Annual report

Storebrand Boligkreditt AS

2013

storebrand

Company information

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Storebrand Boligkreditt AS
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P.O. Box 474
N-1327 Lysaker
Norway

Telephone:	+47 22 31 50 50
Website:	www.storebrand.no
E-mail address:	bank@storebrand.no

Company registration number: 990 645 515

SENIOR MANAGEMENT:

Åse Jonassen	Managing Director

BOARD OF DIRECTORS:

Heidi Skaaret	Chairman
Geir Holmgren	Deputy chairman
Thor Bendik Weider	Board member
Leif Helmich Pedersen	Board member

CONTACT PERSON:
Åse Jonassen, Managing Director. Tlf. +47 415 77 397.

OTHER SOURCE OF INFORMATION:
The annual report and interim reports of Storebrand Boligkreditt AS are published on www.storebrand.no

Contents

Key figures

NOK million	**2013**	**2012**
Profit and Loss account: (as % of avg. total assets) [1)]		
Net interest income	1.48%	0.84%
Main balance sheet figures:		
Total assets	15 485.6	18 077.3
Average total assets	17 320.1	17 705.8
Gross lending to customers	14 808.9	17 302.3
Equity	1 048.3	791.4
Other key figures:		
Loan losses and provisions as % of average total lending	0.01%	0.01%
Individual loan loss provisions as % of gross loss-exposed loans [3)]	8.6 %	7.0 %
Cost/income ratio	6.4 %	11.5 %
Return on equity before tax [2)]	25.8 %	17.3 %
Core (tier 1) capital ratio	14.7 %	10.4 %

Definitions:

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

2) Profit before tax adjusted for hedging ineffectiveness as % of average equity.

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

Board of directors report for 2013

(Figures for 2012 are shown in parentheses)

MAIN TRENDS

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

The company has a licence from the Financial Supervisory Authority of Norway to issue covered bonds. The company's purpose is to grant or purchase home mortgages. The mortgages are acquired from Storebrand Bank ASA, which manages the mortgages owned by Storebrand Boligkreditt AS. The established loan programme is Aaa rated by Moody's rating agency, and at year-end 2013 the company had issued covered bonds to the value of NOK 11.9 billion with maturities from 4 months to 6 years. The issued volume is partly invested in the market and partly placed on the parent bank's balance sheet. The parent bank uses covered bonds in the swap facility with Norges Bank. Storebrand Boligkreditt is an important part of Storebrand Bank's work to maintain a favourable and long-term funding profile.

At the end of 2013, lending volume had reduced by NOK 2.5 billion compared with the end of 2012, and amounted to 9,861 home mortgages and credit loans equivalent to NOK 14.8 billion (17.3 billion). The reduction is a consequence of the development in the balance sheet at the parent bank. The quality of the portfolio is very good. At year-end, there were 22 non-performing loans, equivalent to NOK 39 million. This amounted to 0.26 per cent of the portfolio. The average loan-to-value ratio is about 48 per cent.

EARNINGS PERFORMANCE

The company's profit before losses in 2013 was NOK 234 million (NOK 129 million). Net loan losses recognised as costs totalled almost NOK 2.0 million (NOK 1.1 million); of which NOK 0.2 million was recognised as costs related to group write downs (NOK 0.8 million). Profit after taxes for Storebrand Boligkreditt was NOK 167 million, compared with NOK 92 million for 2012.

Net interest income

Net interest income was NOK 256 million for the year (NOK 150 million), an increase compared with the previous year and in line with the general market development. Reduced financing costs coupled with higher home mortgage margins have increased net interest income as a percentage of average total assets to 1.48 per cent in 2013 compared with 0.84 per cent in the previous year.

Other income

Other income was negative, totalling NOK 5 million in 2013 (minus NOK 4 million). Other income in 2013 originates entirely from gains/losses on bond buy-backs. In 2010 the company stopped investing its excess liquidity in certificates and bonds, and presently invests these funds in bank deposits.

Operating expenses

Operating expenses are stable and totalled NOK 16 million in 2013 (NOK 17 million), equivalent to 6 per cent (12 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 at the end of 2013 were NOK 39 million (NOK 36 million). The volume is equivalent to 0.26 per cent (0.21 per cent) of gross loans. All non-performing loans have a loan-to-value ratio within 80 per cent of market value.

BALANCE SHEET

The company's total assets under management at the end of 2013 were NOK 15.5 billion compared with NOK 18.1 billion at the end of 2012.

The borrowings are covered bonds in Norwegian kroner and a credit facility with Storebrand Bank ASA. The financing structure is balanced, and adapted to the credit institution. At the end of 2013 covered bonds worth about NOK 11.9 billion had been issued, with maturities from 4 months to 6 years. NOK 9.2 billion of these bonds have been placed in the market, while the remaining NOK 2.7 billion are being held in the parent bank. The bank has used NOK 1.0 billion of a swap facility with covered bonds, administered by Norges Bank.

RISK MANAGEMENT

A mortgage company's core activity is exposure to low-risk mortgages. Storebrand Boligkreditt is proactive in managing the risks in its business activities and continuously works to develop systems and processes for risk management. On whole, the current risk profile is regarded as being satisfactory.

Risk at Storebrand Boligkreditt is closely monitored in accordance with guidelines for risk management and internal control that have been approved by the Board. The company's appetite for risk is expressed through the risk strategy, which is designed to support the goals of the business. Policy documents stating the measurement parameters are prepared for each of the forms of risk defined in the guidelines. Developments in these parameters are followed up through risk reporting to the Board of the company.

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

Credit risk

Storebrand Boligkreditt's gross credit exposure is NOK 17 billion as at 31.12.2013. The volume of non-performing and impaired loans has increased by NOK 3 million in 2013, and accounts for 0.26 per cent of gross loans.

The growth of the Norwegian economy declined slightly in 2013, and was lower than previously estimated. Throughout 2013 there was uncertainty about future market developments and the extent to which the international financial instability would affect the Norwegian economy.

Non-performing loans are followed up closely, even though the volume is low. Storebrand Bank, which manages the loans at Storebrand Boligkreditt, has conservative lending practices in relation to customers' debt servicing capacity. The security is deemed to be very good, as the majority of loans are within 60 per cent of the value of the bank's security. The average loan-to-value ratio of the portfolio of Storebrand Boligkreditt is 48 per cent (49 per cent). On the transfer date, the loan-to-value ratio is a maximum of 75 per cent. The risk in the loan portfolio is therefore considered to be very low. About 99 per cent of housing loans are within a 80 per cent loan-to-value ratio.

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 of its financial commitments as they become due. Liquidity in the mortgage 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 and maximum volume per issue within a 6 month period.

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

The liquidity 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 2013 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 borrowings are either variable or have been swapped to variable three month NIBOR.

Storebrand Boligkreditt does not have any exposure to currency risk at the end of 2013 as the company's loans and borrowing are in Norwegian kroner.

Operational risk

In order to manage operational risk, the company's administration prioritises establishing good work and control procedures. Systematic risk reviews are undertaken quarterly as well as for special transactions or unexpected events. The last risk review was performed in autumn 2013.

Compliance risk

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

CAPITAL MANAGEMENT

Capital adequacy

Equity in the company at the end of the year amounted to NOK 1,048 million. The net capital base at year-end, following the group contribution, amounted to NOK 879 million (NOK 706 million). In the second quarter of 2013 the company received a capital injection of NOK 175 million from Storebrand Bank ASA. The company's total capital ratio and core capital ratio are 14.7 per cent (10.4 per cent).

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

PERSONNEL, ORGANISATION, CORPORATE BODIES AND THE ENVIRONMENT

Sustainability

The Storebrand Group has worked systematically and purposefully on sustainability for almost 20 years. Sustainable products and relationships are one of Storebrand's customer promises and form an integral part of the Group's brand. In 2013, Storebrand further increased its work on sustainability in order to deliver on the promise to its customers of sustainability as a differentiating factor that brings us closer to the vision: "Recommended by our customers".

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

Ethics and trust

Storebrand lives by trust. The company sets strict requirements concerning high ethical standards for the Group's employees. The Group has a common code of conduct that is available on our intranet. This sets rules for employees' personal conduct, business practices and whistleblowing. The company has rules for both internal and external whistleblowing.

Environment

Storebrand works systematically to reduce the company's impact on the environment, and places strict environmental requirements on suppliers and companies in which it invests. The company's head office is a low-emission building that uses renewable energy sources like solar energy and district heating. The building is also certified as an Eco-lighthouse.

Human resources and the organisation

At year-end 2013 the company had no employees. Accordingly, no special measures have been implemented for the working environment.

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

Equality/diversity
The Board of Storebrand Boligkreditt AS comprises three men and one woman. The CEO is a woman.

Statement of company management
Storebrand Boligkreditt's systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. The Board decides upon the guidelines annually. Storebrand Boligkreditt AS has established service contracts with Storebrand Livsforsikring AS that include all purchases of accounting expertise, bookkeeping and reporting from Storebrand Livsforsikring AS. Storebrand's executive management and Board of Directors review Storebrand's corporate governance policies annually. Storebrand established principles for corporate governance in 1998. Storebrand reports on 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 23 October 2012. For further information on Storebrand's corporate governance and a statement of company management in accordance with section 3-3b of the Norwegian Accounting Act, reference is made to a separate description in the Storebrand Group annual report.

The work of the Board is regulated by special rules of procedure for the Board. The Board of Storebrand ASA has also adopted an executive "2014 Steering Document for Risk Management and Internal Control at Storebrand" and a set of instructions for the Boards of subsidiary companies. These documents describe how guidelines, plans and strategies adopted by the Group's Board of Directors are expected to be complied with, and how risk management and controls are implemented at the Group. The Board of Storebrand ASA has two advisory subcommittees, common to Storebrand Group: the Compensation Committee and the Audit Committee.

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 consists of two internal and two external members, and an internal deputy member. Chairman of the Board Stein Wessel-Aas left the Board in 2013, and Heidi Skaaret was elected new Chairman of the Board.

Account of corporate social responsibility
See the account in the Storebrand Group's annual report regarding sustainability, included in the 2013 annual report for the Storebrand Group.

CONTINUING OPERATIONS
The Board confirms that the prerequisites for the going concern assumption exist and accordingly the Annual Report 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 167.2 million. The Board proposes that a group contribution be made of NOK 235.4 million before taxes (NOK 169.5 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	2.3
Group contribution to the parent company (after taxes)	-169.5
Total allocations	**167.2**

STRATEGY AND OUTLOOK FOR 2014

In 2014 Storebrand Boligkreditt will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank. Provided the statement of financial position in the parent company remains almost unchanged, the company has ambitions of only a limited growth in collateralisation during 2014.

New legal requirements for capital and capital buffers were established on 1 July 2013. In accordance with this, the overall requirements for core tier 1 capital and the total capital are 9 and 12.5 per cent respectively, and 10 and 13.5 per cent respectively as of 1 July 2014. The introduction of a counter-cyclical capital buffer of 1 per cent core tier 1 capital should be expected from 30 June 2015. These new requirements represent an early introduction of parts of a new set of European capital adequacy regulations that will be applicable in Norway when introduced into the EEA agreement. In addition to higher capital requirements and stricter requirements on capital quality, the new regulations entail new quantitative requirements on liquidity. The scope of reporting will increase significantly in the second half of 2014. The company is working systematically to adapt to the new solvency regulations.

The housing market and developments in total non-performing loans will be closely monitored. The work of ensuring good work procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt in 2014.

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

Lysaker, 11 February 2014
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Heidi Skaaret
Chairman of the Board

Geir Holmgren
Deputy chairman

Leif Helmich Pedersen
Board member

Tor Bendik Weider
Board member

Åse Jonassen
CEO

Profit and loss account

1 January - 31 December

NOK million	Note	2013	2012
Interest income		645.6	645.7
Interest expense		-390.0	-496.2
Net interest income	10	**255.6**	**149.5**
Commission income		0.1	0.1
Commission expense			
Net commission income		**0.1**	**0.0**
Net gains on financial instruments	10	-5.5	-4.3
Total other operating income		**-5.5**	**-4.3**
Staff expenses	12, 28	-0.1	-0.2
General administration expenses	12	-0.1	-0.2
Other operating costs	11, 12	-15.9	-16.4
Total operating costs		**-16.1**	**-16.7**
Operating profit before losses and other items		234.1	128.6
Loan losses	13	-2.0	-1.1
Profit before tax		**232.0**	**127.5**
Tax	14	-64.8	-35.7
Profit for the year		**167.2**	**91.8**

Statement of comprehensive income

NOK million	Note	2013	2012
Other comprehensive income			
Profit for the year		167.2	91.8
Total comprehensive income for the period		**167.2**	**91.8**
Allocations:			
Provision for group contribution			-85.3
Transferred to other equity		-167.2	-6.5
Total allocations		**-167.2**	**-91.8**

Statement of financial position - Balance sheet

31 December

Assets

NOK million	Note	2013	2012
Loans to and deposits with credit institutions	4, 8, 15, 16, 17	403.7	408.3
Financial assets designated at fair value through profit and loss account:			
Derivatives	4, 5, 8, 15, 18, 23	247.7	345.0
Other current assets	15, 16, 22	28.4	24.2
Gross lending	4, 15, 16, 19, 20	14 808.9	17 302.3
Loan loss provisions	4, 15, 16, 19, 21	-3.1	-2.6
Net lending to customers		14 805.9	17 299.7
Total assets		**15 485.6**	**18 077.3**

Liabilities and equity

NOK million	Note	2013	2012
Liabilities to credit institutions	5, 15, 16	2 148.5	4 618.1
Other financial liabilities:			
Commercial papers and bonds issued	5, 15, 16, 24	12 219.0	12 620.1
Other liabilities	5, 15, 16, 25	66.0	42.7
Deferred tax	14	3.9	5.0
Total liabilities		**14 437.3**	**17 285.8**
Share capital		455.0	350.0
Share premium reserve		270.1	200.1
Other paid-in equity		118.9	118.9
Other equity		204.3	122.4
Total equity	**27**	**1 048.3**	**791.4**
Total liabilities and equity		**15 485.6**	**18 077.3**

Lysaker, 11 February 2014
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Heidi Skaaret
Chairman of the Board

Geir Holmgren
Deputy chairman

Leif Helmich Pedersen
Board member

Tor Bendik Weider
Board member

Åse Jonassen
CEO

Reconciliation of equity

	Paid-in equity				Other equity			
NOK million	**Share capital**	**Share premium reserve**	**Other paid-in capital**	**Total paid-in capital**	**Revenue & costs applied to equity**	**Other equity**	**Total other equity**	**Total equity**
Equity at 31.12.2011	350.0	200.1	118.9	669.0	0.0	64.6	64.6	733.6
Profit for the period						91.8	91.8	91.8
Pension experience adjustments								
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**91.8**	**91.8**	**91.8**
Equity transactions with the owner:								
Group contribution paid						-33.9	-33.9	-33.9
Equity at 31.12.2012	**350.0**	**200.1**	**118.9**	**669.0**	**0.0**	**122.5**	**122.5**	**791.4**
Profit for the period						167.2	167.2	167.2
Pension experience adjustments								
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**167.2**	**167.2**	**167.2**
Equity transactions with the owner:								
Capital increase	105.0	70.0		175.0				175.0
Group contribution paid						-85.3	-85.3	-85.3
Equity at 31.12.2013	**455.0**	**270.1**	**118.9**	**844.0**	**0.0**	**204.3**	**204.3**	**1,048.3**

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

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

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

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

For further information on the company's fulfilment of the capital requirements, see note 27.

Cash flow statement

1 January - 31 December

NOK million	**2013**	**2012**
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	648.4	645.3
Net disbursement/payments on customer loans	2 475.8	-719.8
Net receipts/payments - securities at fair value	-5.5	-4.3
Payments of operating costs	-16.2	-20.9
Net cash flow from operating activities	**3 102.4**	**-99.6**
Cash flow from investment activities		
Net payments on purchase/sale of fixed assets etc.		
Net cash flow from investment activities	**0.0**	**0.0**
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-2 770.1	-3 798.9
Receipts - new loans and issuing of bond debt		4 446.1
Payments - interest on loans	-393.4	-514.9
Innbetaling ved utstedelse av aksjekapital og annen egenkapital	175.0	
Payments - group contribution	-118.5	-47.1
Net cash flow from financing activities	**-3 107.0**	**85.2**
Net cash flow in period	**-4.6**	**-14.5**
Net movement in cash and bank deposits	-4.6	-14.5
Cash and bank deposits at the start of the period	408.3	422.8
Cash and bank deposits at the end of the period	**403.7**	**408.3**

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.2013. 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 ccontribution are financial activities.

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

Contents notes

Note 1 | Company information and accounting policies

1. COMPANY INFORMATION
Storebrand Boligkreditt AS is a Norwegian limited company with bonds quoted on Oslo Børs. The company's 2013 financial statements were approved by the Board of Directors on 11 February 2014.

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

2. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS
The accounting policies applied in the company accounts are described below. The policies are applied consistently to similar transactions and to other events involving similar circumstances.

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

Use of estimates in preparing the annual financial statements.
The preparation of the annual financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See note 2 for further information about this.

3. CHANGES IN ACCOUNTING POLICIES
No significant changes were made to the accounting policies applied in 2013.

Due to the amendment to IAS 1 – Presentation of financial statements, the presentation of items included in the Statement of Total Comprehensive Income has been changed in 2013. The Statement specifies the items:

- that in subsequent periods will be reclassified to the profit or loss when certain conditions are met
- that will not subsequently be reclassified to the profit or loss.

This amendment has not had any significant effect on the company's financial statements.

IFRS 13 Fair value measurement took effect in 2013 and entailed an expanded disclosure requirement in the notes associated with accounting information on fair values. The changes described above have not had any significant effect on the company's financial statements.

Another key standard for Storebrand Boligkreditt's financial statements is IFRS 9 Financial instruments. The standard addresses classification of financial instruments (use of fair value and amortised cost) and rules for writing down financial instruments. It is possible that the standard may take effect in 2015, but the date has not been set.

Other amendments to the IFRS regulations that apply or can be applied to IFRS accounts that are prepared after 1 January 2014 are listed below. The amendments are not expected to have any significant effect on the company's financial statements.

- Amendment to IAS 39: Amendment to the rules regarding changing the counterparty when recognising hedging in the accounts
- Amendment to IAS 36: Requirement of information about the recoverable amount – intangible assets / goodwill
- Amendment to IAS 32: Revised offsetting rules

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 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 profit or loss.

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

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

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

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

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

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

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

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

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

6-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES
Financial assets are classified into one of the following categories:
- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option (FVO)
- Financial assets loans and receivables

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

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

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

At fair value through profit or loss in accordance with the fair value option (FVO)
Any Storebrand Boligkreditt liquidity portfolio in certificates and bonds will be classified at fair value through profit or loss because:
- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities, or that
- the financial assets form part of a portfolio that is managed and reported on a fair value basis

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

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

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

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 profit or loss.

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

6-4. HEDGE ACCOUNTING
Fair value hedging
Storebrand Boligkreditt uses fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

6-5. FINANCIAL LIABILITIES
Subsequent to initial recognition, all financial liabilities are measured at amortised cost using an effective interest method, or at fair value.

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

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

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

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

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

Note 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.

LOAN WRITE-DOWNS
Loans valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a loan or group of loans is impaired. A certain degree of judgement must be used in assessing whether impairment has occurred and the amount of the impairment

loss. Uncertainty grows when there is turmoil in financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect an assessment of whether impairment is indicated. There will thus be uncertainty concerning the recognised amounts of individual and group write-downs.

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

GROUP WRITE-DOWNS
On the balance sheet date one estimates the impairment of commitments not covered up by the individual assessments. The bank differentiates between the corporate market and retail customers, and further categorisation is carried out to ensure as similar risk characteristics as possible within the various groups. Group write-downs are carried out when objective impairment criteria have been met. These criteria are i) change in risk class and ii) change in macroeconomic situation.

i. If risk classifications significantly change in a negative direction, then group write-downs have to be made based on the portfolio's probable future cash flow. Such assessments are made at an account level and the customer's current classification is assessed in relation to the classification when the individual commitment was granted. It is the negative changes in classification from the date the commitments were established to the current classification that determine whether or not a commitment falls into a group that is the subject of write-downs. These write-downs are based on the write-down rates that are set on the basis of the bank's best judgement and the assumption that there will be a delay between when the loss incident occurs and when it is discovered.

ii. Groups write-downs based on macro factors are made in light of objective macroeconomic events. Examples of such events include higher unemployment, higher interest rates, poorer economic cycle forecasts, falling house prices, etc. Groups write-downs are calculated by multiplying the total commitment amount for a group of commitments that are assumed to be affected by such macroeconomic incidents by a write-down rate for macro factors.

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

Note 3 | Risk management

The core purpose of Storebrand Boligkreditt is to create value by assuming deliberate and acceptable risk. Continuous monitoring and active risk management are therefore key to the company's activities. Storebrand Boligkreditt is exposed to credit risk, liquidity risk, market risk and operational risk.

The basis for risk management is laid down in the Board's annual review of the strategy and planning process, including setting guidelines for risk management and internal control, risk strategy and overriding risk limits for the operations. At the Storebrand Group, responsibility for risk management and internal control is an integral part of management responsibility.

The Storebrand Group's organisation of risk management follows a model based on three lines of defence. The model takes responsibility for risk management on both the company and group level.

The first line of defence is the company management's ownership of and responsibility for risk assessment, risk management and handling, and compliance with rules and internal control. The Chief Risk Officer (CRO) at Storebrand Boligkreditt is the second line of defence, and supports the Board's and the management's responsibilities through processes to identify, monitor, control and report risk. The CRO's functional affiliation is with the Storebrand Group's CRO. The CRO reports directly to the Board of Storebrand Boligkreditt. The third line of defence is confirmation given to Board by the internal audit function of the suitability and efficiency of the organisation's risk assessment and management, including the effectiveness of the first and second lines of defence.

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 includes counterparty risk.

All loans at Storebrand Boligkreditt AS are granted in Storebrand Bank's Retail Market. Loans are granted based on credit scoring, combined with individual assessment of the repayment capacity.
The bank's procedures for credit management are set out in the Retail Market credit manual. The credit manual is primarily designed for account managers and others who are involved in case management processes. The credit manual contains common guidelines for the bank's credit activities, and ensures uniform and consistent credit management practices. The credit manual is based on a credit policy that describes executive principles for granting credit.
Counterparty risk in connection with the trading of financial derivatives with customers as the counterparty is included in credit risk, and follows a dedicated policy, based on the rating and size of the management portfolio.

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. The decrease in the maximum credit exposure from the end of 2012 is mainly related to lower engagement amount.

	Maximum credit exposure	
NOK million	**2013**	**2012**
Loans to and deposits with credit institutions	403.7	408.3
Total commitments customers *)	16 538.4	19 094.4
Interest rate swaps	247.7	345.0
Total	**17 189.8**	**19 847.8**
*) Of which net loans to and amounts due from customers measured at fair value:	0.0	0.0

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

CREDIT RISK LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

Credit risk per counterparty

NOK million	**AAA Fair value**	**AA Fair value**	**A Fair value**	**BBB Fair value**	**NIG Fair value**	**Total 2013 Fair value**	**Total 2012 Fair value**
Norway		102.0		301.7		403.7	408.3
Total loans to and deposits with credit institutions	**0.0**	**102.0**	**0.0**	**301.7**	**0.0**	**403.7**	**408.3**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

Home loan customers are assessed in terms of their willingness and ability to repay the loan. The repayment capacity is calculated, and customers are subject to a risk assessment on the application date. The loan-to-value ratio of customers of Storebrand Boligkreditt is less than 75 % on the transfer date from Storebrand Bank.

Storebrand Boligkreditt grants loans that are secured by way of home mortgages. There is some volume in full or partial mortgage in cabins / holiday homes. The loan-to-value ratio for these types of mortgage is a maximum of 60 % on the transfer date.

The average weighted loan-to-value ratio in the residential mortgage company is about 49 %, and about 99 % of home loans are within an 80 % loan-to-value ratio. A bare 68 % of home loans have a loan-to-value ratio of less than 60% in the residential mortgage company.
The credit quality of loans that are not due is high.

The security of Storebrand Boligkreditt lies in home mortgages. The portfolio's security is considered very good.
The security is also considered good for the loans that are due.

There is good security for non-performing loans that are not impaired for Retail Market customers. The average weighted loan-to-value ratio for these loans is 57.6 %, and the highest observed loan-to-value ratio for non-performing loans at the end of December 2013 is 76.7 %.
Assets pledged as collateral are sold in the Retail Market. They are not taken over by the bank.

The portfolio has low credit risk.

Commitments per customer group

NOK million	Loan to and due from customers	Guarantees	Undrawn credit limits	Total commitments
	2013			
Wage-earners	14 726.8		1 717.9	16 444.7
Other	10.2		0.6	10.8
Rest of world	72.0		14.0	86.0
Total	**14 808.9**	**0.0**	**1 732.5**	**16 541.5**
Loan loss provisions on individual loans	-2.4			-2.4
Loan loss provisions on groups of loans	-0.7			-0.7
Total loans to and due from customers	**14 805.9**	**0.0**	**1 732.5**	**16 538.4**

NOK million	Loan to and due from customers	Guarantees	Undrawn credit limits	Total commitments
	2012			
Wage-earners	17 193.0		1 776.5	18 969.5
Other	7.2		1.4	8.5
Rest of world	102.1		16.9	119.0
Total	**17 302.3**	**0.0**	**1 794.7**	**19 097.1**
Loan loss provisions on individual loans	-2.1			-2.1
Loan loss provisions on groups of loans	-0.5			-0.5
Total loans to and due from customers	**17 299.7**	**0.0**	**1 794.7**	**19 094.4**

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

Average volume engagement per customer group

NOK million	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
	2013			
Wage-earners	15 959.9		1 747.2	17 707.1
Other	8.7		1.0	9.7
Rest of world	87.0		15.5	102.5
Total	**16 055.6**	**0.0**	**1 763.6**	**17 819.3**

NOK million	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
	2012			
Wage-earners	16 805.9		1 717.0	18 523.0
Other	4.8		0.9	5.6
Rest of world	115.7		17.8	133.4
Total	**16 926.4**	**0.0**	**1 735.7**	**18 662.1**

Commitments per geographical area

2013

NOK million	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
Eastern Norway	11 828.2		1 328.9	13 157.1	25.2	8.7	33.9	1.8	32.1
Western Norway	2 008.5		287.9	2 296.4	2.3	2.3	4.6	0.6	4.0
Southern Norway	245.8		35.5	281.3			0.0		0.0
Mid-Norway	379.7		41.3	421.0			0.0		0.0
Northern Norway	274.7		24.9	299.6			0.0		0.0
Rest of world	72.0		14.0	86.0			0.0		0.0
Total	**14 808.9**	**0.0**	**1 732.5**	**16 541.5**	**27.5**	**11.0**	**38.5**	**2.4**	**36.1**

2012

NOK million	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
Eastern Norway	13 883.7		1 399.1	15 282.8	18.0	4.4	22.4	1.0	21.4
Western Norway	2 275.4		266.0	2 541.4	6.9	1.2	8.1	1.1	7.0
Southern Norway	284.5		37.4	321.9	1.9		1.9		1.9
Mid-Norway	442.0		46.3	488.3	1.2		1.2		1.2
Northern Norway	313.7		28.2	341.9	2.2		2.2		2.2
Rest of world	103.1		17.7	120.8			0.0		0.0
Total	**17 302.3**	**0.0**	**1 794.7**	**19 097.1**	**30.2**	**5.6**	**35.8**	**2.1**	**33.7**

Total engagement amount by remaining term to maturity

2013

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month				0,0
1 - 3 months	0.6			0.6
3 months - 1 year	16.1			16.1
1 - 5 years	1 525.3		594.9	2 120.2
More than 5 years	13 266.9		1 137.6	14 404.5
Total	**14 808.9**	**0.0**	**1 732.5**	**16 541.5**

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
		2012		
Up to 1 month	0.1			0.1
1 - 3 months	0.3			0.3
3 months - 1 year	11.7			11.7
1 - 5 years	599.0		190.1	789.2
More than 5 years	16 691.2		1 604.6	18 295.8
Total	**17 302.3**	**0.0**	**1 794.7**	**19 097.1**

Age distribution of overdue engagements without impairments

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
		2013		
Overdue 1 - 30 days	138.2			138.2
Overdue 31 - 60 days	30.5			30.5
Ovedue 61- 90 days	5.8			5.8
Overdue more than 90 days	27.5			27.5
Total	**202.0**	**0.0**	**0.0**	**202.0**

Engagements overdue more than 90 days by geographical area:

Eastern Norway	25.2			25.2
Western Norway	2.3			2.3
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world				0.0
Total	**27.5**	**0.0**	**0.0**	**27.5**

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
		2012		
Overdue 1 - 30 days	123.4		0.6	124.0
Overdue 31 - 60 days	49.4			49.4
Ovedue 61- 90 days	3.1			3.1
Overdue more than 90 days	30.2			30.2
Total	**206.1**	**0.0**	**0.6**	**206.7**

Engagements overdue more than 90 days by geographical area:

Eastern Norway	18.0			18.0
Western Norway	6.9			6.9
Southern Norway	1.9			1.9
Mid-Norway	1.2			1.2
Northern Norway	2.2			2.2
Rest of world				0.0
Total	**30.2**	**0.0**	**0.0**	**30.2**

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

			2013				
NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	11.0	27.5	38.5	2.4	36.1		0.3
Total	**11.0**	**27.5**	**38.5**	**2.4**	**36.1**	**0.0**	**0.3**

			2012				
NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	5.6	30.2	35.8	2.1	33.7		1.9
Total	**5.6**	**30.2**	**35.8**	**2.1**	**33.7**	**0.0**	**1.9**

CREDIT RISK DERIVATIVES

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

Credit risk per counterparty

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2013 Fair value	Total 2012 Fair value
Norway			247.7			247.7	345.0
Total	**0.0**	**0.0**	**247.7**	**0.0**	**0.0**	**247.7**	**345.0**
Rating classes are based on Standard & Poors.							
Change in value:							
Total change in value on the balance sheet			247.7			247.7	345.0
Change in value recognised in the profit and loss during period			-97.3			-97.3	30.5

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 fulfill 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 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 issue soft bullet bonds, to the extent it makes business sense, which means that the date of maturity of a bond can be extended by up to one year. In addition there will be limits with respect to the size of each repayment. The maturing of new borrowing in Storebrand Boligkreditt must always be planned so that no breach of the liquidity measures is 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. The company will draw on a borrowing facility from the parent bank when it requires liquidity also in connection with repaying borrowing. Storebrand Boligkreditt has a credit facility agreement with Storebrand Bank ASA for the day-to-day operations of the company including the purchase of loans from Storebrand Bank, and to cover interest and repayment on covered bonds for the next 12 months at any given time.
The agreements were entered into according to the arm's length principle.

The treasury function at Storebrand Bank is responsible for the bank group's liquidity management. The bank's Middle Office in the Finance and 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

NOK million	**0 - 6 months**	**6 - 12 months**	**1 - 3 year**	**3 - 5 year**	**More than 5 years**	**Total**	**Book value**
Liabilities to credit institutions	2 148.5					2 148.5	2 148.5
Commercial paper and bonds issued	1 049.3	153.0	7 118.3	3 339.2	1 313.1	12 973.0	12 219.0
Other liabilities	66.0					66.0	66.0
Undrawn credit limits	1 732.5					1 732.5	
Total financial liabilities 2013	**4 996.3**	**153.0**	**7 118.3**	**3 339.2**	**1 313.1**	**16 920.0**	**14 433.4**
Derivatives related to liabilites 31.12.2013	-77.0	-42.3	-126.3	-68.8	-30.0	-344.3	247.7
Total financial liabilities 2012	6 689.0	171.5	5 843.4	5 597.9	1 884.4	20 186.1	17 280.9

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 2013 are used to calculate interest for lending with FRN conditions. The maturity overview does not take account of the fact that the loans are soft bullet, i.e. the original maturity date is used. Call date is used as maturity date.

Loans to and deposits with credit institutions

NOK million	**2013**	**2012**
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	2 148.5	4 618.1
Total loans to and deposits with credit institutions at amortised cost	**2 148.5**	**4 618.1**

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

Covered bonds

NOK million *ISIN code*	Nominal value	Currency	Maturity	Book value
NO0010466071	850.0	NOK	24.04.2014	893.3
NO0010507809	2,040.0	NOK	27.04.2015	2 047.2
NO0010428584	1,000.0	NOK	06.05.2015	1 083.1
NO0010638307	1,000.0	NOK	17.06.2015	1 000.6
NO0010575913	646.5	NOK	03.06.2016	647.7
NO0010612294	2,000.0	NOK	15.06.2016	1 997.6
NO0010635071	2,650.0	NOK	21.06.2017	2 666.5
NO0010660822	500.0	NOK	20.06.2018	500.0
NO0010548373	1,250.0	NOK	28.10.2019	1 383.0
Total commercial paper and bonds issued 2013				**12 219.0**
Total commercial paper and bonds issued 2012				12 620.1

The loan agreements contain standard covenants. Under the loan programme the company's overcollateralisation requirement was 109.5 per cent fulfilled. In 2013, 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 risk and exchange rate risk set the frames for market risk, primarily associated with the company's fixed income securities. The company can be exposed to currency risk to a lesser degree. Storebrand Boligkreditt AS does not have any obligations or assets in foreign currency as at 31.12.2013.

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

The exposure limits are reviewed and renewed by the Board at least once a year. The size of these limits is set on the basis of stress tests and analyses of market movements.

The Middle Office in the bank's Finance and Risk Management unit is responsible for 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 2013:

Effect on accounting income

NOK million	Amount
Interest -1.0%	-7.3
Interest +1.0%	7.3

Effect on accounting profit/equity [1)]

NOK million	Amount
Interest -1.0%	-7.3
Interest +1.0%	7.3

[1)] Before taxes.

Economic interest risk

NOK million	**Amount**
Interest -1.0%	4.5
Interest +1.0%	-4.5

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

When calculating the financial effect, consideration has been given to the effect such an immediate change in interest rates would have on the market value of all items recorded in the statement of financial position.

Note 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 goal 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).

If the risk assessment requires the implementation of planned improvement measures, the measures must be documented and reported via ERM. The work with the risk assessment process is summarised annually in a report that is reviewed by the Board as part of the management's reports regarding internal control.

The Middle Office in the bank's Finance and Risk Management department 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 function and internal auditor carry out spot checks in a number of the bank's most important work processes. The results of these are reported to the company's Board.

COMPLIANCE RISK

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

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

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

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

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

Level 1: Financial instruments valued on the basis of quoted prices in active markets for identical assets
Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1. Storebrand Boligkreditt AS did not have any investments that were classified at this level at year-end.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1
This category encompasses financial instruments that are valued based on market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 covers bonds and equivalent instruments.Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified as level 2.

Level 3: Financial instruments valued on the basis of information that is not observable according to the definition for level 2 financial instruments
Investments classified as level 3 largely include investments in unlisted/private companies. The company did not have any investments that were classified at this level at year-end.

Specification of financial assets at amortised cost

	Level 1	Level 2	Level 3				
NOK million	**Quoted prices**	**Observable assump-tions**	**Non-observable assumptions**	**Fair value 31.12.2013**	**Fair value 31.12.2012**	**Book value 31.12.2013**	**Book value 31.12.2012**
Financial assets							
Loans to and deposits with credit institutions		403.7		403.7	408.3	403.7	408.3
Lending to customers		14 805.9		14 805.9	17 299.7	14 805.9	17 299.7
Total fair value at 31.12.2012		17 708.0					
Financial liabilities							
Deposits from and due to credit institutions		2 148.5		2 148.5	4 618.1	2 148.5	4 618.1
Commercial papers and bonds issued		12 312.9		12 312.9	12 710.4	12 219.0	12 620.2
Total fair value at 31.12.2012		17 328.5					

See also note 16.

Specification of financial assets at fair value

	Level 1	Level 2	Level 3		
NOK million	**Quoted prices**	**Observable assumptions**	**Non-observable assumptions**	**Book value 31.12.2013**	**Book value 31.12.2012**
Interest rate swaps		247,7		247,7	345,0
Total derivatives	**0,0**	**247,7**	**0,0**	**247,7**	**345,0**
Derivatives with a positive fair value		247,7		247,7	345,0
Derivatives with a negative fair value					
Total derivatives 31.12.2012		345,0			

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

Note 9 | Segment

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for 2013 therefore relate entirely to the Retail Lending segment. Geographic segments form the company's secondary reporting segments. The company does not have any activities outside Norway. Customers from abroad are classified as part of the Norwegian activities. All operating income and the company's earnings therefore relate solely to its Norwegian activities.

Note 10 | Net income from financial instruments

NOK million	2013	2012
Net interest income		
Interest and other income on loans to and deposits with credit institutions	10.2	10.1
Interest and other income on loans to and due from customers	635.5	635.6
Interest on commercial paper, bonds and other interest-bearing securities		
Other interest income and related income		
Total interest income *)	**645.6**	**645.7**
Interest and other expenses on debt to credit institutions	-101.4	-132.0
Interest and other expenss on deposits from and due to customers		
Interest and other expenses on securities issued	-288.7	-364.2
Interest and expenses on subordinated loan capital		
Other interest expenses and related expenses		
Total interest expenses **)	**-390.0**	**-496.2**
Net interest income	**255.6**	**149.5**
*) Of which total interest income on financial assets that are not at fair value through profit and loss account	645.6	645.7
**) Of which total interest expenses on financial liabilities that are not at fair value through profit and loss account	-390.0	-496.2

Net income and gains from financial assets and liabilities	**2013**	**2012**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued, fair value hedging	-2.8	-1.0
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-2.7	1.4
Net gain/loss on fair value hedging	**-5.5**	**0.4**
Bonds issued		
Realised gain/loss on bonds issued at amortised cost		-4.7
Total gain/loss on bonds issued at amortised cost	**0.0**	**-4.7**
Net income and gains from financial assets and liabilities	**-5.5**	**-4.3**
Net gain/loss on financial assets at fair value through profit and loss account:		
Financial assets designated at fair value upon initial recognition	-5.5	0.4
Financial assets classified as held for trading		
Changes in fair value on assets due to changes i credit risk		
Net gain/loss on financial liabilities at fair value through profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		
Financial liabilities classified as held for trading		

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

Note 11 | Remuneration paid to auditor

Remuneration excl. valued added tax

NOK 1000	**2013**	**2012**
Statutory audit	158	164
Other reporting duties [1)]	195	165
Other non-audit services		
Total	**353**	**329**

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

Note 12 | Operating expenses

NOK million	**2013**	**2012**
Ordinary wages and salaries		
Employer's social security contributions		
Other staff expenses	-0.1	-0.2
Pension cost		
Total staff expenses	**-0.1**	**-0.2**
IT costs		
Printing, postage etc.		
Travel, entertainment, courses, meetings		
Other sales and marketing costs	-0.1	-0.2
Total general administration expenses	**-0.1**	**-0.2**
Contract personnel	-0.7	-0.5
Operating expenses on rented premises		
Inter-company charges for services	-14.0	-14.7
Other operating expenses	-1.2	-1.1
Total other operating expenses	**-15.9**	**-16.4**
Total operating expenses	**-16.1**	**-16.7**

Note 13 | Loan losses

NOK million	**2013**	**2012**
Change in loan loss provisions on individual loans for the period	-0.3	-1.9
Change in loan loss provisions on groups of loans for the period	-0.2	0.8
Other corrections to loan loss provisions	0.4	
Realised losses in period on commitments specifically provided for previously	-1.5	
Realised losses on commitments not specifically provided for previously	-0.5	
Recoveries on previously realised losses		
Total loan losses for the period	**-2.0**	**-1.1**

Note 14 | Tax

Tax base for the year

NOK million	2013	2012
Ordinary pre-tax profit	232.0	127.5
Permanent differences		
Change in temporary differences	3.4	-8.9
Tax base for the year	**235.4**	**118.6**

Tax charge for the year

NOK million	2013	2012
Tax payable for the period	-65.9	-33.2
Changes in deferred tax/deferred tax asset	1.1	-2.5
Total tax charge	**-64.8**	**-35.7**

Reconciliation of expected and actual tax charge

NOK million	2013	2012
Ordinary pre-tax profit	232.0	127.5
Expected tax on income at nominal rate	-65.0	-35.7
Change in tax rules	0.1	
Tax charge	**-64.8**	**-35.7**
Tax payable	-65.9	-33.2
- tax effect of group contribution paid		
Tax payable in the balance sheet	**-65.9**	**-33.2**

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

NOK million	2013	2012
Tax increasing timing differences		
Derivatives	176.8	264.9
Total tax increasing timing differences	**176.8**	**264.9**
Tax reducing timing differences		
Bonds issued	-162.4	-247.2
Total tax reducing timing differences	**-162.4**	**-247.2**
Losses/allowances carried forward		
Net base for deferred tax/tax assets	14.4	17.7
Net deferred tax/defferd tax asset in the balance sheet	**-3.9**	**-5.0**

NOTE 15 | Classification of financial instruments

NOK mill.	Loans and receivables	Fair value, trading	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets					
Loans to and deposits with credit institutions	403.7				403.7
Derivatives		247.7			247.7
Net lending to customers	14 805.9				14 805.9
Other assets	28.4				28.4
Total financial assets 2013	**15 237.9**	**247.7**	**0.0**	**0.0**	**15 485.6**
Total financial assets 2012	17 732.3	345.0	0.0	0.0	18 077.3
Financial liabilities					
Liabilities to credit institutions				2 148.5	2 148.5
Commercial papers and bonds issued				12 219.0	12 219.0
Other liabilities				66.0	66.0
Total financial assets 2013	**0.0**	**0.0**	**0.0**	**14 433.4**	**14 433.4**
Total financial assets 2012	0.0	0.0	0.0	17 280.9	17 280.9

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

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

	2013		2012	
NOK million	**Book value**	**Fair value**	**Book value**	**Fair value**
Assets				
Loans and receivables:				
Loans to and deposits with credit institutions, amortised cost	403.7	403.7	408.3	408.3
Lending to customers, amortised cost	14 805.9	14 805.9	17 299.7	17 299.7
Other current assets	28.4	28.4	24.2	24.2
Liabilities				
Liabilities to credit institutions, amortised cost	2 148.5	2 148.5	4 618.1	4 618.1
Commercial papers and bonds issued, amortised cost	12 219.0	12 312.9	12 620.2	12 710.4
Other liabilities	66.0	66.0	42.7	42.7

NOTE 17 | Loans to and deposits with credit institutions

NOK million	2013 Book value	2012 Bokk value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	403.7	408.3
Total loans to and deposits with credit institutions at amortised cost	**403.7**	**408.3**

Note 18 | Financial derivatives

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

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

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

					Amount that can be, but is not presented net in the statement of financial position		
NOK million	**Gross nom. volume [1)]**	**Gross recognised fin. assets**	**Gross recognised debt**	**Net fin. assets/ debt in the statement of financial position**	**Fin. assets**	**Fin. debt**	**Net amount**
Interest derivatives [2)]	3 100.0	247.7					247.7
Total derivatives 31.12.2013	**3 100.0**	**247.7**	**0.0**	**0.0**	**0.0**	**0.0**	**247.7**
Total derivatives 31.12.2013	3 400.0	345.0					345.0

[1)] Values at 31.12.
[2)] Interest derivatives include accrued, not due, interest.

Investments subject to netting agreements /CSA

				Security		
NOK million	**Recognised assets**	**Recognised liabilities**	**Net assets**	**Cash (+/-)**	**Securities (+/-)**	**Net exposure**
Counter-parties:						
DNB NOR Bank ASA	247.7	0.0	247.7			247.7
Total counter-parties	**247.7**	**0.0**	**247.7**	**0.0**	**0.0**	**247.7**

Note 19 | Analysis of loan portfolio and guarantees

NOK million	**2013 Book value**	**2012 Book value**
Lending to customers at amortised cost	14 808.9	17 302.3
Lending to customers at fair value		
Total gross lending to customers	**14 808.9**	**17 302.3**
Loan loss provisions on individual loans (see note 21)	-2.4	-2.1
Loan loss provisions on groups of loans (see note 21)	-0.7	-0.5
Net lending to customers	**14 805.9**	**17 299.7**

See note 4 for specification of lending to customers.

Note 20 | Loan to value ratios and collateral

NOK million	2013	2012
Gross lending	14 808.9	17 302.3
Average loan balance	1.5	1.5
No. of loans	9 861	11 704
Weighted average seasoning (months)	39	33
Weighted average remaning term (months)	202	209
Average loan to value ratio	48%	49%
Over-collateralisation [2]	126%	143%
Cover pool:		
Residential mortgages [1]	14 715.0	17 217.3
Supplementary security	403.3	406.5
Total	**15 118.3**	**17 623.7**

[1] In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2013 the company had NOK 55.9 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2013, the company has 14 non-performing loans, equivalent to NOK 27.5 million. There are 8 non-performing loans with evidence of impairment of NOK 11.0 million where the impairment is assessed to be NOK 2.4 million. Non-performing loans are not included in the cover pool.

[2] Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 11.9 billion (nominal value).

Note 21 | Loan loss provisions

NOK million	2013 Book value	2012 Book value
Loan loss provisions on individual loans 1.1.	2.1	0.2
Losses realised in the period on individual loans previously written down	-1.5	
Loan losses of individual loans for the period	1.9	1.9
Reversals of loan loss provisions of individual loans for the period	-0.2	
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12.	**2.4**	**2.1**
Loan loss provisions on groups of loans and guarantees 1.1.	0.5	1.3
Grouped loan losses for the period	0.2	-0.8
Loan loss provisions on groups of loans and guarantees etc. 31.12.	**0.7**	**0.5**
Total loan loss provisions	**3.1**	**2.6**

Note 22 | Other current assets

NOK million	2013 Book value	2012 Book value
Due from Storebrand group companies	6.7	
Interest accrued on lending	21.6	24.1
Other current assets		0.1
Total other current assets	**28.4**	**24.2**

NOTE 23 | Hedge accounting

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

	2013			2012		
		Fair value [1), 2)]			Fair value [1), 2)]	
NOK million	**Contract/ nominal value**	**Assets**	**Liabilities**	**Contract/ nominal value**	**Assets**	**Liabilities**
Interest rate swaps	3 100.0	247.7		3 400.0	345.0	
Total interest rate derivatives	3 100.0	247.7	0.0	3 400.0	345.0	0.0
Total derivatives	**3 100.0**	**247.7**	**0.0**	**3 400.0**	**345.0**	**0.0**

		Fair value [1)]			Fair value[1)]	
NOK million	**Contract/ nominal value**	**Assets**	**Liabilities**	**Contract/ nominal value**	**Assets**	**Liabilities**
Underlying objects :						
Bonds issued	3 100.0		3 359.4	3 400.0		3 758.4
Hedging effectiveness - prospective			93%			101%
Hedging effectiveness - retrospective			100%			100%

Gain/loss on fair value hedging: [3)]

NOK million	**2013 Gain/loss**	**2012 Gain/loss**
On hedging instruments	-87.5	9.1
On items hedged	84.8	-7.7

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

NOTE 24 | Commercial papers and bonds issued

NOK million	**2013 Book value**	**2012 Book value**
Covered bonds	12 219.0	12 620.1
Total commercial papers and bonds issued	**12 219.0**	**12 620.1**

See note 5 for specification of covered bonds.

Note 25 | Other liabilities

NOK million	2013 Book value	2012 Book value
Payable to Storebrand group companies		9.3
Tax payable	65.9	33.2
Other liabilities	0.1	0.3
Total other liabilities	**66.0**	**42.7**

Note 26 | Off balance sheet liabilities and contingent liabilities

NOK million	2013	2012
Undrawn credit limits	1 732.5	1 794.7
Total contingent liabilities	**1 732.5**	**1 794.7**

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 27 | Capital adequacy

Net capital base

NOK million	2013	2012
Share capital	455.0	350.0
Other equity	593.3	441.4
Total equity	**1 048.3**	**791.4**
Deductions		
Provision for group contribution	-169.5	-85.3
Core capital exc. Hybrid Tier 1 capital	**878.9**	**706.1**
Deductions		
Core capital	**878.9**	**706.1**
Deductions		
Net capital base	**878.9**	**706.1**

Minimum requirements for capital base

NOK million	2013	2012
Credit risk	454.5	526.1
Of which:		
Institutions	10.9	11.9
Loans secured against real estate	431.0	503.7
Loans past-due	2.9	2.3
Other	9.9	8.2
Total minimum requirements for credit risk	**454.7**	**526.1**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	22.8	15.7
Deductions:		
Loan loss provisions on groups of loans	-0.1	0.0
Minimum requirement for capital base	**477.5**	**541.8**

Capital adequacy

NOK million	2013	2012
Capital ratio	14.7 %	10.4 %
Core (tier 1) capital ratio	14.7 %	10.4 %
Core capital ratio excl. Hybrid Tier 1 capital	14.7 %	10.4 %

The standard method is used for credit risk and market risk, and the basic method for operational risk. New capital requirements came into force from 1 July 2013. The overall requirements for core tier 1 capital and the capital base are 9 and 12.5 per cent respectively as of 1 July 2013, and 10 and 13.5 per cent respectively as of 1 July 2014. The introduction of a counter-cyclical capital buffer of 1 per cent core tier 1 capital should be expected from 30 June 2015.

Basis of calculation (risk-weighted volume)

NOK million	2013	2012
Credit risk	5 680.7	6 576.2
Of which:		
Institutions	136.3	148.9
Loans secured against real estate	5 387.1	6 296.7
Loans past-due	35.7	28.4
Other	124.2	102.2
Total basis of calculation credit risk	**5 683.4**	**6 576.2**
Total basis of calculation market risk	**0.0**	**0.0**
Operational risk	285.5	196.8
Deductions:		
Loan loss provisions on groups of loans	-0.7	-0.5
Total basis of calculation of minimum requirements for total capital	**5 968.2**	**6 772.5**

Note 28 | Remuneration and close associates

Remuneration of senior employees and elected officers

NOK 1000	Ordinary salary	Bonus paid in 2013	Other benefits 2	Salary guarantee	Pension accrued for the year	Present value of pension
Senior employees						
Åse Jonassen (CEO) [1)]	602		88		140	1,086
Total 2013	**602**	**0**	**88**	**0**	**140**	**1,086**
Total 2012	944	0	0	0	118	1,170

NOK 1000	Loans	Interest rate at 31.12.2013	Repayment period	No. of shares owed	Bonus earned in 2013	Bonus to be paid in 2014	Bonus transferred to share bank per 31.12.13
Senior employees							
Åse Jonassen (CEO) [1)]	2 888	2.25%	2030-2034	3 800			
Total 2013	**2 888**			3 800	0	0	0
Total 2012	6 350			1 748			

NOK 1000	Renumeration	Number of shares	Loans [4]	Interest rate at 31.12.2013	Repayment period
Board of Directors:					
Heidi Skaaret [2]		1 637	7 206	2.25-3.8%	2022-2042
Geir Holmgren [2]		6 097			
Thor Bendik Weider	80		5 556	3.80%	2019
Leif Helmich Pedersen	120				
Total 2013	**200**	**7 734**	**12 762**		
Total 2012	78	4 460	16 605		
Control Committee [3]					
Elisabeth Wille	328	163			
Finn Myhre	277		3 696	3.94%	2025-2029
Harald Moen	236	595			
Anne Grete Steinkjer	236	1 800			
Ole Klette	236				
Tone Margrethe Reierselmoen	236	1 734	415	4.40%	2021
Total 2013	**1 221**	**4 129**	**4 111**		
Total 2012	1 520	2 492	5 864		

[1] Åse Jonassen (CEO) receives no remuneration from Storebrand Boligkreditt AS. The company purchase all its administrative services, incl. CEO from Storebrand Bank ASA. Åse Jonassen is not covered by Storebrand's bonus bank scheme.
[2] Heidi Skaaret and Geir Holmgren receive no remuneration for their board work in Storebrand Boligkreditt AS.
[3] Remuneration to the Control Committee covers all the Norwegian companies in the group which are required to have a control committee.

Transactions with group companies:

	2013		2012	
NOK million	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income	5.0		5.4	
Interest expense	164.4		244.7	
Services sold				
Services purchased	13.1	0.9	13.5	1.2
Due from	308.4		298.3	
Liabilities to	2 148.5		4 627.3	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 2.7 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2013.

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

Storebrand Boligkreditt AS does not have any employees, and purchases personnel services from Storebrand Bank ASA and other services including bookkeeping from Storebrand Livsforsikring AS. All loans in the company are purchased from Storebrand Bank ASA after the loan purchase agreement has been signed with Storebrand Bank ASA, and a management agreement has been signed with Storebrand Bank ASA concerning management of the lending portfolio. In brief, the management agreement involves the company paying a fee to Storebrand Bank ASA for administering the company's lending portfolio. When purchasing the loans, Storebrand Boligkreditt assumes all the risks and rewards incidental to ownership of the lending portfolio. Storebrand Boligkreditt receives all the cash flows from the borrower. The bank and Storebrand Boligkreditt have not signed agreements for guarantees, options, repurchases or similar in connection with the lending portfolio in Storebrand Boligkreditt AS. It is Storebrand Boligkreditt that is exposed to any losses that may result from non-performance. Non-performing loans remain in the company, but are not included in the securities portfolio. The company has also signed an agreement with Storebrand Bank ASA concerning a credit facility for funding purchased loans (see note 5).

Contracts with Group companies are entered into based on the arm's length principle.

Loans to employees:

NOK million	**2013**	**2012**
Loans to employees of Storebrand Boligkreditt AS	0.0	0.0
Loans to employees of Storebrand Group	1 592.2	1 859.8

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

Headcount and personnel information:

There are no employees in the company.

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

Today the Board members and the CEO have considered and approved the annual report and annual financial statements of Storebrand Bank ASA for the 2013 financial year and as of 31 December 2013 (2013 annual report).

The annual accounts have been prepared in accordance with International Financial Reporting Standards approved by the EU and appurtenant interpretations, as well as the other disclosure obligations stipulated by the Norwegian Accounting Act and the current applicable regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2013. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16.

In the best judgement of the Board and the CEO, the annual financial statements for 2013 have been prepared in accordance with the applicable accounting standards, and the information presented in the the financial accounts provides a true and fair view of company's assets, liabilities, financial position and results as a whole as of 31 December 2013. In the best judgement of the Board and the CEO, the annual report provides a true and fair view of the material events that occurred during the accounting period and their effects on the annual financial statements of Storebrand Boligkreditt AS. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the company faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 11 February 2014
The Board of Directors of Storebrand Boligkreditt AS

Translation – not to be signed

Heidi Skaaret
Chairman of the Board

Geir Holmgren
Deputy chairman

Leif Helmich Pedersen
Board member

Tor Bendik Weider
Board member

Åse Jonassen
CEO

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Boligkreditt AS, which comprise the statement of financial position as at December 31, 2013, and the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Boligkreditt AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Deloitte.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Oslo, February 11, 2014
Deloitte AS

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

[Translation has been made for information purposes only]

Storebrand Boligkreditt AS - Control Committee's Statement for 2013

At its meeting on 25 February 2014, the Control Committee of Storebrand Boligkreditt AS reviewed the Board of Directors' proposed Annual Report and Accounts for 2013 for Storebrand Boligkreditt AS.

With reference to the auditor's report of 11 February 2014, the Control Committee recommends that the Annual Report and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Boligkreditt AS for 2013.

Lysaker, 25 February 2014

Translation – not to be signed

Elisabeth Wille
Chairman of the Control Committee

Storebrand Boligkreditt AS - Board of Representatives' Statement 2013

The Board of Directors' proposal for the Annual Report and Accounts, together with the Auditor's report and the Control Committee's statement have, in the manner required by law, have been presented to the Board of Representatives in the meeting on 6 March 2014.

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, 6 March 2014

Translation – not to be signed

Terje R. Venold
Chairman of the Board of Representatives

Company information

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storebrand