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Daniel Hessen
Storebrand

Annual report 2014
Storebrand Boligkreditt AS

Company information

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Contents

Key figures

NOK million	2014	2013
Profit and Loss account: (as % of avg. total assets) [1]		
Net interest income	1.56%	1.48%
Main balance sheet figures:		
Total assets	14 993.8	15 485.6
Average total assets	15 488.8	17 320.1
Gross lending to customers	14 307.6	14 808.9
Equity	1 036.8	1 048.3
Other key figures:		
Loan losses and provisions as % of average total lending	0.00%	0.01%
Individual loan loss provisions as % of gross loss-exposed loans [3]	9.3 %	8.6 %
Cost/income ratio	6.9 %	6.4 %
Return on equity before tax [2]	21.7 %	25.8 %
Core (tier 1) capital ratio	14.4 %	14.7 %

Definitions:
1) Average total assets is calculated on the basis of monthly total assets for the year.
2) Profit before tax adjusted for hedging ineffectiveness as % of average equity.
3) Gross loss-exposed loans with evidence of impairment.

Annual report 2014

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 has a licence from the Financial Supervisory Authority of Norway to issue covered bonds. The purpose of the company is to provide or purchase mortgage loans. The mortgages are bought from Storebrand Bank ASA, which manages the mortgages of Storebrand Boligkreditt AS. The established loan programme has an Aaa rating from the rating agency Moody's and as at the end of 2014 the company had issued covered bonds to the value of NOK 10.9 billion with remaining periods to maturity of 7 months to 5 years. The issued volume is partly invested in the market and partly placed in the parent bank's balance.

At the end of 2014, the lending volume was reduced by NOK 0.5 billion compared with the end of 2013 and amounted to 9,184 home mortgages and secured loans equivalent to NOK 14.3 billion (14.8 billion). The reduction is a consequence of balance sheet performance in the parent bank. The quality of the portfolio is very good. At year end there were 7 loans in default, corresponding to NOK 23 million as at year end 2014. This represents 0.16 per cent of the portfolio. The average loan-to-value ratio is approximately 49 per cent.

FINANCIAL PERFORMANCE

The company's profit before losses in 2014 was NOK 216 million (234 million). Net loan losses of NOK 0.3 million recognised as income totalled almost NOK 0.3 million (2.0 million expensed) of which NOK 0.9 million was recognised as cost (0.2 million expensed) to group write-downs. Annual profit after tax for Storebrand Boligkreditt was NOK 158 million, compared with NOK 167 million for 2013.

Net interest income

Net interest income was NOK 242 million for the year (256 million), which is a reduction compared with the previous year and in line with general market trends. Reduced financing costs in combination with higher mortgage margins have increased net interest income as a percentage of average total assets to 1.56 per cent in 2014, compared with 1.48 per cent the previous year.

Other income

Other income was negative totalling NOK 10 million in 2014 (negative 5 million). Other income in 2014 is entirely related to gains/losses on buyback of issued bonds. In 2010, the company replaced its investment of surplus liquidity in certificates and bonds with bank deposits.

Operating expenses

Operating expenses are stable and totalled NOK 16 million (16 million) in 2014, equivalent to 6.9 per cent (6.4 per cent) of total operating income for the year. The company has no employees and purchases services, primarily from Storebrand Bank ASA and Storebrand Livsforsikring AS. Purchased services are based on market terms.

Losses and defaults

Total non-performing loans at the end of 2014 were NOK 23 million (39 million). This volume corresponds to 0.16 per cent (0.26 per cent) of gross lending. All non-performing loans have a loan-to-value ratio within 80 per cent of market value.

BALANCE SHEET

The company's total assets under management at the end of 2014 were NOK 15.0 billion compared with NOK 15.5 billion at the end of 2013.

Borrowing is in the form of covered bonds in Norwegian kroner and a credit facility with Storebrand Bank ASA. The financing structure is balanced and adapted to the credit institution. At the end of 2014, covered bonds issued amounted to approximately NOK 11.1 billion, with maturities from 5 months to 5 years. NOK 9.2 billion of these bonds have been placed in the market, while the remaining NOK 2.7 billion are being held in the parent bank.

RISK MANAGEMENT

A mortage company's core activity is credit exposure to low risk mortage. Storebrand Boligkreditt is proactive in managing the risks in its activities and works continuously to refine systems and processes for risk management. Overall, the present risk profile is considered to be satisfactory.

Risk in Storebrand Boligkreditt is closely 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 stating the target paramenters. Development in these parameters are monitored through risk reports to the Board of the company.

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

Credit risk

Storebrand Boligkreditt's gross lending exposure is NOK 143 billion, in addition to unused credit facilities of NOK 1.8 billion as at 31.12.2014. The volume of non-performing and impaired loans has been reduced by NOK 15.2 million in 2014 and represent 0.16 per cent of lending.

Even though the volume is low, non-performing loans are closely monitored. Storebrand Bank, which manages the loans of Storebrand Boligkreditt, has a conservative lending practice with regard to the customers' ability to pay. Security is assessed as being extremely good, since most loans are within 60 per cent of the company's security. Average loan-to-value ratio of Storebrand Boligkreditt's portfolio is 49 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 has not deposited securities with Norges Bank as collateral.

Liquidity risk

Liquidity risk is the risk of Storebrand Boligkreditt not being able to fulfil all its financial obligations as they become due. Liquidity in a credit company must at all times be sufficient to support balance sheet growth and to redeem loans that fall due for payment. The company manages its liquidity position based on minimum liquid holdings and maximum volume per issue within a 6 month period.

Storebrand Boligkreditt has credit facilities agreements with Storebrand Bank ASA for the day-to-day operations of the company including the purchase of loans from Storebrand Bank, and to cover interest and repayment on covered bonds for the next 12 months at any given time.

The liquidity goals at Storebrand Boligkreditt are within the internally determined limits.

Market risk

The company's aggregate interest and foreign currency exposure is limited by means of low exposure limits in the risk policies. At the end of 2014, the company had no liquidity portfolio in fixed-income securities, only bank deposits.

Storebrand Boligkreditt has established limits for interest rate risk. This risk is deemed to be low as all the loans have administratively established interest rates and the borrowings are either variable or have been swapped to variable three month NIBOR.

Storebrand Boligkreditt does not have any exposure to currency risk at the end of 2014 as the company's loans and borrowing are in Norwegian kroner.

Operational risk

In order to manage operational risk, the company's administration prioritises the establishment of good work and control procedures. 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 2014.

Compliance risk

Compliance risk is the risk of a mortgage company incurring public sanctions or financial loss due to non compliance with external or internal regulations. Storebrand Boligkreditt uses and is included in the Storebrand Bank Group's routines and processes for managing operational risk and compliance risk.

CAPITAL MANAGEMENT

Capital adequacy

Equity in the company at the end of the year amounted to NOK 1,037 million. The net capital base at year-end after giving group contributions amounted to NOK 873 million (NOK 879 million). The company's total capital ratio and core capital ratio were 14.4 per cent (14.7 per cent).

Storebrand Boligkreditt AS has satisfactory solvency and liquidity based on the company's business activities.

PERSONNEL, ORGANISATION, GOVERNING BODIES AND THE ENVIRONMENT

Sustainability

The Storebrand group has worked on sustainability in a systematic and goal-oriented manner for almost 20 years. Sustainable products and relations are part of Storebrand's promise to its customers and an integral part of the group's brand. During the course of 2014, Storebrand has further strengthened these efforts. The purpose is to ensure sustainability as a differentiating factor that brings us closer to our vision that "Our customers recommend us".

Sustainability is integrated into Storebrand's assessments, vision, core values and promise to its customers, and the company has drawn up clear guidelines as a foundation for this work.

Ethics and confidence

Storebrand lives by trust. The company sets a requirement that the group's employees must have high ethical standards. The group has a common code of conduct that is available on our intranet. Here, employees can find rules for personal conduct, business practice and whistleblowing. The company has routines for both internal and external whistleblowing.

The environment

The group sets strict requirements for the companies we invest in, and we set the same requirements for ourselves and our suppliers. Climate change and the over-exploitation of natural resources are among the most important topics for Storebrand to work on in sustainability in the years to come. 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 year end 2014 there were no employees in the company. Accordingly, no special working environment measures have been implemented.

The company has an agreement with Storebrand Bank regarding conditions for acquiring, transferring and managing loans. The company's working tasks are performed by employees of Storebrand Livsforsikring and Storebrand Bank. The services purchased are regulated through service agreements and price agreements that are updated annually. The Chief Executive Officer (CEO) and Chief Risk Officer (CRO) of Storebrand Boligkreditt AS are formally employed by Storebrand Bank ASA and Storebrand Asset Management AS respectively and they are hired out to Storebrand Boligkreditt AS.

Equal opportunity/diversity

The board of Storebrand Boligkreditt AS consists of three men and one woman. The CEO is a woman.

Corporate governance

Storebrand Boligkreditt's systems for internal control and risk management in relation to the accounting process follow the Storebrand group's 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 expertise, bookkeeping and reporting from Storebrand Livsforsikring AS. The executive management and Board of Storebrand ASA consider the principles for corporate governance anually. 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 (last 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.

Storebrand Boligkreditt 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 Boligkreditt are prepared by the Group Accounts department of Storebrand Livsforsikring which sorts 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 if needed, 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 an executive "Governing Document for Risk Management and Internal Control in Storebrand 2014" and a set of instructions to the Boards of subsidiaries. These documents describe how guidelines, plans and strategies adopted by the group Board 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 two advisory sub-committees that are common to the Storebrand group: the Compensation Committee and the Audit Committee.

According to its Articles of Association, Storebrand Boligkreditt must have the same nominating committee as Storebrand ASA and thus follows the Storebrand group's processes for appointing and changing board members. 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

The Board consists of two internal and two external members, as well as an internal deputy member.

Social responsibility

Refer to the detailed description regarding sustainability, included in the 2014 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

No events of material importance to the financial statements have occurred since the balance sheet date.

ALLOCATION OF PROFIT

The company's profit for the year amounted to NOK 157.9 million. The Board proposes to pay a group contribution of NOK 224.4 million before tax (NOK 235.4 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 annual profit to the company's supervisory council and General Meeting:

NOK million	Amount
Transferred to/from other equity	-5.9
Group contribution paid to parent company (after tax)	163.8
Total allocation	**157.9**

STRATEGY AND OUTLOOK FOR 2015

In 2015, Storebrand Boligkreditt will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank. Provided no significant changes in the parent company's statement of financial position, the company has ambitions of only limited growth in collateralisation in 2015.

New statutory capital and capital buffer requirements have been determined from 1 July 2013. In accordance with these, the new requirements for core tier 1 capital and subordinated capital are 9 and 12.5 percent respectively, and 10 and 13.5 per cent with effect from 1 July 2014. The company has adjusted to the new capital requirements and aims to comply with the applicable buffer capital requirements at all times. The company has satisfactory solvency and liquidity based on the company's business activities.

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 in 2015.

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 will continue to contribute to Storebrand Bank having diversified financing.

Lysaker, 10 February 2015

The Board of Directors of Storebrand Boligkreditt AS

Translation - *not to be signed*

Heidi Skaaret
-Chairman-

Geir Holmgren
-Deputy Chairman-

Leif Helmich Pedersen
-Board Member-

Thor Bendik Welder
-Board Member-

Åse Jonassen
-CEO-

Profit and loss account
1 January - 31 December

NOK million	Note	2014	2013
Interest income		567.7	645.6
Interest expense		-325.9	-390.0
Net interest income	**10**	**241.8**	**255.6**
Net gains on financial instruments	10	-10.3	-5.5
Other income		0.6	0.1
Total other operating income		**-9.7**	**-5.4**
Staff expenses	12, 28	-0.2	-0.1
General administration expenses	12	-0.5	-0.1
Other operating costs	11, 12	-15.4	-15.9
Total operating costs		**-16.1**	**-16.1**
Operating profit before losses and other items		**216.0**	**234.1**
Loan losses	13	0.3	-2.0
Profit before tax		**216.3**	**232.0**
Tax	14	-58.4	-64.8
Profit for the year		**157.9**	**167.2**

Statement of comprehensive income

NOK million	Note	2014	2013
Profit for the year		157.9	167.2
Other comprehensive income			
Total comprehensive income for the period		**157.9**	**167.2**
Allocations:			
Provision for group contribution			
Transferred to other equity		-157.9	-167.2
Total allocations		**-157.9**	**-167.2**

Statement of financial position - Balance sheet 31 December

ASSETS

NOK mill.	Note	2014	2013
Loans to and deposits with credit institutions	4, 8, 15, 16, 17	412.3	403.7
Financial assets designated at fair value through profit and loss account:			
Derivatives	4, 5, 8, 15, 18, 23	230.4	247.7
Other current assets	15, 16, 22	46.2	28.4
Gross lending	4, 15, 16, 19, 20	14 307.6	14 808.9
Loan loss provisions	4, 15, 16, 19, 21	-2.6	-3.1
Net lending to customers		14 304.9	14 805.9
Total assets		**14 993.8**	**15 485.6**

LIABILITIES AND EQUITY

NOK million	Note	2014	2013
Liabilities to credit institutions	5, 15, 16	2 746.9	2 148.5
Other financial liabilities:			
Commercial papers and bonds issued	5, 15, 16, 24	11 106.7	12 219.0
Other liabilities	5, 15, 16, 25	101.7	66.0
Deferred tax	14	1.7	3.9
Total liabilities		**13 957.0**	**14 437.3**
Share capital		455.0	455.0
Share premium		270.1	270.1
Other paid-in equity		118.9	118.9
Other equity		192.7	204.3
Total equity	**27**	**1 036.8**	**1 048.3**
Total liabilities and equity		**14 993.8**	**15 485.6**

Lysaker, 10 February 2015

The Board of Directors of Storebrand Boligkreditt AS

Translation - *not to be signed*

Heidi Skaaret
-Chairman of the Board-

Geir Holmgren
-Deputy Chairman-

Leif Helmich Pedersen
-Board Member-

Thor Bendik Welder
-Board Member-

Åse Jonassen
-CEO-

Reconciliation of equity

	Paid -in equity				Other equity		
NOK million	Share capital	Share premium	Other paid-in capital	Total paid-in capital	Other equity	Total other equity	Total equity
Equity at 31.12.2012	350.0	200.1	118.9	669.0	122.4	122.4	791.4
Profit for the period					167.2	167.2	167.2
Pension experience adjustments							
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**	**167.2**	**167.2**	**167.2**
Equity transactions with the owner:							
Capital increase	105.0	70.0		175.0		0.0	175.0
Group contribution paid				0.0	-85.3	-85.3	-85.3
Equity at 31.12.2013	**455.0**	**270.1**	**118.9**	**844.0**	**204.3**	**204.3**	**1,048.3**
Profit for the period					157.9	157.9	157.9
Pension experience adjustments							
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**	**157.9**	**157.9**	**157.9**
Equity transactions with the owner:							
Group contribution paid				0.0	-169.5	-169.5	-169.5
Equity at 31.12.2014	**455.0**	**270.1**	**118.9**	**844.0**	**192.7**	**192.7**	**1,036.8**

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 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 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 27.

Cash flow statement
1 January - 31 December

NOK million	2014	2013
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	541.7	648.4
Net disbursement/payments on customer loans	554.4	2 475.8
Net receipts/payments - securities at fair value	-15.5	-5.5
Payments of operating costs	-16.1	-16.2
Net cash flow from operating activities	**1 064.6**	**3 102.4**
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	-1 084.6	-2 770.1
Receipts - new loans and issuing of bond debt	598.4	
Payments - interest on loans	-334.5	-393.4
Receipts - issuance of share capital and other equity		175.0
Payments - group contribution	-235.4	-118.5
Net cash flow from financing activities	**-1 056.1**	**-3 107.0**
Net cash flow in period	**8.6**	**-4.6**
Net movement in cash and bank deposits	8.6	-4.6
Cash and bank deposits at the start of the period	403.7	408.3
Cash and bank deposits at the end of the period	**412.3**	**403.7**

The company has credit arrangements (drawing facilities) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.2014. See also Note 5.

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 contribution 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 01 Company information and accounting policies

1. COMPANY INFORMATION
Storebrand Boligkreditt AS is a Norwegian limited company with bonds quoted on Oslo Børs. The company's 2014 financial statements were approved by the Board of Directors on 10 February 2015.

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

2. THE 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 International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations, as well as other Norwegian disclosure obligations pursuant to the law 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 2 for further information about this.

3. CHANGES IN ACCOUNTING POLICIES
There are new and amended accounting standards that came into effect on 1 January 2014, but have not had any significant effect on the financial statements.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT
IFRS 9 Financial Instruments will be an important standard for Storebrand Boligkreditt's financial statements. Among other things, the standard deals with classification of financial instruments (use of fair value and amortised cost) and rules for writing down financial instruments. No implementation date has been decided.

No new accounting standards that will have a significant impact on Storebrand Boligkreditt's financial statements are expected to be implemented in 2015.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL STATEMENT OF FINANCIAL POSITION ITEMS
The assets 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.
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.

5. INCOME RECOGNITION
NET INTEREST INCOME - BANKING
Interest income is recognised in the profit and loss account 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 is reliable and earned, fixed fees are recognised as income in line with the 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 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 settlement date. When a financial asset or a financial liability is initially recognised in the financial statements, 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 in profit or loss.

Financial assets are derecognised when the contractual right to the cash flow 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, held-to-maturity investments, loans and receivables as well as financial liabilities not at fair value in 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 knowledgeable, willing parties in an arm's length transaction. The fair value of financial assets listed on a stock exchange or in another regulated market place 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 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 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 financial assets

For financial assets carried at amortised cost, an assessment is made at 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 in 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 (FVO)
- Financial assets loans and receivables

Held for trading

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing it in the near term, or on initial recognition is part of a portfolio of identified financial instruments that are managed together and has 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 Storebrand Boligkreditt's financial instruments fall into this category.

Financial assets held for trading are measured at fair value at the reporting date, with all changes in their fair value recognised in profit or loss.

At fair value through profit or loss in accordance with the fair value option (FVO)
Any Storebrand Boligkreditt liquidity portfolio in 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 managed and reported on a fair value basis

The accounting treatment is equivalent to that for held for trading assets. At the end of 2012 the company did not have a liquidity portfolio because all surplus liquidity had been placed as bank deposits with Storebrand Bank ASA.

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 such 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 as 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 in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in 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.

7. TAX

The tax expense in the income statement comprises current tax and change in 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 is calculated on the basis of the company's tax loss carry forwards, deductible temporary differences and taxable temporary differences.

8. PROVISION FOR GROUP CONTRIBUTION

In accordance with IAS 10 on events after the statement of financial position date, proposed Group contributions shall be classified as equity until approved by the AGM.

9. LEASING

A lease is classified as a finance lease if it transfers substantially the risk and rewards incident to ownership. Other leases are classified as operating leases. Storebrand Boligkreditt 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 use. 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 02 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 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 certain degree of judgement must be used in assessing whether impairment has occurred and the amount of the impairment loss. Uncertainty grows when there is turmoil in 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 security 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 balance sheet date one estimates the impairment of commitments not covered up 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 groups. 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 situation.

1. If risk classifications significantly change in a negative direction, then group write-downs have 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.

2. 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

Storebrand Boligkreditt AS can be a party in legal disputes. Contingent liabilities are assessed in each case and will be based on legal considerations

Note 03 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, 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 the company's culture.

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

INDEPENDENT CONTROL FUNCTION

Storebrand Boligkreditt has an independent control function for the company's risk management (Chief Risk Officer) who is 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 04 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's Private Market. 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.

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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 decrease in the maximum credit exposure from the end of 2013 is mainly related to lower engagement amount.

	Maximum credit exposure	
NOK million	2014	2013
Loans to and deposits with credit institutions	412.3	403.7
Total commitments customers *)	16 066.3	16 538.4
Interest rate swaps	230.4	247.7
Total	**16 709.0**	**17 189.8**
*) 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 LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Not rated- Fair value	Total 2014 Fair value	Total 2013 Fair value
Norway		105.6		306.7		412.3	403.7
Total loans to and deposits with credit institutions	**0.0**	**105.6**	**0.0**	**306.7**	**0.0**	**412.3**	**403.7**

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 customer of Storebrand Boligkreditt is less than 75% at the time of transfer from Storebrand Bank.

Storebrand Boligkreditt 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 if significance to the value of the home is obtained. Updated, independent valuations of homes are obtained every quarter from the property valuation company Eiendomsverdi. 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 last-updated market value is used until further notice. Where Eiendomsverdi 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 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 operation is approximately 49%, and approximately 99% mortgages have a loan-to-value ratio of less than 80%. Approximately 65% of the company's mortgages have a loan-to-value ratio of less than 60%.

The credit quality of unmatured loans is good.

The security in Storebrand Boligkreditt 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 40% and the largest observed loan-to-value ratio for loans in default at the end of December 2014 is 65.5%. Asset pledged as collateral are sold in the Retail Market. They are not taken over by the bank.

The portfolio has a low credit risk.

COMMITMENTS PER CUSTOMER GROUP

	2014			
NOK million	Loans to and due from customers	Guarentees	Undrawn credit limits	Total commitments
Wage-earners	14 300.8		1 761.1	16 061.9
Other	6.7		0.3	7.0
Total	**14 307.6**	**0.0**	**1 761.4**	**16 068.9**
Loan loss provisions on individual loans	- 1.0			- 1.0
Loan loss provisions on groups of loans	- 1.6			- 1.6
Total loans to and due from customers	**14 304.9**	**0.0**	**1 761.4**	**16 066.3**

	2013			
NOK million	Loans to and due from customers	Guarentees	Undrawn credit limits	Total commitments
Wage-earners	14 798.8		1 731.9	16 530.7
Other	10.2		0.6	10.8
Total	**14 808.9**	**0.0**	**1 732.5**	**16 541.5**
Loan loss provisions on individual loans	- 2.4			- 2.4
Loan loss provisions on groups of loans	- 0.7			- 0.7
Total loans to and due from customers	**14 805.9**	**0.0**	**1 732.5**	**16 538.4**

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

	2014			
NOK million	Average volume loans to and deposits from customers	Average volume guarentees	Average volume undrawn credit limits	Total average engagement
Wage-earners	14 549.8		1 746.5	16 296.3
Other	8.4		0.5	8.9
Total	**14 558.2**	**0.0**	**1 747.0**	**16 305.2**

	2013			
NOK million	Average volume loans to and deposits from customers	Average volume guarentees	Average volume undrawn credit limits	Total average engagement
Wage-earners	16 047.0		1 762.7	17 809.6
Other	8.7		1.0	9.7
Total	**16 055.6**	**0.0**	**1 763.6**	**17 819.3**

ENGAGEMENT PER GEOGRAPHICAL AREA

2014

NOK million	Loans to and due from customers	Guarentees	Undrawn credid limits	Total commit-ments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans without evidence of impairment	Gross defaulted and loss exposed loans	Provisions for individual loan losses	Net defaulted and loss exposed loans
Eastern Norway	11 332.6		1 373.9	12 706.5	8.1	12.1	20.2	0.9	19.3
Western Norway	2 039.5		268.1	2 307.6	2.6	0.4	3.0	0.1	3.0
Southern Norway	229.2		38.1	267.3			0.0		0.0
Mid-Norway	362.4		39.9	402.3			0.0		0.0
Northern Norway	283.0		25.1	308.2			0.0		0.0
Rest of world	60.8		16.2	77.0	0.1		0.1		0.1
Total	**14 307.6**	**0.0**	**1 761.4**	**16 068.9**	**10.8**	**12.5**	**23.3**	**1.0**	**22.3**

2013

NOK million	Loans to and due from customers	Guarentees	Undrawn credid limits	Total commit-ments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans without evidence of impairment	Gross defaulted and loss exposed loans	Provisions for individual loan losses	Net defaulted and loss exposed loans
Eastern Norway	11 828.2		1 328.9	13 157.1	25.2	8.7	33.9	1.8	32.1
Western Norway	2 008.5		287.9	2 296.4	2.3	2.3	4.6	0.6	4.0
Southern Norway	245.8		35.5	281.3			0.0		0.0
Mid-Norway	379.7		41.3	421.0			0.0		0.0
Northern Norway	274.7		24.9	299.6			0.0		0.0
Rest of world	72.0		14.0	86.0			0.0		0.0
Total	**14 808.9**	**0.0**	**1 732.5**	**16 541.5**	**27.5**	**11.0**	**38.5**	**2.4**	**36.1**

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2014

NOK million	Loans to and due from customers	Guarentees	Undrawn credit limits	Total commitments
Up to 1 month	0.1			0.1
1 - 3 months	0.8			0.8
3 months - 1 year	13.1		0.4	13.5
1 - 5 years	1 481.8		710.8	2 192.6
More than 5 years	12 811.9		1 050.1	13 862.0
Total	**14 307.6**	**0.0**	**1 761.4**	**16 068.9**

2013

NOK million	Loans to and due from customers	Guarentees	Undrawn credit limits	Total commitments
Up to 1 month				0.0
1 - 3 months	0.6			0.6
3 months - 1 year	16.1			16.1
1 - 5 years	1 525.3		594.9	2 120.2
More than 5 years	13 266.9		1 137.6	14 404.5
Total	**14 808.9**	**0.0**	**1 732.5**	**16 541.5**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENTS

2014

NOK million	Loans to and due from customers	Guarentees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	104.1			104.1
Overdue 31 - 60 days	11.6			11.6
Ovedue 61- 90 days	13.0			13.0
Overdue more than 90 days	10.8			10.8
Total	**139.5**	**0.0**	**0.0**	**139.5**
ENGAGEMENTS OVERDUE MORE THAN 90 DAYS BY GEOGRAPHICAL AREA:				
Eastern Norway	8.1			8.1
Western Norway	2.6			2.6
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world	0.1			0.1
Total	**10.8**	**0.0**	**0.0**	**10.8**

NOK million	Loans to and due from customers	Guarentees	Undrawn credit limits	Total commitments
	2013			
Overdue 1 - 30 days	138.2			138.2
Overdue 31 - 60 days	30.5			30.5
Ovedue 61- 90 days	5.8			5.8
Overdue more than 90 days	27.5			27.5
Total	**202.0**	**0.0**	**0.0**	**202.0**
ENGAGEMENTS OVERDUE MORE THAN 90 DAYS BY GEOGRAPHICAL AREA:				
Eastern Norway	25.2			25.2
Western Norway	2.3			2.3
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world				0.0
Total	**27.5**	**0.0**	**0.0**	**27.5**

Commitments are regarded as non-performing and loss exposed:
- when a credit facility has been overdrawn for more than 90 days
- when a repayment loan has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn. If a repayment plan has been agreed with the customer and is being adhered to, the overdraft is not regarded a non-performance. When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing and loss exposed. The number of days is counted from when the arrears exceed NOK 2,000. The account is given a clean bill of health when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

CREDIT RISK BY CUSTOMER GROUP

2014

NOK million	Non-performing and loss-exposed loans without 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	12.5	10.7	23.2	1.0	22.2		- 1.1
Rest of world		0.1	0.1		0.1		
Total	**12.5**	**10.8**	**23.3**	**1.0**	**22.3**	**0.0**	**- 1.1**

2013

NOK million	Non-performing and loss-exposed loans without 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	11.0	27.5	38.5	2.4	36.1		0.3
Rest of world			0.0				
Total	**11.0**	**27.5**	**38.5**	**2.4**	**36.1**	**0.0**	**0.3**

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.

Credit risk per counterparty

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Not rated- Fair value	Total 2014 Fair value	Total 2013 Fair value
Norway		- 4.5	234.9			230.4	247.7
Total	**0.0**	**- 4.5**	**234.9**	**0.0**	**0.0**	**230.4**	**247.7**
Rating classes are based on Standard & Poors.							
Verdiendringer:							
Total change in value on the balance sheet		- 4.5	234.9			230.4	247.7
Change in value recognised in the profit and loss during period		- 4.5	- 12.8			- 17.3	- 97.3

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 05 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 must always be planned in such a way that no breach of any of the liquidity targets in any future period may be anticipated.

Storebrand Boligkreditt's funding requirement will almost certainly be greater than that which is financed via covered bonds. This funding requirement will be covered by the parent bank on an ongoing basis. The company will draw on the loan facility from the parent bank as required for liquidity, including in connection with repayment of borrowing. Storebrand Boligkreditt 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 for the next 12 months. This drawing right may not be terminated by Storebrand Bank until at least 3 months after the maturity date of the covered bond with the longest period to maturity.

The Treasury function at Storebrand Bank is responsible for the bank group's liquidity management and the bank's Middle Office in Risk and Administration monitors utilisation of the ceilings in accordance with liquidity policy, while the CRO 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	2 746.9					2 746.9	2 746.9
Commercial paper and bonds issued	1 883.7	140.4	5 613.9	3 941.0		11 579.0	11 106.7
Other liabilities	101.7					101.7	101.7
Undrawn credit limits	1 761.4					1 761.4	
Total financial liabilities 2014	**6 493.7**	**140.4**	**5 613.9**	**3 941.0**	**0.0**	**16 189.1**	**13 955.3**
Derivatives related to liabilites 31.12.2014	- 24.4	- 51.2	- 83.4	- 82.9	0.0	- 241.9	230.4
Total financial liabilities 2013	4 996.3	153.0	7 118.3	3 339.2	1 313.1	16 920.0	14 433.4

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 2014 are used to calculate interest for lending with FRN conditions. The maturity overview does not take account of the fact that the loans are soft bullet, i.e. the original maturity date is used.

LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

NOK million	2014	2013
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	2 746.9	2 148.5
Total loans to and deposits with credit institutions at amortised cost	**2 746.9**	**2 148.5**

Loans to and deposits with credit institutions consist of drawn amount on the credit facility in Storebrand Bank ASA.

COVERED BONDS

NOK million

ISIN code	Nominal value	Currency	Maturity	Book value
NO0010428584	746.5	NOK	06.05.2015	784.4
NO0010638307	1 000.0	NOK	17.06.2015	1 000.7
NO0010575913	646.5	NOK	03.06.2016	647.6
NO0010612294	2 000.0	NOK	15.06.2016	1 999.3
NO0010635071	2 650.0	NOK	21.06.2017	2 662.7
NO0010660822	2 540.0	NOK	20.06.2018	2 564.0
NO0010548373	1 250.0	NOK	28.10.2019	1 448.0
Total commercial paper and bonds issued 2014				**11 106.7**
Total commercial paper and bonds issued 2013				12 219.0

The loan agreements contain standard covenants. Under the loan programme the company's overcollateralisation requirement was 109.5 per cent fulfilled. In 2014, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

Note 06

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. The policies refer mainly to the company's fixed-income securities. 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 31.12.2014.

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's Risk and Administration department 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 2014:

EFFECT ON ACCOUNTING INCOME

NOK million	Amount
Interest -1.0%	-12.2
Interest +1.0%	12.2

EFFECT ON ACCOUNTING PROFIT/EQUITY [1)]

NOK million	Amount
Interest -1.0%	-12.2
Interest +1.0%	12.2

1) Before taxes.

ECONOMIC INTEREST RISK

NOK million	Amount
Interest -1.0%	-0.5
Interest +1.0%	0.5

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 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 07 Operational risk

Operational risk is the risk of financial loss as a result of ineffective, insufficient or defective internal processes or systems, human error, external events or internal guidelines not being followed. Breach of laws and rules may prevent goal fulfilment and this part of compliance risk is therefore included in the definition of operational risk.

In the Storebrand group, management of operational risk and compliance with laws, regulations and internal rules are an integral part of the management responsibility of all managers. Risk assessment is continuously recorded and documented in Easy Risk Manager (ERM, a risk management system provided by Det Norske Veritas).

The CRO supports the CEO and the management group of the bank in the 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 ERM. The results of the risk assessment 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 Middle Office in Risk and Administration performs 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.

COMPLIANCE RISK

As a financing company, Storebrand Boligkreditt AS has no requirement to have its own compliance function. Compliance is ensured through the CEO, who assesses at all times whether internal or external competence should be brought in to ensure compliance.

Note 08 Valuation of financial instruments at fair value

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 and Bloomberg. 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 that are valued at fair value 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. Storebrand Boligkreditt AS did not have any investments that were classified at this level at year-end.

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 FINANCIAL INSTRUMENTS

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.

SPECIFICATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2014	Fair value 31.12.2013	Book value 31.12.2014	Book value 31.12.2013
Financial assets							
Loans to and deposits with credit institutions		412.3		412.3	403.7	412.3	403.7
Lending to customers		14 304.9		14 304.9	14 805.9	14 304.9	14 805.9
Total fair value at 31.12.2013		15 209.6					
Financial liabilities							
Deposits from and due to credit institutions		2 746.9		2 746.9	2 148.5	2 746.9	2 148.5
Commercial papers and bonds issued		11 211.2		11 211.2	12 312.9	11 106.7	12 219.0
Total fair value at 31.12.2013		14 461.4					

See also note 16.

SPECIFICATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2014	Book value 31.12.2013
Interest rate swaps		230.4		230.4	247.7
Total derivatives	**0.0**	**230.4**	**0.0**	**230.4**	**247.7**
Derivatives with a positive fair value		230.4		230.4	247.7
Derivatives with a negative fair value					
Total derivatives 31.12.2013		247.7			

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

Note 09 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 2014 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 the company's earnings therefore relate solely to its Norwegian activities.

Note 10 Net income from financial instruments

NOK million		2014	2013
	Net interest income		
	Interest and other income on loans to and deposits with credit institutions	8.7	10.2
	Interest and other income on loans to and due from customers	559.0	635.5
	Interest on commercial paper, bonds and other interest-bearing securities		
	Other interest income and related income		
Total interest income *)		**567.7**	**645.6**
	Interest and other expenses on debt to credit institutions	-66.2	-101.4
	Interest and other expenss on deposits from and due to customers		
	Interest and other expenses on securities issued	-259.7	-288.7
	Interest and expenses on subordinated loan capital		
	Other interest expenses and related expenses		
Total interest expenses **)		**-325.9**	**-390.0**
Net interest income		**241.8**	**255.6**
*)	Of which total interest income on financial assets that are not at fair value through profit and loss account	567.7	645.6
**)	Of which total interest expenses on financial liabilities that are not at fair value through profit and loss account	-325.9	-390.0

Net income and gains from financial assets and liabilities		2014	2013
	Fair value hedging		
	Realised gain/loss on derivatives and bonds issued, fair value hedging	-2.7	-2.8
	Unrealised gain/loss on derivatives and bonds issued, fair value hedging	1.2	-2.7
	Net gain/loss on fair value hedging	-1.5	-5.5
	Bonds issued		
	Realised gain/loss on bonds issued at amortised cost	-8.8	
	Total gain/loss on bonds issued at amortised cost	-8.8	0.0
Net income and gains from financial assets and liabilities		**-10.3**	**-5.5**
Net gain/loss on financial assets at fair value through profit and loss account:			
	Financial assets designated at fair value upon initial recognition	-1.5	-5.5
	Financial assets classified as held for trading	0.0	0.0
	Changes in fair value on assets due to changes i credit risk		
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 11 Remuneration paid to auditor

REMUNERATION EXCL. VALUED ADDED TAX

NOK thousand	2014	2013
Statutory audit	176	158
Other reporting duties [1]	200	195
Other non-audit services		
Total	**376**	**353**

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

Note 12 Operating expenses

NOK million	2014	2013
Ordinary wages and salaries		
Employer's social security contributions		
Other staff expenses	-0.2	-0.1
Pension cost		
Total staff expenses	**-0.2**	**-0.1**
IT costs	-0.4	
Printing, postage etc.		
Travel, entertainment, courses, meetings		
Other sales and marketing costs	0.0	-0.1
Total general administration expenses	**-0.5**	**-0.1**
Contract personnel	-0.5	-0.7
Operating expenses on rented premises		
Inter-company charges for services	-13.4	-14.0
Other operating expenses	-1.5	-1.2
Total other operating expenses	**-15.4**	**-15.9**
Total operating expenses	**-16.0**	**-16.1**

Note 13 Loan losses

NOK million	2014	2013
Change in loan loss provisions on individual loans for the period	1.4	-0.3
Change in loan loss provisions on groups of loans for the period	-0.9	-0.2
Other corrections to loan loss provisions		0.4
Realised losses in period on commitments specifically provided for previously	-0.1	-1.5
Realised losses on commitments not specifically provided for previously		-0.5
Recoveries on previously realised losses		
Total loan losses for the period	**0.3**	**-2.0**

Note 14 Tax

TAX CHARGE FOR THE YEAR

NOK million	2014	2013
Tax payable for the period	-60.6	-65.9
Changes in deferred tax/deferred tax asset	2.2	1.1
Total tax charge	**-58.4**	**-64.8**

TAX BASE FOR THE YEAR

NOK million	2014	2013
Ordinary pre-tax profit	216.3	232.0
Permanent differences	0.0	0.0
Change in temporary differences	8.1	3.4
Tax base for the year	**224.4**	**235.4**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK million	2014	2013
Ordinary pre-tax profit	216.3	232.0
Expected tax on income at nominal rate	-58.4	-65.0
Tax effect of:		
Change in tax rules		0.1
Tax charge	**-58.4**	**-64.8**
Effective tax rate	27%	28%
Tax payable		
Tax payable	-60.6	-65.9
- tax effect of group contribution paid	0.0	0.0
Tax payable in the balance sheet (note 25)	**-60.6**	**-65.9**

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

NOK million	2014	2013
Tax increasing timing differences		
Derivatives	191.7	176.8
Total tax increasing timing differences	**191.7**	**176.8**
Tax reducing timing differences		
Bonds issued	-185.4	-162.4
Total tax reducing timing differences	**-185.4**	**-162.4**
Losses/allowances carried forward		
Net base for deferred tax/tax assets	**6.3**	**14.4**
Net deferred tax/defferd tax asset in the balance sheet	**-1.7**	**-3.9**
Booked in the balance sheet:		
Deferred tax asset	0.0	0.0
Deferred tax	-1.7	-3.9

Note 15 Classification of financial instruments

NOK million	Loans and receivables	Fair value, trading	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets					
Loans to and deposits with credit institutions	412.3				412.3
Derivatives		230.4			230.4
Net lending to customers	14 304.9				14 304.9
Other assets	46.2				46.2
Total financial assets 2014	**14 763.4**	**230.4**	**0.0**	**0.0**	**14 993.8**
Total financial assets 2013	15 237.9	247.7	0.0	0.0	15 485.6
Financial liabilities					
Liabilities to credit institutions				2 746.9	2 746.9
Commercial papers and bonds issued				11 106.7	11 106.7
Other liabilities				101.7	101.7
Total financial assets 2014	**0.0**	**0.0**	**0.0**	**13 955.3**	**13 955.3**
Total financial assets 2013	0.0	0.0	0.0	14 433.4	14 433.4

Note 16 Fair value on financial assets and liabilities at amortised cost

The fair value of lending to customers with variable interest is stated at book value. 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.

	2014		2013	
NOK million	Book value	Fair value	Book value	Fair value
Assets				
Loans and receivables:				
Loans to and deposits with credit institutions, amortised cost	412.3	412.3	403.7	403.7
Lending to customers, amortised cost	14 304.9	14 304.9	14 805.9	14 805.9
Other current assets	46.2	46.2	28.4	28.4
Liabilities				
Liabilities to credit institutions, amortised cost	2 746.9	2 746.9	2 148.5	2 148.5
Commercial papers and bonds issued, amortised cost	11 106.7	11 211.2	12 219.0	12 312.9
Other liabilities	101.7	101.7	66.0	66.0

Note 17 Loans to and deposits with credit institutions

NOK million	2014 Book value	2013 Book value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	412.3	403.7
Total loans to and deposits with credit institutions at amortised cost	**412.3**	**403.7**

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	Amount that can be, but is not presented net in the statement of financial position: Fin. assets	Fin. debt	Net amount
Interest derivatives [2]	2 178.5	230.4	0.0	0.0			230.4
Total derivatives 31.12.2014	**2 178.5**	**230.4**	**0.0**	**0.0**	**0.0**	**0.0**	**230.4**
Total derivatives 31.12.2013	3 100.0	247.7	0.0	0.0	0.0	0.0	247.7

1) Values as at 31.12:

2) Interest derivatives include accrued, not due, interest. Investeringer underlagt netting agreements/CSA

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

NOK million	Recognised assets	Recognised liabilities	Net assets	Security: "Cash (+/-)"	Securities (+/-)	Net exposure
Total	**230.4**	**0.0**	**230.4**	**0.0**	**0.0**	**230.4**

Note 19 Analysis of loan portfolio and guarantees

NOK million	2014 Book value	2013 Book value
Lending to customers at amortised cost	14 307.6	14 808.9
Lending to customers at fair value		
Total gross lending to customers	**14 307.6**	**14 808.9**
Loan loss provisions on individual loans (see note 21)	- 1.0	- 2.4
Loan loss provisions on groups of loans (see note 21)	- 1.6	- 0.7
Net lending to customers	**14 304.9**	**14 805.9**

See note 4 for specification of lending to customers.

Note 20 Loan to value ratios and collateral

NOK million	2014	2013
Gross lending	14 307.6	14 808.9
Average loan balance	1.6	1.5
No. of loans	9 184	9 861
Weighted average seasoning (months)	40	39
Weighted average remaning term (months)	191	202
Average loan to value ratio	49%	48%
Over-collateralisation [2)]	135%	126%
Cover pool:		
Residential mortgages [1)]	14 260.4	14 715.0
Supplementary security	410.0	403.3
Total	**14 670.4**	**15 118.3**

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 2014 the company had NOK 23.9 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2014, the company has 7 non-performing loans, equivalent to NOK 10.8 million. There are 8 non-performing loans with evidence of impairment of NOK 12.5 million where the impairment is assessed to be NOK 1 million. Non-performing loans are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 11 billion (nominal value).

Note 21 Loan loss provisions

NOK million	2014 Book value	2013 Book value
Loan loss provisions on individual loans 1.1.	2.4	2.1
Losses realised in the period on individual loans previously written down	-0.1	-1.5
Loan losses of individual loans for the period	0.3	1.9
Reversals of loan loss provisions of individual loans for the period	-1.6	-0.2
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12.	**1.0**	**2.4**
Loan loss provisions on groups of loans and guarantees 1.1.	0.7	0.5
Grouped loan losses for the period	0.9	0.2
Loan loss provisions on groups of loans and guarantees etc. 31.12.	**1.6**	**0.7**
Total loan loss provisions	**2.6**	**3.1**

Note 22 Other current assets

NOK million	2014 Book value	2013 Book value
Due from Storebrand group companies	28.4	6.7
Interest accrued on lending	17.8	21.6
Total other current assets	**46.2**	**28.4**

Note 23 Hedge accounting

Storebrand uses fair value hedging for interest risk. The hedging items are financial assets and 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 measured 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.

	2014			2013		
		Fair value [1), 2)]			Fair value [1), 2)]	
NOK million	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Interest rate swaps	1 996.5	230.4		3 100.0	247.7	
Total interest rate derivatives	1 996.5	230.4	0.0	3 100.0	247.7	0.0
Total derivatives	1 996.5	230.4	0.0	3 100.0	247.7	0.0

		Hedging value [1), 2)]			Hedging value [1), 2)]	
	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Underlying objects :						
Bonds issued	1 996.5		2 232.4	3 100.0		3 359.4
Hedging effectiveness - prospective			90%			93%
Hedging effectiveness - retrospective			98%			100%

Gain/loss on fair value hedging [3)]

	2014	2013
NOK million	Gain/loss	Gain/loss
On hedging instruments	24.1	-87.5
On items hedged	-22.9	84.8

1) Book value at 31.12.
2) Includes accrued interest.
3) Amounts included in the line "Net gains on financial instruments".

Note 24 Commercial papers and bonds issued

	2014	2013
NOK million	Book value	Book value
Covered bonds	11 106.7	12 219.0
Total commercial papers and bonds issued	**11 106.7**	**12 219.0**

See note 5 for specification of covered bonds.

Note 25 Other liabilities

NOK million	2014 Book value	2013 Book value
Payable to Storebrand group companies	41.0	0.0
Tax payable	60.6	65.9
Other liabilities	0.1	0.1
Total other liabilities	**101.7**	**66.0**

Note 26 Off balance sheet liabilities and contingent liabilities

NOK million	2014	2013
Undrawn credit limits	1 733.9	1 732.5
Total contingent liabilities	**1 733.9**	**1 732.5**

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

Note 27 Capital Adequacy

NET PRIMARY CAPITAL

NOK million	2014	2013
Share capital	455.0	455.0
Other equity	581.8	593.3
Total equity	**1 036.8**	**1 048.3**
Deductions		
Provision for group contribution	-163.8	-169.5
Core capital exc. Hybrid Tier 1 capital	**873.0**	**878.9**
Subordinated loan capital less own holdings		
Additional Tier 1 capital		
Capital instruments eligible as AT1 capital		
Additions		
Core capital	**873.0**	**878.9**
Subordinated loan capital less own holdings		
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	**873.0**	**878.9**

MINIMUM CAPITAL REQUIREMENT

NOK million	2014	2013
Credit risk	445.5	454.5
Of which:		
Institutions	16.7	10.9
Retail market	4.7	
Loans secured against real estate	414.4	431.0
Loans past-due	3.4	2.9
Other	6.3	9.9
Total minimum requirement for credit risk	**445.5**	**454.7**
Counterparty risk		
Position risk		
Operational risk		
Currency risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	22.8	22.8
CVA risk	17.2	
Deductions		
Loan loss provisions on groups of loans	-0.1	-0.1
Minimum requirement for net primary capital	**485.5**	**477.5**

CAPITAL ADEQUACY

	2014	2013
Capital ratio	14.4 %	14.7 %
Core (tier 1) capital ratio	14.4 %	14.7 %
Core capital ratio excl. Hybrid Tier 1 capital	14.4 %	14.7 %

The standard method is used for credit risk and market risk, and the basic method for operational risk. New capital requirements came into force from 1 July 2013. The overall requirements for core tier 1 capital and the capital base are 9 and 12.5 per cent respectively as of 1 July 2013, and 10 and 13.5 per cent respectively as of 1 July 2014. The introduction of a counter-cyclical capital buffer of 1 per cent core tier 1 capital should be expected from 30 June 2015. Regulation on own funds requirements for credit valuation adjustment risk (CVA-charge) has entered into force on September 30th, 2014. Minimum capital requirements for 2014 are inclusive of CVA-charge.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

NOK million	2014	2013
Credit risk	5 569.0	5 683.4
Of which:		
Institutions	208.5	136.3
Retail market	58.9	0.0
Loans secured against real estate	5 179.6	5 387.1
Loans past-due	42.9	35.7
Other	79.2	124.2
Total basis of calculation credit risk	**5 569.0**	**5 683.4**
Counterparty risk		
Position risk		
Operational risk		
Currency risk		
Total basis of calculation market risk	**0.0**	**0.0**
Operational risk	285.5	285.5
CVA risk	215.3	0.0
Deductions		
Loan loss provisions on groups of loans	-1.6	-0.7
Total basis of calculation of minimum requirements for capital base	**6 068.2**	**5 968.2**

Note 28 Remuneration and related parties

REMUNERATION OF SENIOR EMPLOYEES AND ELECTED OFFICERS:

NOK thousand	Ordinary salary	Bonus earned in 2014 [1]	Other benefits [2]	Post termination salary (months)	Loan [3]	No. of shares owned [4]
Senior employees						
Åse Jonassen (CEO) [1]	724		108		2 829	5 231
Total 2014	**724**	**0**	**108**		**2 829**	**5 231**
Total 2013	602	0	88		2 888	3 800

1) Åse Jonassen (CEO) receives no remuneration from Storebrand Boligkreditt AS. The company purchase all its administrative services, incl. CEO from Storebrand Bank ASA. 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

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. Accounting Act, Section 7-26

NOK thousand	Pension accrued for the year	Estimated pension liabilities at 31 December 2014	Value of paid-up policies issued at 1 January 2015 [1]	Settlement value of direct in excess of 12G/ transferred to pension account [2,5]	Accounting gain for Storebrand from discontinuation of defined benefit pensions (before compensation) [3]	Value of compensation to employees [4,5]
Senior employees						
Åse Jonassen (CEO)	138	1 450	802		648	289
Total 2014	**138**	**1 450**	**802**		**648**	**289**

1) Paid-up policies related to guaranteed pension scheme for salaries below 12G issued on 1 January 2015.

2) Redemption of pension rights earned in excess of 12G.

3) Estimated gain for Storebrand before value of compensation related to transition to defined contribution pensions. This is calculated as the "Estimated pension liabilities as at 31 December 2014" minus "Value of paid-up policies issued as at 1 January 2015" minus "Settlement value of direct pension in excess of 12G".

4) Compensation related to the transition to defined contribution pensions is estimated based on Storebrand's general compensation model.

5) Total amount will be transferred to a pension account with one-fifth of the annual added interest. The amount will be taxed as wage income and the net amount after tax will be transferred to a pension account ("Extra pension" product)

NOK thousand	Remuneration	No. of shares owned [1]	Loans
Board of Directors			
Heidi Skaaret [3]		2 761	5 750
Geir Holmgren [3]		7 221	
Thor Bendik Weider	81		10 395
Leif Helmich Pedersen	242		
Total 2014	**323**	**9 982**	**16 145**
Total 2013	200	7 734	12 762
Control Committee [2]			
Elisabeth Wille	332	163	
Harald Moen	239	595	
Ole Klette	239		
Finn Myhre	280		2 390
Anne Grete Steinkjer	239	1 800	
Tone Margrethe Reierselmoen	239	1 734	368
Total 2014	**1 566**	**4 292**	**2 757**
Total 2013	1 221	4 129	4 111

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) The Control Committee covers all the Norwegian companies in the Group which are required to have a control committee.

3) Neither Geir Holmgren nor Heidi Skaaret receives any remuneration from Storebrand Boligkreditt AS for their appointments as members of the Board.

TRANSACTIONS WITH GROUP COMPANIES:

	2014		2013	
NOK million	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income	4.9		5.0	
Interest expense	126.2		164.4	
Services sold				
Services purchased	12.7	0.7	13.1	0.9
Due from	335.0		308.4	
Liabilities to	2 787.9		2 148.5	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 2.9 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2014.

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 assumes all the risks and rewards incidental to ownership of the lending portfolio. Storebrand Boligkreditt receives all the cash flows from the borrower. The bank and Storebrand Boligkreditt have not signed agreements for guarantees, options, repurchases or similar in connection with the lending portfolio in Storebrand Boligkreditt AS. It is Storebrand Boligkreditt 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 5). Contracts with Group companies are entered into based on the arm's length principle.

LOANS TO EMPLOYEES:

NOK million	2014	2013
Loans to employees of Storebrand Boligkreditt AS	0.0	0.0
Loans to employees of Storebrand Group	1 606.9	1 592.2

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.

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 2014 financial year and as of 31 December 2014 (2014 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 2014. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16.

In the best judgement of the Board and the CEO, the annual financial statements for 2014 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 2014. 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, 10 February 2015
The Board of Directors of Storebrand Boligkreditt AS

Translation – *not to be signed*

Heidi Skaaret
Chairman of the Board

Geir Holmgren
Deputy chairman

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 Annual Shareholders' Meeting of Storebrand Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Boligkreditt AS, which comprise the statement of financial position as at 31 December 2014, and the profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Boligkreditt AS as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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 concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, 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, 10 February 2015
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

Control Committee's Statement for 2014

Storebrand Boligkreditt AS - Control Committee's Statement for 2014

At its meeting on 24 February 2015, the Control Committee of Storebrand Boligkreditt AS reviewed the Board of Directors' proposed Annual Report and Accounts for 2014 for Storebrand Boligkreditt AS.

With reference to the auditor's report of 10 February 2015, the Control Committee recommends that the Annual Report and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Boligkreditt AS for 2014.

Lysaker, 24 February 2015

Translation – *not to be signed*

Elisabeth Wille
Chairman of the Control Committee

Board of Representatives' Statement 2014

Storebrand Boligkreditt AS

Board of Representatives' Statement 2014

The Board of Directors' proposal for the Annual Report and Accounts, together with the Auditor's report and the Control Committee's statement have, in the manner required by law, have been presented to the Board of Representatives in the meeting on 4 March 2015.

The Board of Representatives recommends that the Annual General Meeting approve the Board of Directors proposal for the Annual Report and Accounts of Storebrand Boligkreditt AS.

The Board of Representatives raises no objections to the Board's proposal regarding the allocation of the result for the year of Storebrand Boligkreditt AS.

Lysaker, 4 March 2015

Translation – *not to be signed*

Terje R. Venold
Chairman of the Board of Representatives

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