at the end of December 2017 is 66.7%. Security pledged in the retail market is sold. It is not taken over by the company.

COMMITMENTS PER CUSTOMER GROUP

	2017			
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	14,478.4		1,507.0	15,985.4
Other	0.9			0.9
Rest of world	62.9		7.4	70.4
Total	**14,542.2**	**0.0**	**1,514.5**	**16,056.7**
Loan loss provisions on individual loans	-1.4			-1.4
Loan loss provisions on groups of loans	-3.3			-3.3
Total loans to and due from customers	**14,537.5**	**0.0**	**1,514.5**	**16,052.0**

	2016			
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	13,318.8		1,728.5	15,047.3
Other	3.3		0.1	3.4
Rest of world	53.4		7.8	61.3
Total	**13,375.5**	**0.0**	**1,736.4**	**15,112.0**
Loan loss provisions on individual loans	-2.9			-2.9
Loan loss provisions on groups of loans	-1.2			-1.2
Total loans to and due from customers	**13,371.4**	**0.0**	**1,736.4**	**15,107.9**

Undrawn credit limits relate to the unused portion of credit limits on residential mortgage loans.

The classification into customer groups is based on Statistics Norway's standard for sector and business classification. The individual customer's classification is determined by the customer's primary activity.

AVERAGE VOLUME ENGAGEMENT PER CUSTOMER GROUP

	2017			
NOK million	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Wage-earners	13,898.6		1,617.7	15,516.3
Other	2.1		0.1	2.2
Rest of world	58.2		7.6	65.8
Total	**13,958.9**	**0.0**	**1,625.4**	**15,584.3**

	2016			
NOK million	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Wage-earners	13,764.7		1,707.4	15,472.1
Other	3.9		0.2	4.1
Rest of world	65.0		10.4	75.4
Total	**13,833.6**	**0.0**	**1,718.0**	**15,551.5**

ENGAGEMENT PER GEOGRAPHICAL AREA

	2017								
NOK million	Loans to and due from customers	Guaran-tees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-perfor-ming and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	10,967.3		1,145.5	12,112.8	4.8	10.2	15.0	0.9	14.1
Western Norway	2,351.1		265.5	2,616.6	4.5	6.7	11.2	0.5	10.8
Southern Norway	263.8		27.1	290.9			0.0		0.0
Mid-Norway	437.9		40.6	478.5			0.0		0.0
Northern Norway	462.6		28.3	490.9			0.0		0.0
Rest of world	59.6		7.4	67.0			0.0		0.0
Total	**14,542.2**	**0.0**	**1,514.5**	**16,056.7**	**9.3**	**16.9**	**26.2**	**1.4**	**24.8**

	2016								
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-perfor-ming and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	10,127.1		1,322.1	11,449.2	5.7	11.9	17.7	2.6	15.0
Western Norway	2,184.0		299.8	2,483.8	4.1	1.2	5.3	0.2	5.1
Southern Norway	247.7		27.7	275.4			0.0		0.0
Mid-Norway	383.7		43.2	427.0		1.8	1.8		1.8
Northern Norway	357.3		30.9	388.1			0.0		0.0
Rest of world	75.7		12.8	88.5			0.0		0.0
Total	**13,375.5**	**0.0**	**1,736.4**	**15,112.0**	**9.8**	**15.0**	**24.8**	**2.9**	**21.9**

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

NOK million	2017 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	37.9		22.2	60.1
1 - 3 months	29.4		38.2	67.6
3 months - 1 year	378.7		204.8	583.5
1 - 5 years	1,195.8		658.3	1,854.1
More than 5 years	12,900.4		590.9	13,491.3
Total	**14,542.2**	**0.0**	**1,514.5**	**16,056.7**

NOK million	2016 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	0.0		0.0	0.0
1 - 3 months	13.4		7.1	20.6
3 months - 1 year	138.6		86.2	224.7
1 - 5 years	1,499.0		793.9	2,293.0
More than 5 years	11,724.5		849.2	12,573.7
Total	**13,375.5**	**0.0**	**1,736.4**	**15,112.0**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENTS

NOK million	2017 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	131.0		0.4	131.4
Overdue 31 - 60 days	24.9			24.9
Ovedue 61- 90 days	12.9			12.9
Overdue more than 90 days	9.3			9.3
Total	**178.2**	**0.0**	**0.4**	**178.5**
Engagements overdue more than 90 days (loss-exposed) by geographical area:				
Eastern Norway	4.8			4.8
Western Norway	4.5			4.5
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world				0.0
Total	**9.3**	**0.0**	**0.0**	**9.3**

NOK million	2016 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	120.3			120.3
Overdue 31 - 60 days	17.5			17.5
Ovedue 61- 90 days	2.4			2.4
Overdue more than 90 days	9.8			9.8
Total	**150.1**	**0.0**	**0.0**	**150.1**
Engagements overdue more than 90 days (loss-exposed) by geographical area:				
Eastern Norway	5.7			5.7
Western Norway	4.1			4.1
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world				0.0
Total	**9.8**	**0.0**	**0.0**	**9.8**

Only non-performing and loss-exposed loans are classified by geographical area in this overview. The same definition is used for due commitments as the one in the capital requirements regulations, however the number of days in the definition equals the age distribution.

Loans are regarded as non-performing and loss-exposed:
- when a credit facility has been overdrawn for more than 90 days and the overdrawn amount minimum is NOK 2,000
- when an ordinary mortgage has arrears older than 90 days and the arrears minimum is NOK 2,000
- when a credit card has arrears older than 90 days

When one of the three situations described above occurs, the loans and the rest of the customer's commitments are considered as non-performing.

CREDIT RISK BY CUSTOMER GROUP

2017

NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	16.9	9.3	26.2	1.4	24.8		-1.5
Rest of world			0.0		0.0		
Total	**16.9**	**9.3**	**26.2**	**1.4**	**24.8**	**0.0**	**-1.5**

2016

NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	15.0	9.8	24.8	2.9	21.9		0.7
Rest of world			0.0		0.0		
Total	**15.0**	**9.8**	**24.8**	**2.9**	**21.9**	**0.0**	**0.7**

FIANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

	Liquidity portfolio	
NOK million	2017	2016
Book value	40.9	41.4
Book value maximum exposure for credit risk		
Book value of related credit derivatives that reduce credit risk		
This year's change in fair value of financial assets due to change in credi risk	0.3	
Accumulated change in fair value of financial assets due to change in credit risk		
This year's change in value of related credit derivatives		
Accumulated change in value of related credit derivatives		

Lending to customers is measured at fair value based on valuation techniques. The valuation techniques use interest rate curves from Reuters and credit spreads for equivalent new loans as per the end of December.

CREDIT RISK DERIVATIVES

The purpose of the use of financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The Storebrand Boligkreditt's risk strategy establishes overall limits for how much credit risk the company is willing to accept. The summary shows the gross exposure, the company has no collateral for the credit risk.

	AAA	AA	A	BBB	NIG	Total 2017	Total 2016
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway			87.1			87.1	123.0
Total	**0.0**	**0.0**	**87.1**	**0.0**	**0.0**	**87.1**	**123.0**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet			87.1			87.1	123.0
Change in value recognised in the profit and loss during the period			-35.8			-35.8	-50.3

INTEREST RATE SWAPS AND BASIS SWAPS

Derivatives are entered into for hedging purposes. Derivative transactions are entered into with counterparties that are ”investment grade” rated.

Note 6 - Liquidity risk

Liquidity risk is the risk that the company is unable to fulfil its obligations without significant extra expenses arising in the form of price reduction on properties that must be realised or in the form of unusually expensive finance.

The company's policy for liquidity risk describes principles for liquidity management and specifies stress testing, minimum liquidity holdings and indicators for measuring liquidity risk. Stress tests are used to identify anticipated effects of various scenarios in the balance sheet and cash flows.

The company's liquidity is affected by relatively few large amounts falling due for payment on bonds. In order to ensure a sound liquidity situation, the company will as far as possible take up so-called soft bullet bonds, on which the due date can be extended by up to a year. There will also be limits to how large each amount due for payment can be. Due dates for new borrowing by Storebrand Boligkreditt AS must always be planned in such a way that no breach of any of the liquidity targets in any future period may be anticipated.

The Treasury function at Storebrand Bank ASA is responsible for the bank group's liquidity management and the bank's Middle Office monitors utilisation of the ceilings in accordance with liquidity policy, while the CRO group reports to the board of Storebrand Boligkreditt AS.

NON-DISCOUNTED CASH FLOWS - FINANCIAL OBLIGATIONS

NOK million	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	2,295.8					2,295.8	2,295.8
Commercial paper and bonds issued	2,194.1	123.6	4,091.2	5,625.1		12,034.0	11,474.5
Other liabilities	21.2					21.2	21.2
Undrawn credit limits	1,514.5					1,514.5	
Total financial liabilities 2017	**6,025.6**	**123.6**	**4,091.2**	**5,625.1**	**0.0**	**15,865.5**	**13,791.5**
Derivatives related to liabilites 31.12.2017	**8.5**	**-54.5**	**-44.7**	**0.0**	**0.0**	**-90.7**	**87.1**
Total financial liabilities 2016	5,592.5	129.7	4,107.2	5,115.3	0.0	14,944.7	12,680.3

The amounts includes accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2017 are used to calculate interest for lending with FRN conditions.
The maturity overview does not take account of the fact that the loans have extended due date, i.e. the original maturity date is used.

LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

NOK million	2017	2016
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	2,295.8	1,091.0
Total loans to and deposits with credit institutions at amortised cost	**2,295.8**	**1,091.0**

Loans to and deposits with credit institutions consist of drawn amount on the credit facility in Storebrand Bank ASA.
Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements provide a minimum capacity to cover at least interests and payments on covered bonds and derivatives the following 31 days.

COVERED BONDS

NOK million

ISIN NUMMER	Nominal value	Currency	Maturity [1)]	Book value
NO0010548373	1,250.0	NOK	28.10.2019	1,339.9
NO0010660822	2,125.0	NOK	20.06.2018	2,128.6
NO0010736903	2,500.0	NOK	17.06.2020	2,496.4
NO0010760192	3,000.0	NOK	16.06.2021	3,008.2
NO0010786726	2,500.0	NOK	15.06.2022	2,501.5
Total commercial papers and bonds issued 2017 [2)]	**11,375.0**			**11,474.5**
Total commercial papers and bonds issued 2016	11,440.0			11,575.4

1) Maturity date in this summary is the first possible maturity date (Call date).

2) For covered bonds (OMFs) that are allocated to the company's security, regulatory requirements for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent apply for bonds issued prior to 21 June 2017. See note 20.

FINANCING ACTIVITIES - CHANGES DURING THE YEAR

NOK million	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2017		1,091.0	11,575.4
New loans / bond debt issued		1,204.8	3,000.0
Repayment of loans/liabilites			-3,065.0
Changes in accrued interest			-2.3
Exchange differences foreign currency			
Other			-33.6
Book value 31.12.2017	**0.0**	**2,295.8**	**11,474.5**

Note 7 - Market risk

Market risk is risk of a change in value due to financial market prices or volatility differing from what was expected.

Risk policies for interest rate and currency risk set ceilings for market risk. Credit spread risk is regulated through ceilings on investments. The company may be exposed to currency risk to a minor extent. Storebrand Boligkreditt AS has no obligations or property in any foreign currency as at 31.12.2017.

The company's market risk is mainly managed and controlled through daily monitoring of risk exposure with regard to the policies and ongoing analyses of outstanding positions.

The ceilings for exposure are reviewed and renewed by the board at least once per year. The positioning of the ceilings is determined on the basis of stress tests and analyses of market movements.

Middle Office in the bank is responsible for the ongoing, independent monitoring of market risk. Risk control of market risk is performed, among other things, by monthly reports on indicators of market risk. Market risk indicators that are followed are described in the interest rate risk policy and currency risk policy and are included in the CRO's ongoing reporting to the board.

For changes in market risk that occur during the first year, the effect on the result and equity will be as shown below based on the balance sheet as of 31 December 2017:

Effect on accounting income

NOK million	Amount
Interest -1.0%	-2.6
Interest +1.0%	2.6

Effect on accounting profit/equity [1)]

NOK million	Amount
Interest -1.0%	-2.6
Interest +1.0%	2.6

1) Before taxes.

Fiancial interest rate risk

NOK million	Amount
Interest -1.0%	-13.2
Interest +1.0%	13.2

The note presents the accounting effect over a 12-month period and the direct financial effect of an immediate parallel change in interest rates of +1.0% and -1.0% respectively. In calculating the accounting effect, consideration has been given to the one-time effect such an immediate interest rate change has on the items recognised at fair value and hedging value, and to the effects the interest rate change has on the result for the remainder of the interest rate duration before the interest rate change has income and costs-related effects. Items that would be affected by the one-time effects and which are recorded at fair value are the investment portfolio and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are borrowings with fixed interest rate. When calculating the financial effect, consideration has been given to the effect such an immediate change in interest rates would have on the market value of all items recorded in the statement of financial position.

Note 8 - Operational risk

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. Operational risk is defined as the risk of financial loss or damaged reputation due to inadequate or failing internal processes, control routines, systems, human error, or external events

The company seeks to reduce operational risk through an effective system for internal control with (1) clear descriptions of responsibilities, (2) clear routines, and (3) documented powers of attorney/authority. Risks are monitored through the management's risk review, with documentation of risks, measures and follow-up of events. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the Board.

The CRO supports the risk review process and is responsible for compiling and reporting the area's risk scenario, following up on improvement measures and checking that risk registration is up to date in Easy Risk Manager (ERM). The results of the process are reported to the board of the company.

In order to be able to identify problem areas internally, the Storebrand group has implemented routines for ongoing reporting of events to the CRO, who is responsible for logging and follow-up of reported events. The CRO reviews significant events with the board of the company.

In connection with monthly, quarterly and annual accounts, the bank's staff functions perform various checks and reconciliations so as to control and reduce operational risk. The compliance function and internal auditor also make spot checks in a number of the bank's most important work processes. The results of these are reported to the company's board.

Pursuant to the management agreement between Storebrand Bank ASA and Storebrand Boligkreditt AS, the bank is responsible for establishing and managing loans in the company. The agreement is followed-up by the company through daily controls of the balance, random checks of batch transfers from the bank to the company and in connection with monthly reports to the external investigator. In addition, there is follow-up of the development of risk classes and defaults in the monthly risk reports.

Among other things, the bank group's IT systems are vital for credit approval in the bank and for portfolio follow-up and accounting in the company. Errors can have consequences for the operation of the company and may impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced. The bank's system platform that is used by Storebrand Boligkreditt AS is based on purchased standard systems operated and monitored through service agreements. The bank group has established an intragroup management model with close supplier follow-up and internal control activities to ensure that development, management and operations provide complete, precise and reliable financial reporting.

COMPLIANCE RISK

Compliance risk is the risk of the company incurring public sanctions or financial loss as a result of non-compliance with external or internal rules. The bank's independent control function for regulatory compliance (CCO) is responsible for supporting the company's board and management in the work on complying with relevant laws and regulatory provisions.

Note 9 - Valuation of financial instruments

Storebrand Boligkreditt AS conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters, Bloomberg and Nordic Bond Pricing. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

Unlisted derivatives, including primarily interest rate and foreign exchange instruments, are also valued theoretically. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Reuters, Bloomberg and Norges Bank.

Storebrand Boligkreditt AS carries out continual checks to safeguard the quality of market data that has been collected from external sources. These types of checks will generally involve comparing multiple sources as well as controlling and assessing the likelihood of unusual changes.

The Storebrand Group categorises financial instruments into three different levels which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS
Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1.

LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1
This category encompasses financial instruments that are valued based on market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 covers bonds and equivalent instruments. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified as level 2.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE ACCORDING TO THE DEFINITION FOR LEVEL 2
Investments classified as level 3 largely include investments in unlisted/private companies. The company did not have any investments that were classified at this level at year-end.

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

The fair value of lending to customers with variable interest is stated at amortised cost. All of the loans are mortgages subject to variable interest rates in which the loan's interest rate can be adjusted at short notice. This had a minimal effect on the valuation of the loans. The fair value of lending to financial institutions and commercial papers and bonds issued, is based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers.

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2017	Fair value 31.12.2016	Book value 31.12.2017	Book value 31.12.2016
Financial assets							
Loans to and deposits with credit institutions		251.2		251.2	141.0	251.2	141.0
Net loans to customers - corporate market				0.0			
Net loans to customers - retail market		14,537.5		14,537.5	13,371.4	14,537.5	13,371.4
Total financial assets 31.12.2017	**0.0**	**14,788.7**	**0.0**	**14,788.7**		**14,788.7**	
Total financial assets 31.12.2016		13,512.5					13,512.5
Financial liabilities							
Liablities to credit institutions		2,295.8		2,295.8	1,091.0	2,295.8	1,091.0
Commercial papers and bonds issued		11,482.2		11,482.2	11,612.6	11,474.5	11,575.4
Total financial liabilities 31.12.2017	**0.0**	**13,777.9**	**0.0**	**13,777.9**		**13,770.3**	
Total financial liabilities 31.12.2016		13,784.3			12,703.6		12,666.4

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2017	Book value 31.12.2016
Sovereign and Government Guaranteed bonds		40.9		40.9	41.4
Total bonds 31.12.2017	**0.0**	**40.9**	**0.0**	**40.9**	
Total bonds 31.12.2016		41.4			
Interest rate derivatives		87.1		87.1	123.0
Total derivatives 31.12.2017	**0.0**	**87.1**	**0.0**	**87.1**	
Derivatives with a positive fair value		87.1		87.1	123.0
Derivatives with a negative fair value					
Total derivatives 31.12.2016		123.0			

There have not been any changes between quoted prices and observable assumptions on the various financial instruments in the year.

Note 10 - Segment

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for 2017 therefore relate entirely to the Retail Lending segment. Geographic segments form the company's secondary reporting segments. The company does not have any activities outside Norway. Customers from abroad are classified as part of the Norwegian activities. All operating income and thecompany's earnings therefore relate solely to its Norwegian activities.

Note 11 - Net income from financial instruments

NOK Million	2017	2016
Net interest income		
Interest and other income on loans to and deposits with credit institutions	1.7	4.7
Interest and other income on loans to and due from customers	354.4	335.3
Interest on commercial paper, bonds and other interest-bearing securities	1.8	0.6
Other interest income and related income		
Total interest income *)	**358.0**	**340.7**
Interest and other expenses on debt to credit institutions	-34.9	-31.7
Interest and other expenss on deposits from and due to customers		
Interest and other expenses on securities issued	-169.2	-191.1
Interest and expenses on subordinated loan capital		
Other interest expenses and related expenses		
Total interest expenses **)	**-204.1**	**-222.7**
Net interest income	**153.8**	**118.0**
*) Of which total interest income on financial assets that are not at fair value through profit and loss account	356.2	340.1
**) Of which total interest expenses on financial liabilities that are not at fair value through profit and loss account	-204.1	-222.7

NOK million	2017	2016
Net income and gains from financial assets and liabilities		
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds, FVO	0.1	
Unrealised gain/loss on commercial papers and bonds, FVO	-0.4	-0.3
Total gain/loss on commercial papers and bonds, FVO	**-0.4**	**-0.3**
Financial derivatives and foreign exchange		
Realised gain/loss on financial derivatives, held for trading	0.1	-0.1
Unrealised gain/loss on financial derivatives, held for trading		
Total financial derivatives and foreigh exchange, held for trading	**0.1**	**-0.1**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued, fair value hedging		
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-2.9	-2.9
Net gain/loss on fair value hedging	**-2.9**	**-2.9**
Bonds issued		
Realised gain/loss on bonds issued at amortised cost	-6.9	-1.7
Total gain/loss on bonds issued at amortised cost	**-6.9**	**-1.7**
Net income and gains from financial assets and liabilities	**-10.1**	**-5.1**
Net gain/loss on financial assets at fair value through profit and loss account:		
Financial assets designated at fair value upon initial recognition	-3.3	-3.2
Financial assets classified as held for trading	0.1	-0.1
Changes in fair value on assets due to changes i credit risk	0.3	
Net gain/loss on financial liabilities at fair value through profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		
Financial liabilities classified as held for trading		

The note includes gain and loss on financial derivatives, net gain and loss on fair vaule hedging and bonds issued.
Other financial assets and liabilities are not included in the note.

Note 12 - Remuneration paid to auditor

Remuneration excl. valued added tax

NOK 1000	2017	2016
Statutory audit	106	174
Other non-audit services [1]	263	224
Total	**369**	**398**

1) Includes remuneration to Deloitte AS in their role as an independent investigator according to Norwegian covered bonds regulation.

Note 13 - Operating expenses

NOK million	2017	2016
Ordinary wages and salaries		
Employer's social security contributions		
Pension costs		
Other staff expenses	-0.2	-0.2
Total staff expenses	**-0.2**	**-0.2**
It costs	-0.2	-0.2
Office operation and other general administration expenses		
Total general administration expenses	**-0.2**	**-0.2**
Operating expenses on rented premises		
Foreign services	-0.5	-0.7
Purchase from group companies	-62.4	-60.9
Sales to group companies		
Other operating expenses	-3.7	-5.5
Total other operating expenses	**-66.6**	**-67.0**
Total operating expenses	**-67.0**	**-67.4**

Note 14 - Loan losses

NOK million	2017	2016
Change in loan loss provisions on individual loans for the period	1.5	-0.6
Change in loan loss provisions on groups of loans for the period	-2.1	0.6
Other corrections to loan loss provisions		
Realised losses in period on commitments specifically provided for previously	-2.1	
Realised losses on commitments not specifically provided for previously		
Recoveries on previously realised losses	0.2	
Total loan losses for the period	**-2.5**	**-0.1**

Note 15 - Tax

TAX CHARGE FOR THE YEAR

NOK million	2017	2016
Tax payable for the period	19.7	-13.2
Changes in deferred tax/deferred tax asset	-1.3	1.2
Total tax charge	**18.3**	**-11.9**

TAX BASE FOR THE YEAR

NOK million	2017	2016
Ordinary pre-tax profit	76.0	47.5
Permanent differences		
Change in temporary differences	5.9	5.1
Tax base for the year	**81.9**	**52.7**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK million	2017	2016
Ordinary pre-tax profit	76.0	47.5
Expected tax on income at nominal rate (24%)	-18.2	-11.9
Tax effect of:		
Change in tax rules	-0.1	
Tax charge	**-18.3**	**-11.9**
Effective tax rate	24 %	25 %
Tax payable		
Tax payable	19.7	-13.2
- tax effect of group contribution paid		
Tax payable in the balance sheet (note 24)	**19.7**	**-13.2**

The company has provided a group contribution with tax effect for 2017. The group contribution will be recognised after the general meeting is held in 2018. Taking the group contribution into consideration, tax payable will be NOK 0.

ANALYSIS OF THE TAX EFFECT OF TEMPORARY DIFFERENCES AND TAX LOSSES CARRIED FORWARD

NOK million	2017	2016
Tax-increasing temporary differences		
Derivatives	70.3	106.5
Total tax-increasing temporary differences	**70.3**	**106.5**
Tax-reducing temporary differences		
Securities	-0.7	-0.3
Bonds issued	-77.6	-110.2
Other	-1.8	
Total tax-reducing temporary differences	**-80.2**	**-110.5**
Losses/allowances carried forward		
Net base for deferred tax/tax assets	**-9.9**	**-4.0**
Net deferred tax/defferd tax asset in the balance sheet	**2.3**	**1.0**
Booked in the balance sheet:		
Deferred tax asset	2.3	1.0
Deferred tax		

In October 2017, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 24 per cent to 23 per cent effective from 1 January 2018. At the same time, the Norwegian Parliament agreed to continue financial tax on 25 per cent.

Storebrand Boligkreditt AS has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, but since the company does not have any employees it is not subject to finance tax. A tax rate of 23 per cent has been used for capitalizing deferred tax asset in the balance sheet.

Note 16 - Classification of financial assets and liabilities

NOK million	Loans and receivables	Fair value, trading	Fair value, FVO	Liabilities at amortised cost	Total book value
Financial assets					
Loans to and deposits with credit institutions	251.2				251.2
Bonds and other fixed-income securities			40.9		40.9
Derivatives		87.1			87.1
Net loans to customers	14,537.5				14,537.5
Other assets	25.9				25.9
Total financial assets 2017	**14,814.6**	**87.1**	**40.9**	**0.0**	**14,942.7**
Total financial assets 2016	13,525.2	123.0	41.4	0.0	13,689.5
Financial liabilities					
Liabilities to credit institutions				2,295.8	2,295.8
Commercial papers and bonds issued				11,474.5	11,474.5
Other liabilities				21.2	21.2
Total financial liabilities 2017	**0.0**	**0.0**	**0.0**	**13,791.5**	**13,791.5**
Total financial liabilities 2016	0.0	0.0	0.0	12,680.3	12,680.3

Note 17 - Bonds and other fixed-income securities at fair value through the profit and loss account

NOK million	2017 Fair value	2016 Fair value
Sovereign and Government Guaranteed bonds	40.9	41.4
Total bonds and other fixed-income securities at fair value through the profit and loss account	**40.9**	**41.4**
Modified duration	0.07	0.07
Average effective yield per 31.12.	0.46 %	1.00 %

The portfolio is mainly denominated in NOK.
Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

Note 18 - Financial derivatives

Financial derivatives are linked to underlying amounts which are not recognised in the statement of financial position. In order to quantify the volume of derivatives, reference is made to underlying amounts like underlying principal, nominal volume, etc. Different calculation methods are applied to nominal volume for different types of financial derivatives, and this figure gives some expression of the scope and risk of the positions of financial derivatives.

Gross nominal volume primarily provides information on the scope, while net nominal volume provides a certain expression of risk positions. However, the nominal volume for different instruments is not necessarily comparable, considering the risk exposure. As opposed to gross nominal volume, the calculation of net nominal volume also takes into account the sign for the instrument's market risk exposure, by differing between so-called asset positions and liability positions.

An asset position in a share derivative implies a positive increase in value if share prices rise. For interest derivatives, an asset position implies a positive increase in value if interest rates are reduced - as is the case with bonds. An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase. The average gross nominal volume is based on daily calculations of gross nominal volume.

NOK million	Gross nom. volume [1]	Gross recognised fin. assets	Gross recognised debt	Net fin. assets / debt in the statement of financial position	Net amounts taken into account netting agreements Fin. assets	Fin. debt	Net amount
Interest derivatives [2]	1 250.0	87.1					87.1
Total derivatives 31.12.2017	**1 250.0**	**87.1**	**0.0**	**0.0**	**0.0**	**0.0**	**87.1**
Total derivatives 31.12.2016	1 250.0	123.0					123.0

1) Values as at 31.12:

2) Interest derivatives include accrued, not due, interest.

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

NOK million	Recognised assets	Recognised liabilities	Net assets	Collateral "Cash (+/-)"	Securities (+/-)	Net exposure
Total 2017	**87.1**		**87.1**			**87.1**

Note 19 - Analysis of loan portfolio and guarantees

NOK million	2017 Book value	2016 Book value
Loan to customers at amortised cost	14,542.2	13,375.5
Loan to customers at fair value		
Total gross lending to customers	**14,542.2**	**13,375.5**
Loan loss provisions on individual loans (see note 21)	-1.4	-2.9
Loan loss provisions on groups of loans (ses note 21)	-3.3	-1.2
Net lending to customers	**14,537.5**	**13,371.4**

See note 5 for specification of lending to customers per customer group.

Note 20 - Loan to value ratios and collateral

NOK million	2017	2016
Gross lending [1]	14,542.2	13,375.5
Average loan balance	1.8	1.7
No. of loans	7,858	7,861
Weighted average seasoning (months)	41	41
Weighted average remaning term (months)	240	219
Average loan to value ratio	51 %	48 %
Over-collateralisation [2]	127 %	118 %
Cover pool:		
Residential mortgages [1]	14,468.2	13,316.5
Supplementary security	102.9	140.0
Total	**14,571.1**	**13,456.5**

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2017 the company had NOK 36.6 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2017, the company has 5 non-performing loans without evidence of impairment, equivalent to NOK 9.3 million. There are 9 non-performing loans with evidence of impairment of NOK 16.9 million where the impairment is assessed to be NOK 1.4 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 11.4 billion (nominal value).

Note 21 - Loan loss provisions

NOK million	2017 Book value	2016 Book value
Loan loss provisions on individual loans 01.01.	2.9	2.2
Losses realised in the period on individual loans previously written down	-2.1	
Loan losses of individual loans for the period	0.9	0.7
Reversals of loan loss provisions of individual loans for the period	-0.3	-0.1
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12.	**1.4**	**2.9**
Loan loss provisions on groups of loans and guarantees 01.01.	1.2	1.8
Grouped loan losses for the period	2.1	-0.6
Loan loss provisions on groups of loans and guarantees etc. 31.12.	**3.3**	**1.2**
Total loan loss provisions	**4.7**	**4.1**

Note 22 - Other current assets

NOK million	2017 Book value	2016 Book value
Due from Storebrand group companies	17.8	12.5
Other current assets	8.1	0.2
Total other current assets	**25.9**	**12.7**

Note 23 - Hedge accounting

Storebrand uses fair value hedging for interest risk. The hedging items are financial financial liabilities measured at amortised cost. Derivatives are recognised at fair value through the profit or loss (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the book value on the item and are recognised in the profit and loss account. The effectiveness of hedging is monitored at the individual item level. Hedge effectiveness is measuredd on the basis of a 2 per cent interest rate shock at the level of the individula security. In future periods, hedge effectiveness will be measured using the simplified Dollar Offset method, both for prospective and retrospective calculations. The hedging is expected to be highly effective during the period.

NOK million	2017 Contract/ nominal value	2017 Fair value 1), 2) Assets	2017 Fair value 1), 2) Liabilities	2016 Contract/ nominal value	2016 Fair value 1), 2) Assets	2016 Fair value 1), 2) Liabilities
Interest rate swaps	1,250.0	87.1		1,250.0	123.0	
Total interest rate derivatives	1,250.0	87.1	0.0	1,250.0	123.0	0.0
Total derivatives	**1,250.0**	**87.1**	**0.0**	**1,250.0**	**123.0**	**0.0**

	Contract/ nominal value	Hedging value 1), 2) Assets	Hedging value 1), 2) Liabilities	Contract/ nominal value	Hedging value 1), 2) Assets	Hedging value 1), 2) Liabilities
Underlying objects :						
Bonds issued	1,250.0		1,339.9	1,250.0		1,375.8
Hedging effectiveness - prospective			97 %			99 %
Hedging effectiveness - retrospective			84 %			92 %

Gain/loss on fair value hedging: 3)

NOK million	2017 Gain / loss	2016 Gain / loss
On hedging instruments	-36.5	-50.4
On items hedged	33.6	47.4

1) Book value at 31.12.

2) Includes accrued interest.

3) Amounts included in the line "Net gains on financial instruments".

Note 24 - Other liabilities

NOK million	2017 Book value	2016 Book value
Tax payable (note 15)	19.7	13.2
Other liabilities	1.6	0.7
Total other liabilities	**21.2**	**13.8**

Note 25 - Off balance sheet liabilities and contingent liabilities

NOK million	2017	2016
Undrawn credit limits	1,514.5	1,736.4
Total contingent liabilities	**1,514.5**	**1,736.4**

Undrawn credit limits relate to the unused portion of credit limits on residential mortgage loans.

Note 26 - Capital Adequacy

NET PRIMARY CAPITAL

NOK million	2017	2016
Share capital	455.0	455.0
Other equity	698.4	555.2
Total equity	**1,153.4**	**1,010.2**
Deductions		
AVA justments	-0.1	
Provision for group contribution	-62.2	-39.5
Addition		
Group contribution received	5.9	125.0
Core capital exc. Hybrid Tier 1 capital	**1,096.9**	**1,095.7**
Additional Tier 1 capital		
Capital instruments eligible as AT1 capital		
Additions		
Core capital	**1,096.9**	**1,095.7**
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	**1,096.9**	**1,095.7**

MINIMUM CAPITAL REQUIREMENT

NOK million	2017	2016
Credit risk	432.3	407.8
Of which:		
International organisations		
Local and regional authorities	0.5	0.2
Institutions	8.2	7.6
Retail market		
Loans secured against real estate	407.7	384.3
Loans past-due	2.5	2.1
Covered bonds		
Other	13.6	13.5
Total minimum requirement for credit risk	**432.3**	**407.6**
Operational risk	25.8	32.5
CVA risk *)	3.1	6.4
Deductions		
Loan loss provisions on groups of loans	-0.3	-0.1
Minimum requirement for net primary capital	**460.9**	**446.6**

*) Regulation on own funds requirements for credit valuation adjustment risk.

CAPITAL ADEQUACY

	2017	2016
Capital ratio	19.0 %	19.6 %
Core (tier 1) capital ratio	19.0 %	19.6 %
Core capital ratio excl. Hybrid Tier 1 capital	19.0 %	19.6 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (CET 1 + CET 2) are 12 per cent and 15.5 per cent respectively from 31 December 2017 due to increase in requirement to countercyclical capital buffer with 0.5 percent from 31 December 2017

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

NOK million	2017	2016
Credit risk	5,404.0	5,097.0
Of which:		
International organisations		
Local and regional authorities	5.7	2.4
Institutions	102.0	95.3
Retail market		
Loans secured against real estate	5,095.7	4,803.3
Loans past-due	31.1	26.7
Covered bonds		
Other	169.5	169.3
Total minimum requirement for credit risk	**5,404.0**	**5,097.0**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	322.2	406.6
CVA risk *)	38.5	80.3
Deductions		
Loan loss provisions on groups of loans	-3.3	-1.2
Minimum requirement for net primary capital	**5,761.4**	**5,582.8**

Note 27 - Remuneration and related parties

REMUNERATION OF SENIOR EMPLOYEES AND ELECTED OFFICERS

(NOK 1000)	Ordinary salary	Other benefits [2]	Total remuneration earned in the year	Pension accrued for the year	Post termination salary (months)	Loans [3]	No. of shares owned [4]
Senior employees							
Åse Jonassen (CEO) [1]	783	132	915	82		3,168	7,269
Total 2017	**783**	**132**	**915**	**82**		**3,168**	**7,269**
Total 2016	768	138	906	83		3,349	6,769

1) Åse Jonassen is not covered by Storebrand's bonus bank scheme.
2) Comprises company car, telephone, insurance, concessionary interest rate, other taxable benefits.
3) Loan up to NOK 3.5 million hold ordinary employee terms while excess loanamount hold market rate. From 2018 the loan amount is NOK 7 million.
4) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.

NOK 1000	Remuneration	Loans	No. of shares owned [1]
Board of Directors			
Heidi Skaaret [2]		3,481	38,014
Jostein Dalland [2]			9,959
Thor Bendik Weider	85	3,378	
Leif Helmich Pedersen	85		
Total 2017	**170**	**6,859**	**47,973**
Total 2016	334	22,057	118,918

1) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.
2) Neither Heidi Skaaret nor Jostein Dalland receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board.

TRANSACTIONS WITH GROUP COMPANIES

	2017		2016	
NOK million	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income			2.8	
Interest expense	37.6		53.4	
Services sold				
Services purchased	61.8	0.6	60.3	0.5
Due from	17.8		12.4	0.1
Liabilities to	2,295.8		1,091.0	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 285.8 million in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2017.

Transactions with group companies are based on the principle of transactions at arm's length.

Storebrand Boligkreditt AS does not have any employees, and purchases personnel services from Storebrand Bank ASA and other services including bookkeeping from Storebrand Livsforsikring AS. All loans in the company are purchased from Storebrand Bank ASA after the loan purchase agreement has been signed with Storebrand Bank ASA, and a management agreement has been signed with Storebrand Bank ASA concerning management of the lending portfolio. In brief, the management agreement involves the company paying a fee to Storebrand Bank ASA for administering the company's lending portfolio. When purchasing the loans, Storebrand Boligkreditt AS assumes all the risks and rewards incidental to ownership of the lending portfolio. Storebrand Boligkreditt AS receives all the cash flows from the borrower. The bank and Storebrand Boligkreditt AS have not signed agreements for guarantees, options, repurchases or similar in connection with the lending portfolio in Storebrand Boligkreditt AS. It is Storebrand Boligkreditt AS that is exposed to any losses that may result from non-performance. Non-performing loans remain in the company, but are not included in the securities portfolio. The company has also signed an agreement with Storebrand Bank ASA concerning a credit facility for funding purchased loans (see note 6).

LOANS TO EMPLOYEES

NOK million	2017	2016
Loans to employees of Storebrand Boligkreditt AS	3.2	3.3
Loans to employees of Storebrand Group	609.4	860.1

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 3.5 million at 80% of normal market interest rate. Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. There has not been provided guarantees or security for borrowing by employees.

HEADCOUNT AND PERSONNEL INFORMATION

There are no employees in the company.

Storebrand Boligkreditt AS
- Statement from the Board of Directors and the CEO

Today the Board members and the CEO have considered and approved the annual report and annual financial statements of Storebrand Bank ASA for the 2017 financial year and as of 31 December 2017 (2017 annual report).

The annual accounts have been prepared in accordance with International Financial Reporting Standards approved by the EU and appurtenant interpretations, as well as the other disclosure obligations stipulated by the Norwegian Accounting Act and the current applicable regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2017. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2017.

In the best judgement of the Board and the CEO, the annual financial statements for 2017 have been prepared in accordance with the applicable accounting standards, and the information presented in the the financial accounts provides a true and fair view of company's assets, liabilities, financial position and results as a whole as of 31 December 2017. In the best judgement of the Board and the CEO, the annual report provides a true and fair view of the material events that occurred during the accounting period and their effects on the annual financial statements of Storebrand Boligkreditt AS. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the company faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 6 February 2018
The Board of Directors of Storebrand Boligkreditt AS

Translation – not to be signed

Heidi Skaaret
- Chairman of the Board -

Jostein Dalland
- Deputy Chairman of the Board -

Leif Helmich Pedersen
- Board Member -

Tor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

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Translation from the original Norwegian version

To the General Meeting of Storebrand Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Boligkreditt AS which comprise the statement of financial position as at 31 December 2017, the profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and control activities relevant for financial reporting

Key audit matter	How the matter was addressed in the audit
Storebrand Boligkreditt AS (Storebrand Boligkreditt) IT-systems are essential for the accounting and reporting of completed transactions, in order to provide the basis for important estimates and calculations, and to provide relevant notes. The IT - systems are standardized, and management and operation is outsourced to Storebrand Bank ASA and service providers.	Management and operation of Storebrand Boligkreditt´s IT-systems is outsourced to Storebrand Bank ASA and service providers. Storebrand Bank ASA has established an overall governance model and control activities related to its IT-systems. We gained an understanding of Storebrand Banks's overall governance model for IT-systems relevant to Storebrand Boligkreditt´s financial reporting. We assessed and tested the design of selected control activities relevant to financial reporting related to IT-operations, change management, and information security. For a sample of these control activities, we tested if they operated effectively in the reporting period.

IT-systems and control activities relevant for financial reporting, cont.

Key audit matter	How the matter was addressed in the audit
A more detailed description of management and operation of IT-systems can be found in the Board of Directors' report. Effective internal controls related to IT-systems both at Storebrand Bank and at the service providers is vital to ensure accurate, complete and reliable financial reporting and is therefore a key audit matter.	We assessed third party confirmations (ISAE 3402 reports) from three of Storebrand Boligkreditt´s service providers to assess whether these service providers had adequate internal controls in areas that are important for Storebrand Boligkreditt's financial reporting. We also assessed a report on agreed-upon procedures (ISRS 4400 agreed-upon procedures) related to one of Storebrand Boligkreditt's service providers regarding if selected automated control activities in the IT systems, and selected system-generated reports were satisfactorily designed and if they had operated effectively during the period. We used our own IT specialists to understand the overall governance model for IT-systems and in the assessment and testing of the control activities related to IT-systems.

Other information

Management is responsible for the other information. The other information comprises the Annual report for 2017, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 February 2018
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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