

Annual Report 2011  
Storebrand Boligkreditt AS



## Company information

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Company registration number: 990 645 515

### SENIOR MANAGEMENT:

Åse Jonassen Managing Director

### BOARD OF DIRECTORS:

Truls Nergaard	Chairman
Trond Fladvad	Board Member
Thor Bendik Weider	Board Member
Inger Roll-Matthiesen	Board Member

### CONTACT PERSONS:

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### OTHER SOURCE OF INFORMATION:

The Annual Report and interim reports of Storebrand Boligkreditt AS are published on [www.storebrand.no](http://www.storebrand.no).

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## Key figures

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
<b>Profit and Loss account: (as per cent of avg. total assets) <sup>1)</sup></b>		
Net interest income <sup>2)</sup>	0.37%	0.80%
<b>Main balance sheet figures:</b>		
Total assets	17,332.8	14,669.2
Average total assets	16,397.5	14,638.3
Total lending to customers	16,550.4	13,805.7
Equity	699.7	700.9
<b>Other key figures:</b>		
Loan losses and provisions as per cent of average total lending	0.00%	0.01%
Individual loan loss provisions as per cent of gross loss-exposed loans <sup>4)</sup>	4.5%	10.2%
Cost/income ratio	26.4%	12.8%
Return on equity before tax <sup>3)</sup>	6.3%	14.0%
Core (tier 1) capital ratio	10.8%	12.7%

Definitions:

<sup>1)</sup> Average total assets is calculated on the basis of monthly total assets for the year.

<sup>2)</sup> Annualised net interest income adjusted for hedging ineffectiveness.

<sup>3)</sup> Annualised profit before tax adjusted for hedging ineffectiveness as per cent of average equity

<sup>4)</sup> Gross loss-exposed loans with evidence of impairment.



# The board of directors' report

## Storebrand Boligkreditt AS

(Figures for 2010 are shown in parentheses)

### SUMMARY

Storebrand Boligkreditt AS is a wholly owned subsidiary of Storebrand Bank ASA. The company is located at 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 and its business idea is to purchase and manage mortgages from Storebrand Bank ASA. The established covered bond programme is Aaa rated by Moody's rating agency, and at year-end 2011 the company has issued covered bonds worth nearly NOK 12 billion with maturities from 6 months to 8 years. The issued volume is partly placed in the market and partly placed on the parent bank's balance sheet so that the parent bank among other things, can use the swap scheme with Norges Bank. Storebrand Boligkreditt is an important part of Storebrand Bank's effort to establish a more long-term and favourable funding profile.

At the end of 2011 the mortgage company had 12,287 mortgages and flexible mortgages equivalent to NOK 16.6 billion on its balance sheet. The quality of the portfolio is very good. At year-end, there were 18 non-performing loans, equivalent to NOK 29 million. This amounted to 0.18 per cent of the portfolio. The average loan to value ratio is about 48 per cent.

### EARNINGS PERFORMANCE

In 2011 the company achieved a profit before losses of NOK 45 million (NOK 94 million). Loan loss reversals totalled almost NOK 0.5 million (NOK 1 million loan loss) of which NOK 0.6 million relates to Group write downs (NOK 1 million). Profit after taxes for Storebrand Boligkreditt was NOK 33 million, compared with NOK 67 million for 2010.

#### Net interest income

Net interest income amounted to NOK 61 million for the year (NOK 117 million), a decrease compared with the previous year and in line with the general market development. Increased funding costs coupled with lower mortgage margins have reduced net interest income as a percentage of average total assets to 0.37 per cent in 2011 compared with 0.80 per cent in the previous year.

#### Other income

Other income was positive totalling NOK 0.2 million in 2011 (minus NOK 9 million). Other income in 2011 originates entirely from gains/losses on buy-backs of issued bonds. In 2010 the company switched its investments of excess liquidity from certificates and bonds to bank deposits at Storebrand Bank.

#### Operating expenses

Operating expenses are stable and totalled NOK 16 million in 2011 (NOK 14 million), equivalent to 26 per cent (13 per cent) of total operating income for the year. The company does not have any employees, and principally purchases services from Storebrand Bank ASA and Storebrand Livsforsikring AS. The services purchased are priced on commercial terms.

#### Losses and non-performing loans

Total non-performing loans over 90 days in Storebrand Boligkreditt at the end of 2011 were NOK 29 million (NOK 18 million). This is equivalent to 0.18 per cent (0.13 per cent) of gross loans. The non-performing loans are well secured. The majority of loans have a loan to value ratio within 60 per cent. The non-performing loan with the highest loan to value ratio is within 75 per cent.

### BALANCE SHEET

The company's total assets under management have increased in 2011 compared with the previous year and amounted to NOK 17.3 billion at the end of 2011 (NOK 14.7 billion). Storebrand Boligkreditt has a balanced and well-suited funding structure, and bases its borrowing on the issuance of covered bonds largely in the Norwegian capital market. At the end of 2011 covered bonds worth almost NOK 12.0 billion have been issued, with maturities from 6 months to 8 years. NOK 5.3 billion of these bonds have been issued on the market, while the remaining NOK 7 billion have been placed in the parent bank. The bank has used NOK 3.5 billion of the swap scheme with covered bonds, administered by Norges Bank.

The available funds in the overdraft facility of NOK 6.5 billion established in Storebrand Bank ASA, totalled NOK 2.2 billion at the end of 2011.

### **RISK MANAGEMENT**

A covered bond company's core activities are linked to creating value through exposure to low-risk mortgages. Storebrand Boligkreditt is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. The overall risk profile is regarded as being satisfactory and the company expects to make only minor adjustments to its risk profile during 2012.

Storebrand Boligkreditt is exposed to the following key risk areas: credit risk, liquidity risk, operational risk and, to a lesser extent, market risk.

The risks in the company are closely monitored in accordance with guidelines for risk management and internal control that have been established by the Board. The company's appetite for risk is expressed through risk policies that are designed to support the goals of the business. Policy documents define key performance indicators and are followed up through risk reporting to the Board.

#### **Credit risk**

Property values have increased significantly in 2010 and into 2011. Towards the end of the year market prices have softened a little. Total non-performing loans in Storebrand Boligkreditt have increased slightly in 2011 compared with 2010. Despite the low volume, the company closely monitors developments in non-performing loans. Storebrand Bank, which administers the loans in Storebrand Boligkreditt, has conservative lending practices in relation to customers' debt servicing capacity. The collateral is deemed to be very good as the majority of loans are granted within 60 per cent of the value of the property. During the year lending practices have become stricter in accordance with the recommendations by the Financial Supervisory Authority of Norway. The average loan to value ratio of the portfolio is 48 per cent (46 per cent), and on the date of transfer the loan to value ratio never exceeds 75 per cent. The risk in the loan portfolio is therefore considered to be very low.

The company has not issued any guarantees. Storebrand Boligkreditt has not deposited securities as collateral at Norges Bank.

#### **Liquidity risk**

Liquidity risk is the risk that Storebrand Boligkreditt will not be able to meet all its financial commitments as they become due. Liquidity in the covered bond company shall at all times be sufficient to support balance sheet growth, while also ensuring that funds are available to repay loans that are due for payment. The company manages its liquidity position based on a minimum liquidity balance, maximum volume per issue within a 6 month period and net maturities within 12 months.

The liquidity targets in Storebrand Boligkreditt are within the internally established limits.

#### **Market risk**

The company's aggregate interest rate and exchange rate exposure is restricted through low exposure limits in the risk policies. At year-end 2011 the company does not have a liquidity portfolio in fixed income securities, only in 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 funding 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 2011 as the company's loans and funding are both in Norwegian kroner.

#### **Operational risk**

The company continually monitors and actively manages its level of risk. Management of operational risk is an integral part of managerial responsibilities. In order to manage operational risk, the company prioritises establishing good work and control routines. Systematic risk reviews are undertaken quarterly as well as for special transactions or unexpected events. The last risk review was performed in autumn 2011. The results of the risk review, including documentation of identified risks and a description of measures with deadlines are recorded in the Group's internal control system. The risk assessment is presented to and considered by the Board. As a significant share of the company's business activities have been outsourced

to other companies in Storebrand Group, the quality of these deliveries are closely monitored. Therefore systems for systematically following up the provision of services have been established.

The risk that the banking Group incurs public sanctions or financial losses due to failure to comply with external and internal regulations is defined as the banking Group's compliance risk.

Storebrand Boligkreditt uses, and is included in, Storebrand banking Group's routines and processes for managing operational and compliance risk. The bank's compliance manager, the unit for financial crimes and the internal auditor carry out spot checks and quality assessments within a number of the company's critical work processes. Other compliance issues are safeguarded through the CEO who considers at all times whether to draw on internal or external expertise. The results from these processes with the accompanying measures are reported to the corporate bodies of Storebrand Boligkreditt.

## **CAPITAL MANAGEMENT**

### **Capital adequacy**

The company regularly monitors and adjusts the levels of equity and primary capital. Equity in the company at the end of the year following year-end distributions amounted to NOK 700 million (NOK 701 million). The company has net primary capital of NOK 700 million (NOK 701 million) at year-end 2011. This is equivalent to capital adequacy and core capital adequacy of 10.8 per cent (12.7 per cent).

In the Board's opinion the company's equity is satisfactory and sufficient based on the company's business activities.

## **PERSONNEL, ORGANISATION, CORPORATE BODIES AND THE ENVIRONMENT**

### **The organisation**

The company has an agreement with Storebrand Bank on the conditions for acquiring, transferring and managing loans. The company's other work tasks are undertaken by employees of Storebrand Livsforsikring and Storebrand Bank. The services purchased are regulated through service agreements and price agreements which are updated annually. The CEO of Storebrand Boligkreditt is formally employed by Storebrand Bank. In 2011 a new position, Chief Risk Officer (CRO), was established in Storebrand Boligkreditt which is also formally under the employ of Storebrand Bank.

### **Personnel**

At year-end 2011 there are no employees in the company. Therefore no special measures have been implemented for the working environment.

### **Equality/diversity**

Storebrand Boligkreditt AS is together with the Storebrand Group committed to increasing the number of women in executive positions in the company. Employee benefits, such as flexible working hours, full salary if they, their children or their parents are ill and during pregnancy, are considered to be important initiatives in the work on equal opportunities. In order to be able to compare salaries between female and male employees, we prepare salary statistics for specified levels and types of positions.

The Board of Storebrand Boligkreditt comprises three men and one woman. The CEO is a woman.

The Group's working environment survey is a key means of measuring the employees' experiences of diversity in the Group, as well as the importance of having this theme on the agenda.

In other respects the company follows the Group's guidelines and regulations relating to corporate social responsibility, including discrimination/diversity and ethics.

### **Competency development**

Storebrand Boligkreditt as well as other parts of the Storebrand Group uses the common e-learning platform. The platform has increased the visibility and accessibility of the training programmes and meant that more people are taking advantage of the various training programmes that the company provides. The Group has developed training plans for various roles in Storebrand, in which skills training in all arenas are combined. In addition, a standardised range of courses are made readily available to all employees.

**Ethics and trust**

Storebrand and Storebrand Boligkreditt lives by trust. We do not sell a physical product, but rather a promise to be there when it matters, whether it is tomorrow, in ten or forty years. Therefore we set strict requirements for high ethical standards in our Group's employees. All employees are measured by their performance, conduct and attitude. One of the Group's core values in 2011 was Reliable and one of the Group principles was We take corporate social responsibility.

**Environment**

Storebrand, of which Storebrand Boligkreditt is a part, works systematically to reduce the company's impact on the environment, through our own business activities, investments, procurement and property management. The Group's head office in Lysaker is a building with high environmental standards. Even though the Group actively works to reduce emissions, it is not presently possible to eliminate all emissions of CO<sub>2</sub>. In order to compensate for this, Storebrand purchases UN certified emissions reductions which cover its emissions from flights and energy use. The Group became Norway's first climate neutral financial entity in 2008 and has remained climate neutral since that time.

**From corporate social responsibility to sustainability**

For 15 years Storebrand has used corporate social responsibility as a phrase that captures the essence of work undertaken within the environment, social questions and community involvement. To safeguard the long-term reason for existence as a company in terms of financial, social and environmental parameters requires more than corporate social responsibility. It requires a sustainable strategy and it calls for requirements for sustainability in all internal processes and decisions. The procurement department sets a requirement for sustainability as one of three critical parameters, HR places ethics and employee satisfaction high on the agenda and sustainability has been to a large extent integrated into the company's core activities. Storebrand Boligkreditt participates together with the parent bank in the Group's general work in this area and continually works to implement these goals into the business' activities through its own processes and decisions.

**STATEMENT OF COMPANY GOVERNANCE**

Storebrand Boligkreditt's systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. Each year the Board decides upon the guidelines, in connection with establishing the guiding documents. In addition Storebrand Boligkreditt purchases, via its service contracts, all accounting expertise, bookkeeping and reporting from Storebrand Livsforsikring AS.

The Storebrand Group established principles for corporate governance in 1998. The Storebrand Group reports on the group's policies and practice for corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 20 October 2011. For a further discussion of Storebrand Boligkreditt's corporate governance and a discussion of company management pursuant to Section 3-3b of the Accounting Act, cf. the separate article in Section 10 in the Annual Report of the Storebrand Group pertaining to the Group's accounting process.

The work of the boards is regulated by special rules of procedure for the Board. The Board of Directors of Storebrand ASA has also established instructions for the boards of subsidiaries, which describe how guidelines, plans and strategies approved by the Group Board of Directors are expected to be followed. These instructions do not relieve the boards of the subsidiaries of their independent administrative and supervisory responsibility. The Board of Directors of Storebrand ASA has two joint advisory sub-committees for the Storebrand Group: the Remuneration Committee and the Audit Committee. In 2011, a Compensation Committee was also established as a joint committee for Storebrand ASA, Storebrand Livsforsikring AS, Storebrand Bank ASA, Storebrand Kapitalforvaltning AS and Storebrand Finansiell Rådgivning AS, pursuant to Section 3, paragraph three of the Compensation Regulations. The Compensation Committee is in addition to the Remuneration Committee. The committee cannot make decisions on behalf of the individual board.

Storebrand Boligkreditt has laid down in its Articles of Association that the Company shall have the same nomination committee as Storebrand ASA, so it follows the Storebrand Group's processes for nomination and replacement of Board members.

The company does not have any provisions in the Articles of Association and authorisations granting the Board the authority to decide that the company shall buy back or issue its own shares or equity certificates.

### Changes in the composition of the Board

The Board comprises two internal and two external members. In 2011 Lars Syse Christiansen left the Board as he no longer works at the bank and Trond Fladvad, who is the Finance Director at Storebrand Bank, joined the Board.

### CONTINUING OPERATIONS

The Board is of the opinion that the income statement, balance sheet and notes to the accounts presented here provide a true and fair view of the company's operations and financial standing as of 31 December 2011.

The Board confirms that the prerequisites for the going concern assumption exist and accordingly the Annual Report for 2011 has been prepared based on the going concern principle.

### EVENTS AFTER THE BALANCE SHEET DATE

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

### ALLOCATION OF THE RESULT FOR THE YEAR

The company's result for the year was a profit of NOK 32.8 million. The Board proposes a Group contribution be made of NOK 47.1 million before taxes (NOK 33.9 million after taxes) to Storebrand Bank ASA. The Board considers the company's capital situation to be good given the risk profile and proposes to the Board of Representatives and Annual General Meeting the following disposition of the result for the year:

Figures in NOK million:

Transferred to / from other equity	-1.1
Group contribution to the parent company (after taxes)	33.9
<b>Total allocations</b>	<b>32.8</b>

The company's equity available for distribution following the Group contribution was NOK 149.5 million as of 31 December 2011.

### STRATEGY AND OUTLOOK FOR 2012

In 2012 Storebrand Boligkreditt will continue its core activity which is the acquisition and management of home mortgages from Storebrand Bank. Provided growth in the parent company, the company has ambitions of continued moderate growth in its securities portfolio during 2012.

The housing market and developments in total non-performing loans will be closely monitored. The work of ensuring good work routines and high data quality will continue and thereby ensure that regulatory and rating requirements continue to be fulfilled.

At the start of 2012 there is increased uncertainty surrounding the international economy including how the EU is to manage the debt crisis which several of its member countries are experiencing. The Norwegian economy has been touched by the crisis to a limited extent, but the financial markets in Norway have been affected by the crisis as the price of international funding in particular, including the market for covered bonds, is higher than it was prior to the financial crisis in 2008. New issues will be made available as and when the company decides it is prudent to do so and the cover pool is sufficient. Storebrand Boligkreditt will continue to assist Storebrand Bank in achieving a diversified funding structure.

Lysaker, 13. February, 2012

The Board of Directors of Storebrand Boligkreditt AS

*Translation - not to be signed*

Truls Nergaard  
Chairman of the Board

Thor Bendik Weider  
Board Member

Trond Fladvad  
Board Member

Inger Roll-Matthiesen  
Board Member

Åse Jonassen  
CEO

# Profit and loss account

1 January - 31 December

<i>NOK million</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
Interest income		577.8	495.2
Interest expense		-516.8	-378.2
<b>Net interest income</b>	<b>10</b>	<b>61.0</b>	<b>117.0</b>
Commission income		0.1	0.1
Commission expense			
<b>Net commission income</b>		<b>0.0</b>	<b>0.0</b>
Net gains on financial instruments at fair value	10	0.2	-8.9
Other income			
<b>Total other operating income</b>		<b>0.2</b>	<b>-8.9</b>
Staff expenses	12, 30	-0.2	-0.2
General administration expenses	12	-0.1	-0.5
Other operating costs	11, 12	-15.8	-13.1
<b>Total operating costs</b>		<b>-16.2</b>	<b>-13.8</b>
Operating profit before losses and other items		45.1	94.4
Loan losses	13	0.4	-0.8
<b>Profit before tax</b>		<b>45.5</b>	<b>93.6</b>
Tax	14	-12.7	-26.2
<b>Profit for the year</b>		<b>32.8</b>	<b>67.4</b>
<b>Statement of comprehensive income</b>			
<i>NOK million</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
Other comprehensive income			
Profit for the period		32.8	67.4
<b>Total comprehensive income for the period</b>		<b>32.8</b>	<b>67.4</b>
Allocations:			
Provision for group contribution		33.9	24.9
Transferred to other equity		-1.2	42.6
<b>Total allocations</b>		<b>32.8</b>	<b>67.4</b>

# Statement of financial position – Balance sheet

31 December

## Assets

<i>NOK million.</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
Loans to and deposits with credit institutions	4, 15, 16, 17	422.8	513.4
Financial assets designated at fair value through profit and loss account:			
Derivatives	4, 8, 15, 19	314.5	240.2
Other current assets	15, 24	46.6	111.8
Gross lending	4, 15, 16, 21	16,550.4	13,805.7
Loan loss provisions	4, 15, 16, 23	-1.5	-1.9
Net lending to customers		16,548.9	13,803.8
<b>Total assets</b>		<b>17,332.8</b>	<b>14,669.2</b>

## Liabilities and equity

<i>NOK million</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
Liabilities to credit institutions		4,267.2	1,946.1
Other financial liabilities:			
Commercial paper and bonds issued	5, 15, 16	12,311.9	11,927.1
Other liabilities	5, 15, 16, 27	51.6	92.2
Deferred tax	14	2.5	2.9
<b>Total liabilities</b>		<b>16,633.1</b>	<b>13,968.3</b>
Share capital		350.0	350.0
Share premium reserve		200.1	200.1
Other paid-in equity		118.9	118.9
Other equity		30.7	31.8
<b>Total equity</b>		<b>699.7</b>	<b>700.9</b>
<b>Total liabilities and equity</b>		<b>17,332.8</b>	<b>14,669.2</b>

Lysaker, 13. February, 2012

The Board of Directors of Storebrand Boligkreditt AS

*Translation – not to be signed*

Truls Nergaard  
Chairman of the Board

Thor Bendik Weider  
Board Member

Trond Fladvad  
Board Member

Inger Roll-Matthiesen  
Board Member

Åse Jonassen  
CEO

## Changes in equity

NOK million	Paid-in equity				Revenue & costs applied to equity	Other equity		
	Share capital	Share premium reserve	Other paid-in capital	Total paid-in capital		Other equity	Total other equity	Total equity
Equity at 31.12.2009	350.0	200.1	54.4	604.5	0.0	28.9	28.9	633.4
Profit for the period						67.4	67.4	67.4
Pension experience adjustments								
<b>Total other comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>67.4</b>	<b>67.4</b>	<b>67.4</b>
Equity transactions with the owner:								
Change in group contribution received 2009			39.7	39.7				39.7
Group contribution received			24.9	24.9				24.9
Change in provision for group contribution 2009				0.0		-39.7	-39.7	-39.7
Provision for group contribution				0.0		-24.9	-24.9	-24.9
<b>Equity at 31.12.2010</b>	<b>350.0</b>	<b>200.1</b>	<b>118.9</b>	<b>669.0</b>	<b>0.0</b>	<b>31.8</b>	<b>31.8</b>	<b>700.8</b>
Profit for the period						32.8	32.8	32.8
Pension experience adjustments								
<b>Total other comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>32.8</b>	<b>32.8</b>	<b>32.8</b>
Equity transactions with the owner:								
Provision for group contribution				0.0		-33.9	-33.9	-33.9
<b>Equity at 31.12.2011</b>	<b>350.0</b>	<b>200.1</b>	<b>118.9</b>	<b>669.0</b>	<b>0.0</b>	<b>30.6</b>	<b>30.6</b>	<b>699.7</b>

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35,000,000 at nominal value NOK 10,- 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 fund 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.

The company's goal is to achieve a core (tier 1) capital ratio of 10 per cent over time. In general, the equity of the company can be managed without material restrictions if the capital requirements are met and the respective legal entities have adequate solidity.

For further information on the company's fulfilment of the capital requirements, see note 29.

# Cash flow statement

1 January - 31 December

<i>NOK million</i>	2011	2010
<b>Cash flow from operations</b>		
Net receipts/payments of interest, commissions and fees from customers	571.7	665.9
Net disbursement/payments on customer loans	-2,737.8	-938.4
Net receipts/payments - securities at fair value	0.2	260.5
Payments of operating costs	-14.4	-15.5
<b>Net cash flow from operating activities</b>	<b>-2,180.2</b>	<b>-27.4</b>
<b>Cash flow from investment activities</b>		
Net payments on purchase/sale of fixed assets etc.		
<b>Net cash flow from investment activities</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash flow from financing activities</b>		
Payments - repayments of loans and issuing of bond debt	-1,694.1	-2,118.2
Receipts - new loans and issuing of bond debt	4,321.8	3,026.9
Payments - interest on loans	-513.0	-444.4
Receipts - group contribution	64.5	64.8
Payments - group contribution	-89.6	-46.6
<b>Net cash flow from financing activities</b>	<b>2,089.6</b>	<b>482.4</b>
<b>Net cash flow in period</b>	<b>-90.6</b>	<b>455.0</b>
Net movement in cash and bank deposits	-90.6	455.0
Cash and bank deposits at the start of the period	513.4	58.4
<b>Cash and bank deposits at the end of the period</b>	<b>422.8</b>	<b>513.4</b>

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.11. 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 to the account – Storebrand Boligkreditt AS

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## NOTE 1 | Company information and accounting policies

### 1. COMPANY INFORMATION

Storebrand Boligkreditt AS is a Norwegian limited company with bonds quoted on the Oslo Stock Exchange. The company's 2011 financial statements were approved by the Board of Directors on 13 February 2012.

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

### 2. THE BASIS OF 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 for Storebrand Boligkreditt AS are prepared in accordance with the Accounting Act and section 1-5 of the regulations relating to annual accounts of banks and finance companies etc, which deal with the simplified application of EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as the other Norwegian disclosure obligations pursuant to laws 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

During the course of 2011 changes were made in certain IFRS standards. None of these, however, have had consequences for the presentation, recognition and measurement of the financial statements for Storebrand Boligkreditt AS.

### 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 under the category Loans and receivables and are stated at amortised cost. The statement of financial position also includes capitalised intangible assets. 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 instruments are booked on the transaction 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 the profit and loss account.

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 the profit and loss account, 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 the profit and loss account.

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 the profit and loss account 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 Boligkredit'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 the profit and loss account.

### **At fair value through the profit and loss account in accordance with the fair value option (FVO)**

Any Storebrand Boligkredit liquidity portfolio in certificates and bonds will be classified at fair value through the profit and loss account 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 2011 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 Boligkredit'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 the profit and loss account,

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

Loans and receivables that are designated as hedged items are subject to measurement under the hedge accounting requirements.

## **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 the profit and loss account.

The majority of the derivatives used routinely for balance sheet 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 the profit and loss account. 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 the profit and loss account.

**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 directly in equity. 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 carryforwards, deductible temporary differences and taxable temporary differences.

**8. PROVISION FOR GROUP CONTRIBUTION**

Simplified IFRS permits the company to recognise provisions for group contributions as income, and the Board of Directors' proposal concerning the group contribution to be recognised as a liability on the reporting date.

**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 and receivables from credit institutions with no agreed period of notice.

The statement of cash flows is classified according to operating, investing and financing activities.

**NOTE 2: | Critical 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.

- Financial instruments at fair value
- There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true for the types of securities priced on the basis of non-observable assumptions, and for these investments various valuation techniques are used to determine fair value. Any changes to the assumptions could affect recognised amounts.

Please also refer to note 8 in which the valuation of financial instruments at fair value is described in more detail.

**FINANCIAL INSTRUMENTS AT AMORTISED COST**

Financial instruments valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a financial asset or group of financial assets 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. This will apply to provisions for loan losses in the retail and corporate markets and bonds carried at amortised cost.

**CONTINGENT LIABILITIES**

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

## NOTE 3 | Risk management

### RISK MANAGEMENT AND CONTROL

The Board of Directors of Storebrand Boligkreditt AS has adopted guidelines for risk management and internal control that include robust functions for risk management, internal control, compliance and internal auditing. These functions ensure implementation of company strategies and compliance with the framework for risk-taking.

Storebrand Boligkreditt AS is affected by credit risk, liquidity risk, market risk and operational risk. The risk strategy in the Storebrand Bank Group lays the foundation for managing the forms of risk through policies for each risk form. The bank group's risk policies define a framework for the maximum risk exposure in Storebrand Boligkreditt AS. The company's Board adopts its own risk policies within these limits pursuant to its objectives and relevant regulations.

The Risk Management unit in Storebrand Bank ASA prepares a monthly risk report in which all forms of risk are monitored in relation to their respective policies. The risk report is considered by the company's Board.

## NOTE 4 | Credit risk

The risk of losses resulting from a customer's inability or unwillingness to fulfill its obligations. Covers the risk of the collateral being less effective than expected (residual risk) and concentration risk. Credit risk also includes counterparty risk.

All loans in Storebrand Boligkreditt are granted by Storebrand Bank's Retail Market. Loans are approved on the basis of credit scoring combined with a case-by-case evaluation of the borrower's ability to repay.

The bank group's routines for credit management are set forth in Retail Market's credit manual. The credit handbook was primarily written for customer account managers and others who participate in the credit approval process. The credit manual contains common guidelines for credit activities in the bank group and is intended to ensure comprehensive and consistent credit approval processes. The credit manual is based on a credit policy that describes the principles for credit approval at a general level.

The counterparty risk associated with trading financial derivatives with customers as the counterparty is included in credit risk and managed pursuant to a special policy based on credit ratings and the size of the commitment.

### Analysis of credit risk by type of financial instrument

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. The increase in the maximum credit exposure from the end of 2010 is mainly related to higher engagement amount.

NOK million	Maximum credit exposure	
	2011	2010
Loans to and deposits with credit institutions	422.8	513.4
Total commitments customers *)	18,225.5	15,204.1
Interest rate swaps	314.5	240.2
<b>Total</b>	<b>18,962.8</b>	<b>15,957.7</b>
*) 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.

### CREDIT RISK LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

#### Credit risk per counterparty

NOK million	AAA	AA	A	BBB	NIG	Total 2011	Total 2010
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		131.4		291.4		422.8	513.4
<b>Total loans to and deposits with credit institutions</b>	<b>0.0</b>	<b>131.4</b>	<b>0.0</b>	<b>291.4</b>	<b>0.0</b>	<b>422.8</b>	<b>513.4</b>

### CREDIT EXPOSURE FOR LENDING ACTIVITIES

Residential mortgage customers are assessed according to their willingness and ability to repay the loan. The ability to pay is calculated and the customer's risk assessed at the time the application is submitted. The loan to value ratio for customers in Storebrand Boligkreditt is less than 75 per cent at the time of transfer from Storebrand Bank.

Storebrand Boligkreditt's lending is secured by residential properties. Some of the volume is partly or wholly secured by leisure properties. The maximum loan to value ratio at the time of transfer for this type of mortgage is 60 per cent.

The average weighted loan to value ratio in the company is around 48 per cent for mortgages, and 99.5 per cent of mortgages are within an 80 per cent loan to value ratio. Around 70 per cent of the mortgages are within a 60 per cent loan to value ratio in the covered bond company. The portfolio's credit risk is regarded as low.

The credit quality of the loans that are performing is good.

Storebrand Boligkreditt's collateral is residential property. The collateral is regarded as very good for the portfolio. The collateral for the performing loans is also regarded as good.

The collateral for non-performing loans without impairment is good. The average loan to value ratio for these loans is 57.9 per cent and the greatest observed loan to value ratio for non-performing loans is 71.7 per cent at the end of December 2011. The collateral is sold in the retail market. It is not taken over by the bank.

The credit risk in the portfolio is low.

### Commitments per customer group

NOK million	2011			
	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	16,418.8		1,657.6	18,076.4
Other	2.4		0.4	2.8
Rest of world	129.2		18.7	147.9
<b>Total</b>	<b>16,550.4</b>	<b>0.0</b>	<b>1,676.6</b>	<b>18,227.0</b>
Loan loss provisions on individual loans	-0.2			-0.2
Loan loss provisions on groups of loans	-1.3			-1.3
<b>Total loans to and due from customers</b>	<b>16,548.9</b>	<b>0.0</b>	<b>1,676.6</b>	<b>18,225.5</b>

### Commitments per customer group

NOK million	2010			
	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	13,697.4		1,376.6	15,074.0
Rest of world	108.2		23.7	132.0
<b>Total</b>	<b>13,805.7</b>	<b>0.0</b>	<b>1,400.4</b>	<b>15,206.0</b>
Loan loss provisions on individual loans				0.0
Loan loss provisions on groups of loans	-1.9			-1.9
<b>Total loans to and due from customers</b>	<b>13,803.8</b>	<b>0.0</b>	<b>1,400.4</b>	<b>15,204.1</b>

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 of total commitments per customer group

NOK million	2011			
	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	15,058.1		1,517.1	16,575.2
Other	1.2		0.2	1.4
Rest of world	118.7		21.2	139.9
<b>Total loans to and due from customers</b>	<b>15,178.0</b>	<b>0.0</b>	<b>1,538.5</b>	<b>16,716.5</b>

### Average volume of total commitments per customer group

NOK million	2010			
	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	13,237.8		1,327.7	14,565.5
Rest of world	100.6		18.5	119.1
<b>Total loans to and due from customers</b>	<b>13,338.4</b>	<b>0.0</b>	<b>1,346.2</b>	<b>14,684.7</b>

Given the relatively stable development of the balance sheet, the average size of the commitment from 31 December 2010 to 31 December 2011 is a best estimate of the average in the portfolio.

### Commitments per geographical area

NOK million	2011								
	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	13,086.2		1,300.1	14,386.2	15.8	1.5	17.3	0.2	17.1
Western Norway	2,218.0		248.3	2,466.3	6.9		6.9		6.9
Southern Norway	305.9		27.8	333.7			0.0		0.0
Mid-Norway	482.5		57.7	540.3	3.0		3.0		3.0
Northern Norway	328.6		24.0	352.6			0.0		0.0
Rest of world	129.2		18.7	147.9	1.6		1.6		1.6
<b>Total</b>	<b>16,550.4</b>	<b>0.0</b>	<b>1,676.6</b>	<b>18,227.0</b>	<b>27.3</b>	<b>1.5</b>	<b>28.8</b>	<b>0.2</b>	<b>28.6</b>

### Commitments per geographical area

NOK million	2010								
	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	10,684.7		1,049.6	11,734.3	13.4		13.4		13.4
Western Norway	1,907.1		215.1	2,122.3	3.1		3.1		3.1
Southern Norway	278.2		34.6	312.7	1.7		1.7		1.7
Mid-Norway	486.8		56.4	543.2			0.0		0.0
Northern Norway	340.6		20.9	361.5			0.0		0.0
Rest of world	108.2		23.7	132.0			0.0		0.0
<b>Total</b>	<b>13,805.7</b>	<b>0.0</b>	<b>1,400.4</b>	<b>15,206.0</b>	<b>18.2</b>	<b>0.0</b>	<b>18.2</b>	<b>0.0</b>	<b>18.2</b>

**Total engagement amount by remaining term to maturity**

2011

<i>NOK million</i>	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	0.1		0.0	0.1
1 - 3 months	0.7		0.0	0.7
3 months - 1 year	12.1		0.0	12.1
1 - 5 years	299.3		38.7	338.0
More than 5 years	16,238.2		1,638.0	17,876.2
<b>Total</b>	<b>16,550.4</b>	<b>0.0</b>	<b>1,676.6</b>	<b>18,227.0</b>

**Total engagement amount by remaining term to maturity**

2010

<i>NOK million</i>	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	76.9		14.8	91.6
1 - 3 months	0.5			0.5
3 months - 1 year	6.7		1.9	8.6
1 - 5 years	220.7		0.3	220.9
More than 5 years	13,501.0		1,383.4	14,884.4
<b>Total</b>	<b>13,805.7</b>	<b>0.0</b>	<b>1,400.4</b>	<b>15,206.0</b>

**Age distribution of overdue engagements without impairments**

2011

<i>NOK million</i>	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	104.4		0.3	104.7
Overdue 31 - 60 days	46.5			46.5
Overdue 61 - 90 days	9.2			9.2
Overdue more than 90 days	27.3			27.3
<b>Total</b>	<b>187.4</b>	<b>0.0</b>	<b>0.3</b>	<b>187.7</b>

**Engagements overdue more than 90 days by geographical area:**

Eastern Norway	15.8			15.8
Western Norway	6.9			6.9
Mid-Norway	3.0			3.0
Rest of world	1.6			1.6
<b>Total</b>	<b>27.3</b>	<b>0.0</b>	<b>0.0</b>	<b>27.3</b>

### Age distribution of overdue engagements without impairments

2010				
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	91.0			91.0
Overdue 31 - 60 days	49.0		0.7	49.8
Overdue 61- 90 days	1.8			1.8
Overdue more than 90 days	18.2			18.2
<b>Total</b>	<b>160.0</b>	<b>0.0</b>	<b>0.7</b>	<b>160.8</b>
<b>Engagements overdue more than 90 days by geographical area:</b>				
Eastern Norway	13.4			13.4
Western Norway	3.1			3.1
Southern Norway	1.7			1.7
<b>Total</b>	<b>18.2</b>	<b>0.0</b>	<b>0.0</b>	<b>18.2</b>

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

2011							
NOK mill.	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	1,5	25,7	27,2	0,2	27,4		0,2
Foreign		1,6	1,6				
<b>Total</b>	<b>1,5</b>	<b>27,3</b>	<b>28,8</b>	<b>0,2</b>	<b>27,4</b>	<b>0,0</b>	<b>0,2</b>

### Credit risk by customer group

2010							
NOK mill.	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners		18,2	18,2		18,2		
<b>Total</b>	<b>0,0</b>	<b>18,2</b>	<b>18,2</b>	<b>0,0</b>	<b>18,2</b>	<b>0,0</b>	<b>0,0</b>

### 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 Boligkredit's risk strategy establishes overall limits for how much credit risk the company is willing to accept.

**Credit risk per counterparty**

<i>NOK million</i>	AAA Fair value	AA Fair value <sup>i</sup>	A Fair value	BBB Fair value	NIG Fair value	Total 2011 Fair value	Total 2010 Fair value
Norway			314.5			314.5	240.2
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>314.5</b>	<b>0.0</b>	<b>0.0</b>	<b>314.5</b>	<b>240.2</b>
Rating classes are based on Standard & Poors.							
Change in value:							
Total change in value on the balance sheet			314.5			314.5	240.2
Change in value recognised in the profit and loss during period			74.3			74.3	-28.9

**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 5 | Liquidity risk**

The risk that the company is unable to fulfil its obligations without incurring substantial additional expense in the form of low prices for assets that must be realised, or in the form of especially expensive financing.

The company's liquidity risk policy describes the principles for liquidity management and specifies stress testing, minimum liquidity reserves and financial indicators for measuring liquidity risk. Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position and cash flows.

The company's liquidity is primarily affected by relatively few large maturities of bonds. To ensure a sound liquidity situation, the company will, to the extent it makes business sense, issue soft bullet bonds, which means the date the bond matures can be extended by up to one year. In addition there will be limits with respect to how large each repayment can be. The maturing of new borrowings in Storebrand Boligkreditt shall otherwise be planned so that no breach of the liquidity measures must be expected in any future period.

Storebrand Boligkreditt's funding needs will most likely exceed what is funded via covered bonds. This funding need will be continuously covered by the parent bank. Storebrand Boligkreditt will draw on a credit facility from the parent bank when it requires liquidity in connection with repaying borrowing as well. The company has a credit facility of NOK 6.5 billion in Storebrand Bank. The maturity of the facility is mid-February 2026. The facility cannot be terminated by Storebrand Bank until at least 3 months after the maturity of covered bonds with the longest maturity. The agreement was entered into according to the arm's length principle.

The treasury function in Storebrand bank's Capital Market Products Department is responsible for the bank group's liquidity management and the bank's Middle Office in the Risk Management unit monitors and reports on the utilisation of limits pursuant to the liquidity policy of the Board of Storebrand Boligkreditt AS.

**Non-discounted cash flows - financial obligations**

<i>NOK million</i>	0 - 6 months	6 -12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	57.6	49.9	252.0	313.7	4,526.1	5,199.3	4,267.2
Commercial papers and bonds issued	2,783.4	210.5	1,955.1	10,067.3	1,282.8	16,299.2	12,311.9
Other liabilities	51.6					51.6	51.6
Undrawn credit limits	1,676.6					1,676.6	
<b>Total financial liabilities 2011</b>	<b>4,569.2</b>	<b>260.4</b>	<b>2,207.1</b>	<b>10,381.0</b>	<b>5,809.0</b>	<b>23,226.7</b>	<b>16,630.6</b>
Derivatives related to liabilities 31.12.11	-76.6	1.9	-205.2	-88.3	-54.7	-423.0	314.5
Total financial liabilities 2010	1,784.4	235.1	5,134.5	5,105.8	5,878.7	18,138.4	13,965.4

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 2011 are used to calculate interest for lending with FRN conditions. The maturity profile was set up using the PortWin risk management system. The maturity profile does not take account of the fact that the loans are soft bullet, i.e. the original maturity date is used. Call date is used as maturity date.

## Loans to and deposits with credit institutions

<i>NOK million</i>	2011	2010
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	4,267.2	1,946.1
<b>Total loans to and deposits with credit institutions at amortised cost</b>	<b>4,267.2</b>	<b>1,946.1</b>

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

## Covered bonds

<i>NOK million</i> <i>ISIN code</i>	Nominal value	Currency	Issued	Maturity	Book value 2011
NO0010479967	2,500	NOK	09.12.2008	12.06.2012	2,506.2
NO0010466071	1,250	NOK	09.10.2008	24.04.2014	1,370.6
NO0010507809	2,040	NOK	27.04.2009	27.04.2015	2,052.0
NO0010428584	1,000	NOK	30.04.2008	06.05.2015	1,121.2
NO0010575913	2,165	NOK	01.06.2010	03.06.2016	2,171.1
NO0010612294	2,000	NOK	09.06.2011	15.06.2016	1,995.9
NO0010548373	1,000	NOK	23.10.2009	28.10.2019	1,094.8
<b>Total covered bonds</b>					<b>12 311.9</b>

The loan agreements contain standard covenants. Under the loan programme the company's overcollateralisation requirement was 109.5 per cent fulfilled. In 2011, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

## NOTE 6 | Market risk

The risk of losses on open positions in financial instruments due to changes in market variables and/or market conditions within a specified time horizon. Covers counterparty risk in financial instruments trading, as well as stock market risk, interest rate risk and exchange rate risk.

The risk policies for interest rate and currency risk set general limits for the management and control of market risk primarily associated with the company's fixed income securities. The company can be exposed to currency risk to a lesser degree.

The company's market risk is primarily managed and controlled through daily monitoring of risk exposure pursuant to the risk policy and continuous analyses of positions.

The exposure limits are reviewed and renewed by the Board at least yearly. The size of these limits are set on the basis of stress tests and analyses of market movements, as well as risk capacity and willingness.

The bank's Middle Office in the Risk Management unit is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. Monthly reports for the individual portfolios are produced for the company's 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 2011:

### Effect on income

<i>NOK million</i>	Amount
Interest -1.5%	-2.6
Interest +1.5%	2.6

### Effect on net profit/equity <sup>1)</sup>

<i>NOK million</i>	Amount
Interest -1.5%	-2.6
Interest +1.5%	2.6

<sup>1)</sup> Before taxes.

The note demonstrates the accounting effect over a 12-month period of an immediate parallel change in interest rates of +1.5 percentage points and -1.5 percentage points. Account has been taken of the one-time effect such an immediate change in interest rates would have on the items recognised at fair value and hedging value and of the effects the change in interest rates would have on the result for the remainder of the interest rate duration period before the change in interest rate has income and cost related effects. The sensitivity calculation was carried out using the PortWin risk management system.

The item affected by one-time effects and which is recognised at fair value is the liquidity portfolio. The company has no liquidity portfolio at the close of 2011. The item affected by one-time effects and which is subject to hedge accounting is fixed rate borrowing.

See also note 20 Foreign Exchange Risk

## NOTE 7 | Operational risk

The risk of financial losses resulting from ineffective, inadequate or failing internal processes or systems, human error, external events or non-compliance with internal guidelines. Violations of the law and regulations could prevent the Group achieving its goals and this part of the compliance risk is covered by operational risk.

Operational risk management and compliance with laws, regulations and internal rules are an integral part of the management responsibilities of all managers in the Storebrand Group. Risk assessments and internal control reporting are linked to a unit's ability to achieve its goals. Risk assessments are recorded and documented in Easy Risk Manager (ERM, a risk management system supplied by Det Norske Veritas).

The Risk Management unit in Storebrand Bank ASA is responsible for monitoring operational risk in the company. If the risk assessment requires the implementation of planned improvement measures, the measures must be documented and reported via ERM. Routines for any spot checks or other forms of regular quality control and the results from these must also be documented.

The work on operational risk is documented in an internal control status report that is considered by the company's Board. The bank's Middle Office in the Risk Management unit carries out numerous checks and reconciliations in conjunction with monthly, quarterly and annual financial statements in order to check and reduce operational risk.

In addition to this the bank's compliance officer, financial crime unit and internal auditor carry out spot checks within a number of the bank's most important work processes. The results of these are reported to the Board of Storebrand Boligkreditt AS.

### COMPLIANCE RISK

The risk that company incurs public sanctions or financial losses due to failure to comply with external and internal regulations.

As a financial undertaking Storebrand Boligkreditt AS is not required to have its own compliance function. Compliance issues are addressed by the CEO who considers at all times whether to draw on internal or external expertise.

## NOTE 8 | Valuation of financial instruments at fair value

### Specification of financial assets at fair value

<i>NOK million</i>	Quoted prices	Observable assumptions	Non-observable assumptions	Book value 31.12.2011	Book value 31.12.2010
Interest rate swaps		314.5		314.5	240.2
<b>Total derivatives</b>	<b>0.0</b>	<b>314.5</b>	<b>0.0</b>	<b>314.5</b>	<b>240.2</b>
Derivatives with a positive fair value		314.5		314.5	240.2
Derivatives with a negative fair value					

### Changes between quoted prices and observable assumptions

<i>NOK million</i>	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Bonds and other fixed-income securities		
Derivatives		

Storebrand Boligkreditt AS carries out a comprehensive process to ensure that the values established for financial instruments are in line with the market where possible. Listed financial instruments are valued on the basis of official prices on bourses obtained via Reuters and Bloomberg. As a generally rule, bonds are valued on the basis of prices from Reuters and Bloomberg. Bonds that are not quoted regularly will normally be valued on the basis of recognised theoretical models. The latter is particularly true for bonds denominated in NOK. These types of valuations are based on discount rates consisting of swap interest rate plus a credit premium. The credit premium will often be issuer specific and normally based on a consensus of credit spreads quoted by well recognised brokerage houses.

Unlisted derivatives, including primarily interest rate and currency instruments, are also valued theoretically. The money market rates, swap rates, exchange rates, and volatilities that provide the basis for valuations are obtained from Reuters, Bloomberg and Norges Bank (the Norwegian central bank).

Storebrand Boligkreditt AS continuously performs checks to ensure the quality of the market data obtained from external sources. Generally such checks involve comparing multiple sources and checking and assessing the reasonableness of unusual changes.

Storebrand Group categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degree of liquidity and different measuring methods.

**Level 1: Financial instruments valued on the basis of quoted prices for identical assets in active markets**

Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. Storebrand Boligkreditt AS had no investments classified at this level at the end of the year.

**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 on the basis of market information that are directly observable or indirectly observable. Market information that is indirectly observable means that prices can be derived from observable, related markets. Level 2 encompasses bonds and equivalent instruments. Interest rate and currency swaps, non-standardised interest rate and currency derivatives are classified as level 2.

**Level 3: Financial instruments valued on the basis of information that is not observable pursuant to level 2**

Investments classified as level 3 encompass investments in primarily unlisted/private companies. The company had no investments classified at this level at the end of the year.

**NOTE 9 | Segment reporting**

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 2011 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**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
<b>Net interest income</b>		
Interest and other income on loans to and deposits with credit institutions	11.4	1.6
Interest and other income on loans to and due from customers	566.4	490.7
Interest on commercial paper, bonds and other interest-bearing securities		2.9
Other interest income and related income		
<b>Total interest income *)</b>	<b>577.8</b>	<b>495.2</b>
Interest and other expenses on debt to credit institutions	-132.6	-60.4
Interest and other expenses on deposits from and due to customers		
Interest and other expenses on securities issued	-384.2	-317.8
Interest and expenses on subordinated loan capital		
Other interest expenses and related expenses		
<b>Total interest expenses **)</b>	<b>-516.8</b>	<b>-378.2</b>
<b>Net interest income</b>	<b>61.0</b>	<b>117.0</b>
*) Of which total interest income on financial assets that are not at fair value through the profit and loss account	577.8	492.3
**) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account	-516.8	-378.2

<b>Net income and gains from financial assets and liabilities at fair value:</b>	<b>2011</b>	<b>2010</b>
<b>Bonds, commercial paper and other interest-bearing securities</b>		
Realised gain/loss on commercial paper and bonds		-0.1
Unrealised gain/loss on commercial paper and bonds		0.2
<b>Total gain/loss on commercial paper and bonds</b>	<b>0.0</b>	<b>0.1</b>
<b>Financial derivatives and foreign exchange:</b>		
Gain/loss on foreign exchange related to bonds issued	0.2	32.5
Realised gain/loss on financial derivatives, held for trading		-41.4
Unrealised gain/loss on financial derivatives, held for trading		
<b>Total financial derivatives and foreign exchange</b>	<b>0.2</b>	<b>-9.0</b>
<b>Net income and gains from financial assets and liabilities at fair value</b>	<b>0.2</b>	<b>-8.9</b>
 Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	0.0	0.1
Financial assets classified as held for trading	0.2	-9.0
Changes in fair value on assets due to changes i credit risk		
 Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		
Financial liabilities classified as held for trading		

**NOTE 11 | Remuneration paid to the auditor****Remuneration excl. valued added tax**

<i>NOK 1000</i>	<b>2011</b>	<b>2010</b>
Statutory audit	170	105
Other reporting duties <sup>1)</sup>	185	226
Other non-audit services		
<b>Total</b>	<b>355</b>	<b>331</b>

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

**NOTE 12: | Operating expenses**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Ordinary wages and salaries	0.2	0.2
Employer's social security contributions		
Other staff expenses		
Pension cost		
<b>Total staff expenses</b>	<b>0.2</b>	<b>0.2</b>
IT costs		0.4
Printing, postage etc.		
Travel, entertainment, courses, meetings		0.0
Other sales and marketing costs	0.1	0.1
<b>Total general administration expenses</b>	<b>0.1</b>	<b>0.5</b>
Contract personnel	0.7	0.7
Operating expenses on rented premises		
Inter-company charges for services	13.7	10.6
Other operating expenses	1.5	1.8
<b>Total other operating expenses</b>	<b>15.8</b>	<b>13.1</b>
<b>Total operating expenses</b>	<b>16.2</b>	<b>13.8</b>

**NOTE 13 | Loan losses**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Change in loan loss provisions of individual loans for the period	-0.1	
Change in loan loss provisions of groups of loans for the period	0.6	-0.8
Other corrections to loan loss provisions	-0.1	
Realised losses in period on commitments specifically provided for previously		
Realised losses on commitments not specifically provided for previously		
Recoveries on previously realised losses		
<b>Total loan losses for the period</b>	<b>0.4</b>	<b>-0.8</b>

**NOTE 14 | Tax****Tax base for the year**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Ordinary pre-tax profit	45.5	93.6
Permanent differences		
Change in temporary differences	1.7	-59.1
<b>Tax base for the year</b>	<b>47.2</b>	<b>34.5</b>

**Tax charge for the year**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Tax payable for the period	13.2	9.7
Changes in deferred tax/deferred tax asset	-0.5	16.6
<b>Total tax charge</b>	<b>12.7</b>	<b>26.2</b>

**Reconciliation of expected and actual tax charge**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Ordinary pre-tax profit	45.5	93.6
Expected tax on income at nominal rate	12.7	26.2
<b>Tax charge</b>	<b>12.7</b>	<b>26.2</b>
Tax payable	13.2	9.7
- tax effect of group contribution paid	-13.2	-9.7
<b>Tax payable in the balance sheet</b>	<b>0.0</b>	<b>0.0</b>

**Analysis of the tax effect of temporary differences and tax losses carried forward**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Tax increasing timing differences		
Derivatives	248.3	174.4
<b>Total tax increasing timing differences</b>	<b>248.3</b>	<b>174.4</b>

**Tax reducing timing differences**

Bonds issued	-239.5	-164.0
<b>Total tax reducing timing differences</b>	<b>-239.5</b>	<b>-164.0</b>

Losses/allowances carried forward		
Net base for deferred tax/tax assets	8.8	10.4
<b>Net deferred tax/deferred tax asset in the balance sheet</b>	<b>-2.5</b>	<b>-2.9</b>

## NOTE 15 | Classification of financial instruments

<i>NOK million</i>	Loans and receivables	Fair value, trading	Liabilities at amortised cost	Total
<b>Financial assets</b>				
Loans to and deposits with credit institutions	422.8			422.8
Derivatives		314.5		314.5
Net lending to customers	16,548.9			16,548.9
Other assets	46.6			46.6
<b>Total financial assets 2011</b>	<b>17,018.3</b>	<b>314.5</b>	<b>0.0</b>	<b>17,332.8</b>
Total financial assets 2010	14,429.0	240.2	0.0	14,669.2
<b>Financial liabilities</b>				
Liabilities to credit institutions			4,267.2	4,267.2
Commercial papers and bonds issued			12,311.9	12,311.9
Other liabilities			51.6	51.6
<b>Total financial liabilities 2011</b>	<b>0.0</b>	<b>0.0</b>	<b>16,630.7</b>	<b>16,630.7</b>
Total financial liabilities 2010	0.0	0.0	13,965.5	13,965.5

## NOTE 16 | Fair value on financial assets and liabilities at amortised cost

<i>NOK mill.</i>	2011		2010	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Loans and receivables:				
Loans to and deposits with credit institutions, amortised cost	422.8	422.8	513.4	512.1
Lending to customers, amortised cost	16,550.4	16,548.9	13,805.7	13,803.8
<b>Liabilities</b>				
Liabilities to credit institutions, amortised cost	4,267.2	4,267.2	1,946.1	1,936.8
Commercial papers and bonds issued, amortised cost	12,311.9	12,026.2	11,927.1	11,913.9

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 and liabilities to financial institutions is based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers. The calculations are made using the PortWin risk management system.

## NOTE 17 | Loans to and deposits with credit institution

<i>NOK million</i>	2011 Book value	2010 Book value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	422.8	513.4
<b>Total loans to and deposits with credit institutions at amortised cost</b>	<b>422.8</b>	<b>513.4</b>

## NOTE 18 | Bonds and other fixed income securities at fair value through the profit and loss account

The company sold all the investments in the liquidity portfolio in Q1 2010 and has no liquidity portfolio as per 31.12.2011.

**NOTE 19 | Financial derivatives****NOMINAL VOLUM.**

Financial derivative contracts are related to underlying amounts which are not capitalised in the balance sheet. In order to quantify a derivative position, reference is made to underlying amounts such as nominal principal, nominal volume, etc. Nominal volume is calculated differently for different classes of derivatives, and gives an indication of the size of the position and the risk the derivative creates. Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume gives an indication of the risk exposure. However nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. In contrast to gross nominal volume, net nominal volume also takes into account the direction of the instruments' market risk exposure by differentiating between long (asset) positions and short (liability) positions. A long position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, a long position produces a gain if interest rates fall, as is the case for bonds. A long position in a currency derivative produces a gain if the currency strengthens against the NOK. Average gross nominal volume is based on monthly calculations of gross nominal volume.

NOK million	2011				
	Gross nom.value <sup>1)</sup>	Average.nom. value <sup>2)</sup>	Net nom. value <sup>1)</sup>	Fair value <sup>1)</sup>	
				Asset	Liability
Interest rate swaps	3,250.0	3,250.0	3,250.0	314.5	
<b>Total derivatives</b>	<b>3,250.0</b>	<b>3,250.0</b>	<b>3,250.0</b>	<b>314.5</b>	<b>0.0</b>

NOK million	2010				
	Gross nom.value <sup>1)</sup>	Average nom. value <sup>2)</sup>	Net nom. volum <sup>1)</sup>	Fair value <sup>1)</sup>	
				Asset	Liability
Interest rate swaps	3,250.0	7,318.4	3,250.0	240.2	0.0
<b>Total derivatives</b>	<b>3,250.0</b>	<b>7,318.4</b>	<b>3,250.0</b>	<b>240.2</b>	<b>0.0</b>

<sup>1)</sup> Value at 31.12.

<sup>2)</sup> Average for the year.

**NOTE 20 | Foreign exchange risk**

Storebrand Boligkreditt AS had no liabilities or assets in foreign currency as per 31.12.2011

**NOTE 21 | Analysis of loan portfolio and guarantees**

NOK million	2011 Book value	2010 Book value
Lending to customers at amortised cost	16,550.4	13,805.7
Lending to customers at fair value		
<b>Total gross lending to customers</b>	<b>16,550.4</b>	<b>13,805.7</b>
Loan loss provisions on individual loans (see note 23)	-0.2	
Loan loss provisions on groups of loans (see note 23)	-1.3	-1.9
<b>Net lending to customers</b>	<b>16,548.9</b>	<b>13,803.8</b>

See note 4 for specification of lending to customers.

**NOTE 22 | Loan to value ratios and collateral**

<i>NOK million</i>	<b>2011</b>	<b>2010</b>
Gross lending	16,550.4	13,805.7
Average loan balance	1.4	1.2
No. of loans	12,287	11,433
Weighted average seasoning (months)	35	35
Weighted average remaining term (months)	205	195
Average loan to value ratio	47.9%	46%
Overcollateralisation <sup>3)</sup>	137%	117%
Composition of collateral:		
Residential mortgages <sup>1)</sup>	16,479.9	13,729.1
Supplementary security <sup>2)</sup>		
<b>Total</b>	<b>16,479.9</b>	<b>13,729.1</b>

<sup>1)</sup> As per 31 December the company had NOK 29.1 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2011, the company has 18 non-performing loans, equivalent to NOK 27.3 million. There is one non-performing loan with impairment of NOK 1.5 million where the impairment is assessed to be NOK 0.2 million. Non-performing loans are not included in the cover pool.

<sup>2)</sup> The company has no supplementary security.

<sup>3)</sup> Surplus collateral amounting to NOK 12.0 billion (nominal value) has been calculated based on the total net issued bonds.

**NOTE 23 | Loan loss provision**

<i>NOK million</i>	<b>2011 Book value</b>	<b>2010 Book value</b>
Loan loss provisions on individual loans 1.1.		
Losses realised in the period on individual loans previously written down		
Loan losses on individual loans for the period	0.1	
Reversals of loan loss provisions on individual loans for the period		
Other corrections to loan loss provisions	0.1	
<b>Loan loss provisions on individual loans at 31.12.</b>	<b>0.2</b>	<b>0.0</b>
Loan loss provisions on groups of loans and guarantees 1.1.	1.9	1.1
Grouped loan losses for the period	-0.6	0.8
<b>Loan loss provisions on groups of loans and guarantees etc. 31.12.</b>	<b>1.3</b>	<b>1.9</b>
<b>Total loan loss provisions</b>	<b>1.5</b>	<b>1.9</b>

**NOTE 24 | Other current asset**

<i>NOK million</i>	<b>2011 Book value</b>	<b>2010 Book value</b>
Due from Storebrand group companies	23.0	94.4
Interest accrued on lending	23.5	17.4
Other current assets	0.1	
<b>Total other current assets</b>	<b>46.6</b>	<b>111.8</b>

**NOTE 25 | 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 individual 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.

<i>NOK million</i>	2011			2010		
	Contract/ nominal value	Fair value <sup>1), 2)</sup>		Contract/ nominal value	Fair value <sup>1), 2)</sup>	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	3,250.0	314.5		3,250.0	240.2	
Total interest rate derivatives	3,250.0	314.5	0.0	3,250.0	240.2	0.0
Total derivatives	3,250.0	314.5	0.0	3,250.0	240.2	0.0

  

<i>NOK mill.</i>	Contract/ nominal value	Fair value <sup>1)</sup>		Contract/ nominal value	Fair value <sup>1)</sup>	
		Assets	Liabilities		Assets	Liabilities
Underlying objects :						
Bonds issued	3,250.0		3,586.8	3,250.0		3,510.2
Hedging effectiveness - prospective			100%			100%
Hedging effectiveness - retrospective			99%			98%

**Gain/loss on fair value hedging: 3)**

<i>NOK million</i>	2011 Gain/loss	2010 Gain/loss
On hedging instruments	77.2	-28.9
On items hedged	-75.5	22.3

<sup>1)</sup> Book value at 31.12.

<sup>2)</sup> Includes accrued interest.

<sup>3)</sup> Amounts included in the line "Net interest income".

**NOTE 26 | Commercial papers and bonds issued**

<i>NOK million</i>	2011 Book value	2010 Book value
Covered bonds	12,311.9	11,927.1
<b>Total commercial papers and bonds issued</b>	<b>12,311.9</b>	<b>11,927.1</b>

See note 5 for specification of covered bonds.

**NOTE 27 | Other liabilities**

<i>NOK million</i>	2011 Book value	2010 Book value
Payable to Storebrand group companies	4.2	2.2
Provision for group contribution	47.1	89.6
Other liabilities	0.2	0.4
<b>Total other liabilities</b>	<b>51.6</b>	<b>92.2</b>

## NOTE 28 | Off balance sheet liabilities and contingent liabilities

<i>NOK million</i>	2011	2010
Undrawn credit limits	1,676.6	1,400.4
<b>Total contingent liabilities</b>	<b>1,676.6</b>	<b>1,400.4</b>

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

The company has not any collateral pledged or received.

## NOTE 29 | Capital adequacy

### Net capital base

<i>NOK million</i>	2011	2010
Share capital	350.0	350.0
Other equity	349.7	350.9
<b>Total equity</b>	<b>699.7</b>	<b>700.9</b>
Deductions		
<b>Core capital</b>	<b>699.7</b>	<b>700.9</b>
Deductions		
<b>Net capital base</b>	<b>699.7</b>	<b>700.9</b>

### Minimum requirements for credit risk

<i>NOK million</i>	2011	2010
Credit risk	502.4	427.5
Of which:		
Institutions	12.6	14.0
Loans secured against real estate	484.1	405.6
Loans past-due	2.4	1.5
Other	3.4	6.5
<b>Total minimum requirements for credit risk</b>	<b>502.4</b>	<b>427.5</b>
Operational risk	14.5	12.6
Deductions:		
Loan loss provisions on groups of loans	-0.1	-0.1
<b>Minimum requirement for capital base</b>	<b>516.8</b>	<b>440.0</b>

### Capital adequacy

<i>NOK million</i>	2011	2010
Capital ratio	10.8%	12.7%
Core capital ratio	10.8%	12.7%

The company uses the standard method for credit risk and market risk, and the basic method for operational risk. The minimum requirement for capital adequacy is 8 per cent.

**NOTE 30** | Remuneration and close associates**Remuneration of senior employees and elected officers at 31.12.11:**

<i>NOK 1000</i>	Remuneration	Bonus earned in 2011	Bonus paid in 2012	Bonus transferred to share bank in 2012	Salary guarantee (months)	Pension accrued for the year
<b>Senior employees:</b>						
Åse Jonassen (adm.direktør) <sup>1)</sup>	881					181
<b>Board of Directors:</b>						
Truls Nergaard <sup>2)</sup>	2,863	457	228	228	18	1,048
Trond Fladvad <sup>2)</sup>	1,697	266	133	133		522
Thor Bendik Weider	75					
Inger Roll-Matthiesen	75					
<i>NOK 1000</i>	Discounted present value of pension	No. of shares owned	Loan	Interest rate at 31.12.11	Repayment period	
<b>Ledende ansatte:</b>						
Åse Jonassen (adm.direktør) <sup>1)</sup>	1,067	3,139	3,004	2.75%	2030/2034	
<b>Styret:</b>						
Truls Nergaard <sup>2)</sup>	2,823	13,335				
Trond Fladvad <sup>2)</sup>	2,489		6,912	2.75%/3.65%	2021/2032/2041	
Thor Bendik Weider			3,033	3.65%	2019	
Inger Roll-Matthiesen			5,208	3.75%/3.84%	2020/2041	

<sup>1)</sup> Åse Jonassen receives no remuneration from Storebrand Boligkreditt AS. The company purchase all its administrative services, incl. acting CEO from Storebrand Bank ASA. Åse Jonassen is not covered by Storebrand's bonus bank scheme.

<sup>2)</sup> Truls Nergaard and Trond Fladvad receive no remuneration for their board work in Storebrand Boligkreditt AS. The stated amounts relate to their positions in Storebrand Bank ASA. As a consequence of the new bonus model with effect from 2011 the bonus bank was closed during the first half of 2011. The balance was paid less Storebrand's contribution. 50 per cent of the amount paid after tax was used to acquire Storebrand shares with an 18-month lock-in period. Senior employees have a performance-related bonus agreement. 50 per cent of the awarded bonus is paid in cash. The remaining part of the bonus is converted to synthetic stocks based on market prices, and registered in a share bank with a three-year lock-in period. At the expiration of the three-year period the value of the synthetic shares is calculated with a new market price. Half of the payment amount from the share bank, after tax, is to be used to purchase physical shares in Storebrand ASA at the market price with new 3-year lock-in.

### Remuneration of senior employees and elected officers at 31.12.10:

NOK 1000	Remuneration	Bonus Bank <sup>2)</sup>	1/3 bonusbank -payment 2011 <sup>2)</sup>	Salary guarantee (months)	Pension accrued for the year	Discounted present value of pension
<b>Ledende ansatte:</b>						
Åse Jonassen (adm.direktør) <sup>1)</sup>	771				147	717
<b>Styret:</b>						
Truls Nergaard <sup>2)</sup>	3,183	299	300	18	886	1 515
Lars Syse Christiansen <sup>2)</sup>	1,607	204	235		174	524
Thor Bendik Weider	75					
Inger Roll-Matthiesen	75					

NOK 1000	No. of shares owned	Loan	Interest rate at 31.12.10	Repayment period
<b>Ledende ansatte:</b>				
Åse Jonassen (adm.direktør) <sup>1)</sup>	2,976	3,056	3.00%/3.35%	2030/2034
<b>Styret:</b>				
Truls Nergaard <sup>2)</sup>	10,967	0		
Lars Syse Christiansen <sup>2)</sup>	877	1,616	3.00%	2038
Thor Bendik Weider	0	3,930	3.34%	2019
Inger Roll-Matthiesen	0	2,560	3.34%	2020

<sup>1)</sup> Åse Jonassen receives no remuneration from Storebrand Boligkreditt AS. The company purchase all its administrative services, incl. acting CEO from Storebrand Bank ASA. Åse Jonassen is not covered by Storebrand's bonus bank scheme.

<sup>2)</sup> Truls Nergaard and Lars Syse Christiansen receive no remuneration for their board work in Storebrand Boligkreditt AS. The stated amounts relate to their positions in Storebrand Bank ASA. Balance in bonus bank as of 31 December 2010 less Storebrand's initial contribution. As part of their pay package, senior employees in Storebrand also have an agreement concerning a performance related bonus, which is linked to the group's value-based management system. Value creation in the group finances the bonus, while individual performance determines how large a share of the financed bonus is awarded. Awarded bonuses are added to the bonus bank from which 1/3 of the balance is paid out annually. If in total the annual payments exceed the total bonuses awarded and return, this will result in parts of Storebrand's initial contribution making up the annual payment. Upon the start-up of the bonus bank senior employees received an initial contribution. Upon leaving the company the positive initial contribution will fall to Storebrand. Amounts added to the bonus bank are 50 per cent exposed to Storebrand's share price and 50 per cent to the best interest rate in Storebrand Bank. The "share bank" and "interest bank" will develop separately over time. In line with the decision of Storebrand ASA's general meeting a long-term incentive scheme was established for the group management team and other senior employees. In connection with the establishment of this previously earned but withheld bonuses earned from 2008 and before have been paid out. Storebrand has also made an extra contribution that corresponds to the size of this amount. The payment was reported as pay/bonus and taxed as employment income. The net payment, less tax, was entirely spent on buying shares with a 3-year lock-in period.

**Transactions with group companies:**

<i>NOK million</i>	2011		2010	
	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income	6.6		6.5	
Interest expense	360.9		250.5	
Services sold				
Services purchased	12.4	1.2	9.6	1.1
Due from	314.4		359.9	
Liabilities to	4,270.7		2,038.0	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 6.7 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2011.

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

**Transactions with other related parties:**

Storebrand Boligkreditt AS has no employees, and purchases personnel resources from Storebrand Bank ASA and services including accounting functions from Storebrand Livsforsikring AS. All loans made by the company are purchased from Storebrand Bank ASA pursuant to an agreement entered into with Storebrand Bank ASA to purchase loans, as well as a management agreement with Storebrand Bank ASA for management of the loan portfolio. In outline terms, the management agreement involves the company paying fees to Storebrand Bank ASA for management of the company's loan portfolio. In addition, the company has entered into an agreement with Storebrand Bank ASA for a credit facility to finance loans purchased (see Note 19). Agreements entered into with other companies in the group are based on the principle of business at arm's length.

**Loans to employees:**

<i>NOK million</i>	2011	2010
Loans to employees of Storebrand Boligkreditt AS	0.0	0.0
Loans to employees of Storebrand Group	1,561.1	1,141.9

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 an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance. Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. There has not been provided guarantees or security for borrowing by employees.

**Headcount and personnel information:**

There are no employees in the company.

# Storebrand Boligkreditt AS

## Statement from the Board of Directors and the CEO

Today the Board members and the CEO have considered and approved the annual report and annual financial statements of Storebrand Bank ASA for the 2011 financial year and as of 31 December 2011 (2011 annual report).

The annual accounts have been prepared in accordance with the Norwegian Accounting Act, the regulations relating to annual accounts of banks and finance companies etc. and simplified IFRS as of 31 December 2011, as well as the additional requirements in the Norwegian Securities Trading Act. The annual report complies with the requirements of the Norwegian Accounting Act, Norwegian Accounting Standard no. 16 and the regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2011.

In the best judgement of the Board and the CEO, the annual financial statements for 2011 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 the parent company's and group's assets, liabilities, financial position and results as a whole as of 31 December 2011. 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 Bank ASA. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 13. February, 2012

The Board of Directors of Storebrand Boligkreditt AS

*Translation – not to be signed*

Truls Nergaard  
Chairman of the Board

Thor Bendik Weider  
Board Member

Trond Fladvad  
Board Member

Inger Roll-Matthiesen  
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 December 31, 2011, 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 simplified application of international accounting standards according to the Norwegian accounting act § 3-9, 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 December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

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Medlemmer av Den Norske Revisorforening  
Org nr: 980 211 282



**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report and the allocation of the profit*

Based on our audit of the financial statements as described above, it is our opinion that the information concerning the financial statements presented in the Board of Directors report and the statement of corporate governance principles and practices, the going concern assumption and the proposal for the allocation of the profit, complies with the law and regulations and that the information is consistent with the financial statements.

*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, February 16, 2012  
Deloitte AS

Ingebret G. Hisdal (signed)  
State Authorised Public Accountant (Norway)

# Storebrand Boligkreditt AS

## Control Committee's statement for 2011

At its meeting on 28 February 2012, the Control Committee of Storebrand Boligkreditt AS reviewed the Board of Directors' proposed Annual Report and Accounts for 2011 for Storebrand Boligkreditt AS.

With reference to the auditor's report of 16 February 2012, the Control Committee recommends that the Annual Report and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Boligkreditt AS for 2011.

Lysaker, 13. February, 2012

The Board of Directors of Storebrand Boligkreditt AS

*Translation - not to be signed*

Elisabeth Wille  
Chair of the Control Committee

# Storebrand Boligkreditt AS

Board of Representatives' Statement 2011

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, been presented to the Board of Representatives.

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, 8 March 2012

*Translation - not to be signed*

Terje Venold  
Chairman of the Board of Representatives

