# Annual report

Storebrand Bank ASA

2013

storebrand

# Company information

**Address:**
Storebrand Bank ASA
Professor Kohts vei 9
PO Box 474
N-1327 Lysaker

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|---|---|
| **Telephone:** | +47 - 22 31 50 50 |
| **Call center (within Norway):** | 08880 |
| **Website:** | www.storebrand.no |
| **E-mail address:** | bank@storebrand.no |

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|---|---|
| **Company registration number:** | 953 299 216 |

**Senior Management:**

| | |
|---|---|
| Truls Nergaard | Managing Director |
| Bernt Uppstad | Head of Finance and Risk Management |
| Robert Fjelli | Head of Capital Market Products |
| Monica Kristoffersen Hellekleiv | Head of Retail Banking |
| Torstein Hagen | Head of Corporate Banking |
| Anne Grete T. Wardeberg | Head of Staff Functions |

**Board of Directors:**

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|---|---|
| Heidi Skaaret | Chairman |
| Geir Holmgren | Deputy chairman |
| Leif Helmich Pedersen | Board Member |
| Inger Roll-Matthiesen | Board Member |
| Ranveig S. Ofstad | Board Member |

**Contact persons:**
Truls Nergaard. Managing Director. Tlf.: +47 - 916 02 270.
Bernt Uppstad. Head of Finance and Risk Management.Tlf.: +47 - 901 68 821.

**Other sources of information:**
Annual Reports and interim reports of Storebrand Bank ASA are published on www.storebrand.no.

# Contents

# Key figures - Storebrand Bank Group

| *NOK million* | **2013** | **2012** |
|---|---|---|
| **Profit and Loss account: (as % of avg. total assets)** | | |
| Net interest income | 1.35 % | 1.25 % |
| Other operating income 3) | 0.18 % | 0.33 % |
| | | |
| **Main balance sheet figures:** | | |
| Total assets | 39 056.1 | 40 671.2 |
| Average total assets 1) | 40 572.5 | 39 250.3 |
| Gross lending to customers | 33 746.8 | 35 445.5 |
| Deposits from customers | 20 728.1 | 19 932.7 |
| Deposits from customers as % of gross lending | 61.4 % | 56.2 % |
| Equity | 2 565.5 | 2 455.7 |
| | | |
| **Other key figures:** | | |
| Total non-interest income as % of total income | 12.0 % | 21.1 % |
| Loan losses and provisions as % of average total lending | 0.03 % | -0.02 % |
| Gross non-performing and loss-exposed loans as % of total average lending | 1.4 % | 0.8 % |
| Cost/income ratio banking activities 4) | 57.2 % | 64.0 % |
| Return on equity before tax 2) | 9.5 % | 8.9 % |
| Core capital ratio | 12.8 % | 11.2 % |

**Definitions:**

1) Average total assets is calculated on the basis of monthly total assets for the quarter and for the year to date respectively.

2) Profit before tax for continued operations as % of average equity.

3) Other operating income includes net fee and commission income.

4) Banking activities consists of Storebrand Bank ASA and Storebrand Boligkreditt AS.

# Storebrand Bank - The board of director´s report for 2013

(Figures for 2012 are shown in parentheses)

## MAIN TRENDS

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA, and is part of the Bank and Asset Management business unit in the Storebrand Group. Storebrand Bank is a commercial bank with licenses under the Securities Trading Act. Its head office is in Lysaker, in the municipality of Bærum.

The bank achieved a profit before taxes of NOK 235 million for 2013 compared with NOK 209 million in 2012 for continued operations. Storebrand Bank continues on a positive trend and the results for 2013 have improved across a range of key areas compared with 2012.

Storebrand Bank is a web-based bank that offers traditional banking products to the Norwegian market. Its main target group is employees with occupational pension at Storebrand. The bank's offering is integrated into the Group's benefit programme for these customers, Storebrand Fordel. The bank experienced a growth in lending and deposits in the retail market in 2013.

Storebrand has decided to wind up the Corporate Market at the bank. The winding up of the operation will be gradual and controlled, with existing customers being well looked after.

At Storebrand, the group unit Commercial Norway is responsible for the general commercial activities in the Norwegian part of Storebrand. This means that distribution, market activities and product development in Norway are gathered under the same management, with the goal to increase the force of the market. The bank delivers products to the different market and customer concepts.

## FINANCIAL PERFORMANCE

The bank achieved a profit before taxes of NOK 235 million for 2013 compared with NOK 209 million in 2012 for continued operations. The effect of the sold/discontinued enterprise, Ring Eiendomsmegling, on the income statement was a deficit of NOK 4 million for 2013 compared with a profit of NOK 3 million in 2012. Storebrand Bank Group achieved a profit after taxes of NOK 162 million in 2013 compared with NOK 175 million in 2012

### NET INTEREST INCOME

Net interest income for the bank group amounted to NOK 547 million compared with NOK 490 million in the previous year. Net interest income as a percentage of average total assets was 1.35 per cent in 2013; 0.10 percentage points higher than in 2012. The interest margin has shown a positive development, partly driven by good lending margins and falling interest rates.

### OTHER INCOME

Net commission income amounted to NOK 70 million, virtually unchanged compared with 2012. Other operating income declined by NOK 56 million to a total of NOK 4 million. Revaluations of financial instruments recorded at fair value were NOK 16 million compared with a profit of NOK 35 million in 2012. This includes a positive contribution from interest rate and foreign exchange services supplied to the bank's customers. Other income is negatively affected by the downscaling of the Corporate Market. Revenues from subsidiary Hadrian Eiendom AS are included in other income.

### OPERATING EXPENSES

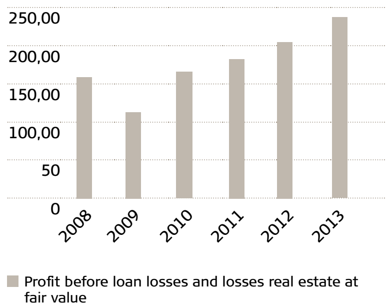
The operating expenses in the bank group totalled NOK 375 million (NOK 420 million). The cost percentage for the banking business[1) ] was 57 per cent in 2013 (64 per cent). The operating expenses include one-off costs associated with the decision to wind up the Corporate Market. Operating expenses in 2013 were lower due to the restructuring of Storebrand's pension scheme for its employees. An amendment to the pension rules has led to a lower provision for future pension disbursements. This gives reduced pension costs and lower costs for future pensions. The 2012 cost programme had an effect in 2013 primarily linked to the workforce reductions. Goodwill was written down by NOK 11 million in 2013.

### LOSSES AND NON-PERFORMING LOANS

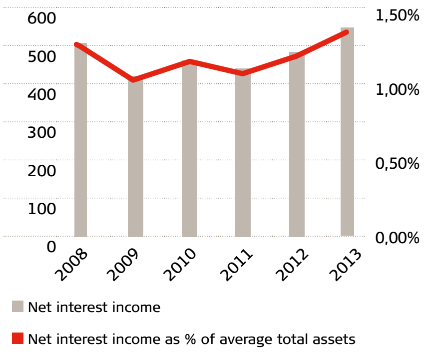
Total loan losses including write-downs on loans taken over amount to minus NOK 11 million compared with plus NOK 8 million in 2012. During the third quarter, the bank sold a non-performing loan portfolio with a positive effect of NOK 8 million.

Non-performing loans that are not impaired fell in 2013, and totalled NOK 111 million (NOK 185 million). The total volume of impaired non-performing loans increased in 2013 to NOK 356 million (115 million), as a result of a company commitment where the risk has increased and individual write-downs have been made. Interest is served on the commitment. The total volume of non-performing loans represents 1.4 per cent of gross lending (0.8 per cent).

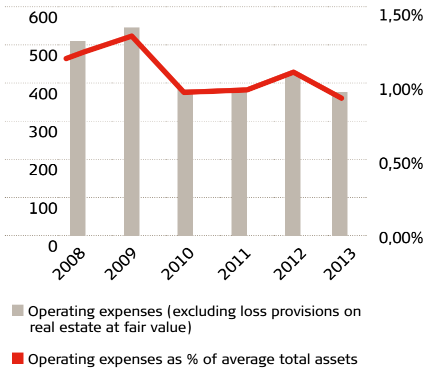
Trends in profit before losses




Net interest income and net interest income as a percentage of average total assets

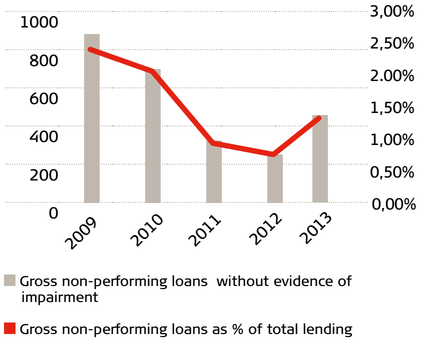



Operating expenses excluding write-downs on investment properties and as a percentage of average total assets

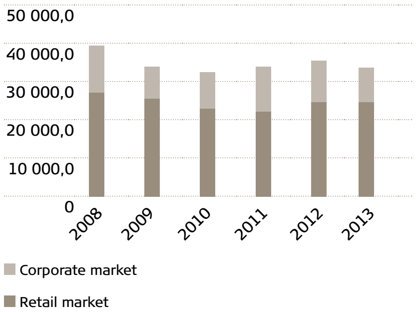



1) The banking business consits of Storebrand Bank ASA and Storebrand Boligkreditt AS.

Developments in gross non-performing loans with and without impairment and in the percentage of average gross lending.




Developments in gross lending in both the Retail market and Corporate market




Group write-downs have been reduced from NOK 39 million in 2012 to NOK 30 million at the end of 2013 for Storebrand Bank Group. The reduction is mainly the result of an individual write-down.

The annual result for the parent bank Storebrand Bank ASA was NOK 151 million (NOK 197 million).

## BALANCE SHEET

At the end of 2013 the bank group had NOK 39.1 billion in assets under management. Gross lending to customers was NOK 33.8 billion at year-end. This is a decline of NOK 1.7 billion, corresponding to 5 per cent since the end of 2012. The Retail Market portfolio developed positively during the year, while the Corporate Market portfolio has declined, as planned.

The bank group's Retail Market portfolio represents 71 per cent of total loans, and mainly consists of low risk home mortgages. The average weighted loan-to-value ratio (LVR) is about 55 per cent. Corporate market lending accounts for 29 per cent of the portfolio. At the end of 2013 about 66 per cent of these loans were to income-generating properties, 19 per cent to development properties (construction projects) and 15 per cent were other Corporate Market loans. The bank has signed a syndication agreement with Storebrand Livsforsikring AS for good commercial property loans. Loans to income-generating properties are secured by mortgages in rental properties which at the portfolio level are characterised by a well-diversified tenant profile and long-term lease contracts. Few customers are in default and the portfolio has a low level of losses.

The bank has a balanced funding structure and bases its funding on customer deposits, the issuing of securities and mortgage bonds, as well as borrowing in the Norwegian and international capital markets. In 2013 the bank also prioritised maintaining a good deposit to loan ratio, and at year-end the deposit to loan ratio was 64 per cent (56 per cent).

The bank group has issued a total of NOK 0.6 billion in senior bonds, and no covered bonds during the course of 2013. In 2013 borrowing conducted through the swap facility with Norges Bank was reduced by NOK 1 billion. The bank group takes an active stance in managing liquidity and market makers and in 2013 reacquired out-standing borrowings prior to the maturity date.

The parent bank Storebrand Bank ASA had total assets of NOK 29.9 billion at year-end. Gross lending in the parent bank represents about NOK 0.8 billion.

## BUSINESS SEGMENTS

### RETAIL MARKET

Storebrand Bank is a web-based bank that offers traditional banking products to the Norwegian market. Its main target group is employees with occupational pension at Storebrand. The bank's offering is integrated into the Group's benefit programme for these customers, Storebrand Fordel. The programme includes a discount on mortages and bank saving, and an attractive everyday banking package with a credit card.

At the end of 2013, the bank had 69,000 active Retail Market customers, with a lending volume of NOK 23.9 billion and a volume of deposits of NOK 12.5 billion. The competitiveness for loans above NOK 1 million increased during the year, and the bank saw growth in Retail Market lending. A continued commitment to conversion of life account assets yielded a growth in the volume of deposits.

Much of the bank's focus in 2013 was on preparations for the conversion of core bank systems from Norwegian Evry to Danish Scandinavian Data Centre (SDC). The conversion will be completed in 2014, and will give the bank lower costs, increased automation of customer and work processes, and better mobile and tablet solutions.

### CORPORATE MARKET

In April 2013, Storebrand decided to wind up the Corporate Market at the bank. The Corporate Market has a significant portfolio of commercial property loans that tie up much capital on the part of the Group. In light of the future Solvency II rules and new capital requirements for banks, a decision has been made to prioritize the freeing up of capital. This is also a strategic assessment of the future direction of the Group, and the bank's Corporate Market is not a prioritized core activity.

The area is being wound up in a controlled manner over time, meaning that the bank is not becoming involved in new projects, granting new loans or through other means bringing in new customers in the Corporate Market. The bank's existing customers and projects will be attended to and served well.

## GROUP STRUCTURE AND SUBSIDIARIES

Subsidiary Storebrand Boligkreditt AS holds a licence to issue covered bonds secured by mortgages in residential property. The company's balance was NOK 16 billion at the end of 2013, and it mainly serves as a funding tool. NOK 11.9 million in covered bonds were issued. The portfolio had 0.2 per cent non-performance at the end of 2013. The established loan programme is Aaa rated by Moody's rating agency.

Hadrian Eiendom AS is a wholly owned subsidiary that represents the bank group's specialised expertise in property development, valuation and commercial property brokerage. The business is run from the company's office in Oslo.

A decision was made in 2011 to wind up ownership in Ring Eiendomsmegling AS, and this work took place in 2012 and 2013. In 2013, all of the subsidiaries of Ring Eiendomsmegling AS were merged with Ring Eiendomsmegling AS. Only minor obligations remain in the company.

## RISK MANAGEMENT

A bank's core activities are linked to creating value through exposure to acceptable risk. Storebrand Bank is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. On whole, the current risk profile is regarded as being satisfactory.

Risk at Storebrand Bank is closely monitored in accordance with guidelines for risk management and internal control that have been approved by the Board. The bank'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 bank.

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

### CREDIT RISK

Storebrand Bank's gross credit exposure declined slightly in 2013 and was NOK 43.1 billion as at 31.12.2013.

Gross lending to the Corporate Market, including undrawn credit lines and guarantees, is NOK 9.8 billion, while corresponding loans to the Retail Market are NOK 26.1 billion.

The growth of the Norwegian economy declined slightly in 2013, and was lower than previously estimated. In 2013 there was uncertainty about market developments and the extent to which the international financial instability would affect Norway. Total Group write-downs decreased in 2013 to NOK 30 million at the end of the year. The reduction is mainly the result of an individual write-down.

The credit quality of the Corporate Market portfolio is considered good. The portfolio entirely consists of mortgages for commercial properties. Mortgage-backed commitments in which running cash flows cover the commitment's interest charges account for around 77 per cent of the total exposure (loans and lines of credit). The rest of the portfolio mainly consists of mortgage-backed commitments linked to development.

Cash flow loans are characterised by a good, diversified tenant profile and long leases. The bank is secured a cash flow from tenants with these types of loans, in addition to having security in the property itself. Tenant diversification considerably minimises the overall risk in the portfolio. Development projects involve somewhat greater risk and the total exposure here is around NOK 2.0 billion. This segment is largely composed of loans to construction projects in the housing and office sector in and around the centre of Oslo.

Of loans that are not non-performing or in arrears in the Corporate Market portfolio, about 83 per cent have a loan-to-value ratio of below 80 per cent. About 87 per cent of the loans are within a 90 per cent loan-to-value ratio. For loans in arrears, the loan-to-value ratio is below 80 per cent for 98 per cent of the lending volume. The risk is considered satisfactory.

The credit quality of the Retail Market portfolio is considered very good. Almost the entire portfolio is secured on real estate. The portfolio's high collateral coverage indicates a limited risk of loss. The loan-to-value ratio of the property loans is relatively low and only a limited number of loans have been made which exceed 85 per cent of the market value. Such loans are only granted if customers can provide additional collateral or following a special assessment of suitability.

The weighted average loan-to-value ratio in the bank group for the Retail Market portfolio is approximately 55 per cent for mortages. Approximately 94 per cent of mortages have a loan-to-value ratio within 80 per cent and about 98 per cent are within a 90 per cent loan-to-value ratio. In the bank group, about 55 per cent of mortages are within a 60 per cent loan-to-value ratio.

The Retail Market portfolio has had few losses historically. For the bank as a whole, a high share of Retail Market loans is considered important in reducing the bank's total risk. The proportion of loans in the Retail Market as a percentage of the bank's total lending is 71 per cent at the end of 2013.

Out of the total exposure in the Retail Market portfolio, the residential mortgage product is about 35 per cent. In isolation, this structure contributes to an increase in portfolio risk, but the risk is counteracted by stricter loan criteria for residential mortgages, monitoring customers with a high degree of utilisation, and follow-up of those who do not pay interest and instalments on a regular basis.

Storebrand Bank's guarantee portfolio amounted to NOK 277 million at year-end. The majority of the guarantees have been made for customers in connection with property development in Oslo and Akershus.

At year-end, the bank group had deposited securities with a fair value of NOK 1.5 billion as collateral for drawing rights to overnight loans and F-loans in Norges Bank. In addition, NOK 1.0 billion has been pledged as collateral in connection with the swap facility with Norges Bank.

According to the licence granted to the estate agency, Hadrian Eiendom AS has signed the statutory insurance and guarantee agreements. Through its activities, the company has limited credit risk but,as with other areas at Storebrand Bank, it is exposed to developments in the Norwegian property market in the commercial segment.

**LIQUIDITY RISK**

The proportion of long-term funding over 1 year was 100 per cent throughout 2013. The deposit to loan ratio showed a positive trend in 2013, and at the end of the year was over 61 per cent. The bank attaches great importance to having a balanced funding structure in relation to the different maturities and issuing in different markets. The average remaining maturity for external funding excluding subordinated loans is 2.9 years, a slight reduction from 3.1 years in 2012. The proportion of total deposits over NOK 2 million amounts to 35 per cent, a slight increase from 32 per cent in 2012.

Storebrand Bank ASA had a revolving credit facility until it matured in October 2013. The facility amounted to EUR 750 million, and has not been renewed. The bank has established good liquidity buffers and attaches great importance to having a balanced funding structure in relation to the various maturities and issues in various markets. Storebrand Bank ASA is rated by S&P and Moody's.

**MARKET RISK**

Storebrand Bank's aggregate market risk through interest rate and exchange rate exposure and the maximum risk of loss on the liquidity portfolio are restricted through low exposure limits. The bank does not have an active investment strategy for shares.

**OPERATIONAL RISK**

Storebrand Bank manages operational risk by focusing on establishing good work and control routines. It also works systematically to create the right attitude among the bank's employees. The most important measures to reduce operational risk are systematic risk reviews carried out at least quarterly on all of the bank's activities, and also when starting projects or with special events. The last risk review was performed in autumn 2013.

**COMPLIANCE RISK**

The risk that the bank incurs public sanctions or financial losses due to failure to comply with external and internal regulations is defined as the bank group's compliance risk. The company is particularly focused on the risk relating to compliance and implementation of changes in the current legislation. The compliance manager has responsibility for preparing, documenting, implementing and maintaining the compliance process in Storebrand Bank ASA.

Compliance is monitored closely and the bank group seeks to reduce operational risk through systematic risk reviews of all of the bank's activities. These are carried out at least quarterly and when projects start or special events occur.

**LEGAL DISPUTES**

In 2013 Storebrand Bank reported 9 cases to the police. 6 of the cases dealt with document forgery. The others were related to card fraud, identity theft, and Trojan attacks against the Internet bank.

Storebrand Bank has received a total of 166 complaints with regard to retail customers' investments in various equity index bonds in Storebrand Bank ASA. None of the complaints were upheld by the bank's internal complaints resolution panel. 116 of the customers have appealed the bank's decision to the Norwegian Financial Services Complaints Board. As at 31.12.2013 the Secretariat of the Norwegian Financial Services Complaints Board has reviewed 73 cases, and none of the customer complaints had been upheld. No lawsuits have been filed by customers relating to investments in structured products.

## CAPITAL MANAGEMENT

### CAPITAL ADEQUACY

During the second quarter of 2013 Storebrand Bank issued new hybrid tier 1 capital of NOK 150 million. The bond meets the requirements of the new CRD IV European regulations for viable core capital.

The Storebrand Bank Group had a net capital base of NOK 2.9 billion at the end of 2013. The total capital ratio was 13.6 per cent and core (tier 1) capital ratio was 12.8 per cent, compared to 11.8 per cent and 11.2 per cent respectively at the end of 2012. The Bank Group aims to comply with the applicable buffer capital requirements at all times.

The Storebrand Bank Group has satisfactory solvency and good liquidity as at 31.12.2013.

## PPERSONNEL, 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 ORGANISATION

At year-end there were 112 employees in the bank group, compared with 131 at the beginning of the year. 48 per cent of our employees are women. The average age of our employees is 36, and the average term of service is 9 years.

The proportion of women on the Board of the bank is 40 per cent in 2013. The share of women in senior management is 33 per cent, which is identical to 2012. Among managerial positions with personnel responsibilities, 29 per cent are held by women.

No injuries to people, property damage, or accidents were reported by Storebrand Bank in 2013.

### EQUALITY / DIVERSITY

The positive trend regarding the share of women, compared to men, is a result of systematic work to promote an even gender distribution at the company. The company has increased its cultural diversity along the same lines as society in general. The company received a score of 77 out of 100 in a questionnaire regarding levels of ambition and work with diversity. This is a 3-point increase, compared to the previous year.

### ABSENCE DUE TO ILLNESS

Absence due to illness at the bank at the end of the year was measured at 4.6 per cent; the same level as in 2012. Like the Group, the bank is committed to creating an inclusive workplace.

### EXPERTISE

All employees have easy access to formal e-Learning and classroom courses, and each employee's follow-up plans specify competence and development goals. Training on communication with customers and sales has carried on from the previous year.

### STATEMENT OF COMPANY MANAGEMENT

Storebrand Bank's systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. The Board sets the guidelines annually. In addition, the bank purchases all bookkeeping and reporting services from Storebrand Livsforsikring via its service contracts.
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 the 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, see the dedicated 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 Remuneration Committee and the Audit Committee.

The bank has laid down in the articles of association that the company shall have the same nomination committee as Storebrand ASA and will thereby follow Storebrand Group's processes for appointing and replacing board members.
The Bank 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

Heidi Skaaret was elected new Chairman of the Board at the Board of Representatives meeting of 29 May 2013, with Geir Holmgren as the new Deputy Chairman. Leif Helmich Pedersen was elected as the new external Board Member and Inger Roll-Matthiesen was re-elected as external Board Member. Deputy Member Nils Robert Hodnesdal was re-elected. Employee-elected Board Member Kari Birkeland and employee-elected Deputy Tobias Told have undertaken other positions at the Group. On 1 January 2014, Ranveig S. Ofstad became the new employee-elected Board Member and Christian Stang the new employee-elected Deputy Member.

## 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 the Annual Report has accordingly been prepared based on the going concern principle.

## EVENTS AFTER THE BALANCE SHEET DATE

During the normal course of its business, Storebrand Bank is involved in legal proceedings and disputes. The Board is not aware of any events of material importance to the annual and Group financial statements that have occurred since the balance sheet date.

## ALLOCATION OF THE RESULT FOR THE YEAR

Storebrand Bank ASA (the parent bank) achieved an annual result for 2013 of NOK 150.8 million.

The Board proposes a group contribution be made of NOK 251.9 million to Storebrand ASA. The Board considers the Group's capital situation to be good given the risk profile and proposes to the bank's Board of Representatives and Annual General Meeting the following allocation of the result for the year:

**FIGURES IN NOK MILLION:**

| | |
|---|---|
| Group contribution after taxes | 181,4 |
| Transferred from other equity | -30,6 |
| **Total allocations** | **150,8** |

## STRATEGY AND OUTLOOK FOR 2014

In 2014 Storebrand Bank will continue to work on improving the business' profitability combined with moderate growth. The consequences of the international financial instability for both the banking industry and our customers will be closely monitored. The bank will prioritise maintaining a moderate risk profile with a good balance sheet and funding composition.

Within the Retail Market the bank will prioritise conversion to a new core banking system. Furthermore, focus will be directed towards reducing costs, increasing the degree of automation in customer and work processes, as well as developing better mobile and tablet solutions for customers.

As the Corporate Market is being wound up, the bank does not wish to become involved in new projects, provide new loans or through other means bring in new customers within the Corporate Market.

New legal requirements for capital and capital buffers have been established from 1 July 2013. In accordance with this, the overall requirements for core tier 1 capital and the total capital base are 9 and 12.5 per cent respectively, and 10 and 13.5 per cent respectively as at 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 bank is working systematically to adapt to the new solvency regulations.

Sound management of the bank's credit and liquidity risk, and control of the operational risk in key work processes will also be a vital focus in 2014, and the bank will continue to closely monitor developments in non-performing loans and loan losses. 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 Bank Group in 2014.

Lysaker, 11 February 2014
The Board of Directors of Storebrand Bank ASA

*Translation - not to be signed*

| | | |
|---|---|---|
| Heidi Skaaret<br>- Chairman - | Geir Holmgren<br>- Deputy Chairman - | Inger Roll-Matthiesen<br>- Board Member - |
| Leif Helmich Pedersen<br>- Board Member - | Ranveig S. Ofstad<br>- Board Member - | Truls Nergaard<br>- CEO - |

# Accounts & Notes
# Storebrand Bank Group

# Profit and loss account Storebrand Bank Group

1 January - 31 December

| *NOK million* | **Note** | **2013** | **2012** |
|---|---|---|---|
| Interest income | | 1 548.6 | 1 552.8 |
| Interest expense | | -1 001.9 | -1 062.7 |
| **Net interest income** | **10** | **546.7** | **490.1** |
| | | | |
| Fee and commission income from banking services | | 82.0 | 85.5 |
| Fee and commission expense for banking services | | -11.8 | -14.3 |
| **Net fee and commission income** | **11** | **70.2** | **71.2** |
| | | | |
| Net income and gains from associated companies | | | 1.2 |
| Net gains on financial instruments | 10 | -16.0 | 35.3 |
| Other income | 12 | 20.3 | 23.0 |
| **Total other operating income** | | **4.3** | **59.5** |
| | | | |
| Staff expenses | 14. 15 | -127.6 | -154.8 |
| General administration expenses | 14 | -55.6 | -65.2 |
| Other operating costs | 13, 14, 30, 31 | -191.6 | -199.8 |
| **Total operating costs** | | **-374.8** | **-419.7** |
| | | | |
| **Operating profit before loan losses** | | **246.5** | **201.1** |
| | | | |
| Loan losses for the period | 16 | -11.1 | 7.7 |
| **Profit before tax** | | **235.3** | **208.8** |
| Tax | 17 | -69.1 | -36.6 |
| Result after tax sold/discontinued operations | 45 | -3.8 | 2.7 |
| **Profit for the year** | | **162.3** | **174.9** |
| | | | |
| Allocated to: | | | |
| Parent company | | 162.3 | 174.9 |
| Minority interests | | 0.0 | 0.0 |

## Statement of comprehensive income

| *NOK million* | **Note** | **2013** | **2012** |
|---|---|---|---|
| Profit for the year | | 162.3 | 174.9 |
| | | | |
| **Other result elements not to be classified to profit/loss** | | | |
| Pension experience adjustments | 15 | -5.7 | 34.9 |
| Tax on pension exeperience adjustments | 17 | 2.1 | -9.8 |
| **Total other result elements not to be classified to profit/loss** | | **-3.5** | **25.1** |
| | | | |
| **Total comprehensive income for the period** | | **158.8** | **200.0** |
| | | | |
| Allocated to: | | | |
| Shareholders | | 158.8 | 200.0 |
| Minority interests | | 0.0 | 0.0 |
| **Total** | | **158.8** | **200.0** |

# Statement of financial position - balance sheet Storebrand Bank Group

31 December

**Assets**

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| Cash and deposits with central banks | 4, 18, 20 | 19.8 | 8.8 |
| Loans to and deposits with credit institutions | 4, 18, 19, 21 | 152.5 | 255.1 |
| | | | |
| Financial assets designated at fair value through the profit and loss account: | | | |
| Equity instruments | 8, 18, 22 | 1.7 | 5.2 |
| Bonds and other fixed-income securities | 4, 8, 18, 23, 25 | 2 790.7 | 2 861.7 |
| Derivatives | 4, 5, 8, 18, 26 | 693.2 | 1 005.0 |
| | | | |
| Bonds at amortised cost | 4, 18, 19, 24 | 1 541.8 | 990.0 |
| | | | |
| Other current assets | 18, 19, 33 | 100.6 | 121.6 |
| | | | |
| Gross lending, amortised cost | 4, 8, 19, 28 | 32 457.7 | 34 204.7 |
| Gross lendnig, FVO | 8 | 1 289.0 | 1 240.8 |
| Loan loss provisions | 28, 29 | -112.9 | -144.1 |
| Net lending to customers | 4, 18, 28 | 33 633.9 | 35 301.4 |
| | | | |
| Tangible assets | 31 | 9.5 | 8.5 |
| Intangible assets and goodwill | 30 | 99.1 | 106.3 |
| Deferred tax assets | 17 | 13.0 | 7.3 |
| Assets sold/discontinued operations | 45 | 0.3 | 0.2 |
| | | | |
| **Total assets** | | **39 056.1** | **40 671.2** |

**Liabilities and equity**

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| Liabilities to credit institutions | 5, 8, 18, 19 | 1 027.8 | 2 498.7 |
| Deposits from and due to customers | 5, 18, 19, 34 | 20 728.1 | 19 932.7 |
| | | | |
| Other financial liabilities: | | | |
| Derivatives | 5, 8, 18, 26 | 411.0 | 601.1 |
| Commercial papers and bonds issued | 5, 18, 19, 36 | 13 523.6 | 14 540.3 |
| Other liabilities | 5, 18, 19, 39 | 133.6 | 102.4 |
| | | | |
| Liabilities sold/discontinued operations | 45 | 0.5 | 10.1 |
| Provision for accrued expenses and liabilities | 38 | 18.4 | 17.7 |
| Pension liabilities | 15 | 57.8 | 71.3 |
| | | | |
| Subordinated loan capital | 5, 18, 19, 37 | 589.7 | 441.4 |
| **Total liabilities** | | **36 490.6** | **38 215.6** |
| | | | |
| Share capital | | 960.6 | 960.6 |
| Share premium reserve | | 156.0 | 156.0 |
| Other paid-in share capital | | 400.3 | 400.3 |
| Retained earnings | | 1 048.6 | 938.8 |
| Minority interests | | 0.0 | 0.0 |
| **Total equity** | | **2 565.5** | **2 455.7** |
| | | | |
| **Total liabilities and equity** | | **39 056.1** | **40 671.2** |

Lysaker, 11 February 2014
The Board of Directors of Storebrand Bank ASA

*Tanslation - not to be signed*

| | | | | | |
|---|---|---|---|---|---|
| Heidi Skaaret<br>Chairman | Geir Holmgren<br>Deputy Chairman | Leif Helmich Pedersen<br>Board member | Inger Roll-Matthiesen<br>Board member | Ranveig S. Ofstad<br>Board member | Truls Nergaard<br>CEO |

# Reconciliation of equity Storebrand Bank Group

| NOK million | Share capital | Share premium reserve | Other paid-in equity | Total paid-in equity | Revenue and costs applied to equity | Other equity | Total other equity | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Majority's share of equity | | | | | | | | |
| | Paid-in equity | | | | Other equity | | | | |
| Equity at 31.12.2011 | 960.6 | 156.0 | 400.3 | 1 516.8 | 20.3 | 767.6 | 787.9 | 0.1 | 2 304.8 |
| Profit for the period | | | | | | 174.9 | 174.9 | 0.0 | 174.9 |
| Pension experience adjustments (see note 15) | | | | | 25.1 | | 25.1 | | 25.1 |
| **Total other result elements not to be classified to profit/loss** | **0.0** | **0.0** | **0.0** | **0.0** | **25.1** | **0.0** | **25.1** | **0.0** | **25.1** |
| **Total comprehensive income for the period** | **0.0** | **0.0** | **0.0** | **0.0** | **25.1** | **174.9** | **200.0** | **0.0** | **200.0** |
| **Equity transactions with owners:** | | | | | | | | | |
| Group contribution paid | | | | | | -50.0 | -50.0 | | -50.0 |
| Other changes | | | | | | 0.9 | 0.9 | | 0.9 |
| **Equity at 31.12.2012** | **960.6** | **156.0** | **400.3** | **1 516.8** | **45.4** | **893.4** | **938.8** | **0.0** | **2 455.7** |
| Profit for the period | | | | | | 162.3 | 162.3 | 0.0 | 162.3 |
| Pension experience adjustments (see note 15) | | | | | -3.5 | | -3.5 | | -3.5 |
| **Total other result elements not to be classified to profit/loss** | **0.0** | **0.0** | **0.0** | **0.0** | **-3.5** | **0.0** | **-3.5** | **0.0** | **-3.5** |
| **Total comprehensive income for the period** | **0.0** | **0.0** | **0.0** | **0.0** | **-3.5** | **162.3** | **158.8** | **0.0** | **158.8** |
| **Equity transactions with owners:** | | | | | | | | | |
| Receipts of group contribution | | | | | | 21.8 | 21.8 | | 21.8 |
| Group contribution paid | | | | | | -72.3 | -72.3 | | -72.3 |
| Other changes | | | | | | 1.6 | 1.6 | | 1.6 |
| **Equity at 31.12.2013** | **960.6** | **156.0** | **400.3** | **1 516.8** | **41.9** | **1 006.7** | **1 048.6** | **0.0** | **2 565.5** |

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 and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

Storebrand Bank actively manages the level of equity in the company and the group. 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 holding company Storebrand ASA.

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

For further information on the group's fulfilment of the capital requirements, see note 42.

# Cash flow statement Storebrand Bank Group

1 January - 31 December

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Receipts of interest, commissions and fees from customers | | 1 571.0 | 1 547.0 |
| Payments of interest, commissions and fees to customers | | -556.1 | -534.4 |
| Net disbursement/payments on customer loans | | 1 676.5 | -1 907.8 |
| Net receipts/payments of deposits from banking customers | | 794.5 | 1 423.6 |
| Net receipts/payments - securities | | -465.4 | -462.7 |
| Net receipts/payments - real estate at fair value | | | 14.9 |
| **Betaling av inntektsskatt** | | | |
| Payments of operating costs | | -329.2 | -407.9 |
| Net receipts/payments on other operating activities | | -1.8 | -20.0 |
| **Net cash flow from operating activities** | | **2 689.6** | **-347.3** |
| | | | |
| **Cash flow from investment activities** | | | |
| Netto innbetalinger ved salg av datterselskaper og tilknyttede selskaper | | | 8.5 |
| Net payments on purchase/capitalisation of subsidiaries | | | |
| Net payments on purchase/sale of fixed assets etc. | 30, 31 | -42.8 | -29.4 |
| **Net cash flow from investment activities** | | **-42.8** | **-20.8** |
| | | | |
| **Cash flow from financing activities** | | | |
| Payments - repayments of loans and issuing of bond debt | | -1 407.0 | -1 766.8 |
| Receipts - new loans and issuing of bond debt | | 500.4 | 6 004.9 |
| Payments - interest on loans | | -407.1 | -531.0 |
| Receipts- subordinated loan capital | | 150.0 | 149.2 |
| PAYMENTS - REPAYMENTS OF SUBORDINATED LOAN CAPITAL | | | -400.4 |
| PAYMENTS - INTEREST ON SUBORDINATED LOAN CAPITAL | | -26.3 | -29.5 |
| Net receipts/payments of liabilities to credit institutions | | -1 469.8 | -3 521.4 |
| Receipts - group contribution | | 21.8 | |
| Payments - group contribution | | -100.5 | -50.0 |
| **Net cash flow from financing activities** | | **-2 738.4** | **-145.0** |
| | | | |
| **Net cash flow in the period** | | **-91.6** | **-513.2** |
| | | | |
| Net cash flow in the period | | -91.6 | -513.2 |
| Cash and bank deposits at the start of the period | | 263.9 | 777.0 |
| **Cash and bank deposits at the end of the period** | | **172.3** | **263.9** |
| | | | |
| Cash and deposits with central banks | 20 | 19.8 | 8.8 |
| Loans to and deposits with credit institutions | 21 | 152.5 | 255.1 |
| **Total cash and bank deposits in the balance sheet** | | **172.3** | **263.9** |

The cash flow analysis shows the group'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 financial group will be classified as operational.

### Investment activities

Includes cash flows for holdings in group companies and tangible fixed assets.

### Financing activities

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

### Cash/cash equivalents

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

# Contents notes Storebrand Bank Group

# **Note 1** | Company information and accounting policies

**1. COMPANY INFORMATION**

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on Oslo Børs. The consolidated financial statements for 2013 were approved by the Board of Directors on 11 February 2014.

Storebrand Bank provides traditional banking services such as accounts and loans in the retail market and project financing to selected corporate customers. Storebrand Bank ASA comprises the business areas of Corporate Market, Retail Market and Treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

**2. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

Storebrand Bank ASA's consolidated financial statements are presented using the EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation.

*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 changed in 2013. The statement specifies the items:

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

This amendment has not had any significant effect on the consolidated financial statements.

IFRS 13 Fair value measurement took effect in 2013 and entails an expanded disclosure requirement in the notes associated with accounting information on fair values. Amendments have further been made to IAS 19R Pensions for own employees which entail additional requirements regarding the disclosure of gross revenue and cost items.

The changes described above have not had any significant effect on the consolidated financial statements.

Another key standard for Storebrand Bank's consolidated financial statements is IFRS 9 Financial instruments. The standard deals with 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 a date has not been set.

In 2014, IFRS 10 Consolidated financial statements may affect the consolidated financial accounts regarding loans taken over and any consolidation of these loans.

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 consolidated financial statements.

- Amendment in IAS 39: Amendment to the rules regarding swapping counterparty in accounting treatment of hedging
- Amendment in IAS 36: Requirement of information about recoverable amount – intangible assets / goodwill
- Amendment in IAS 32: Revised offsetting rules

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

The assets side of the Storebrand Bank group's statement of financial position primarily consists of financial instruments. The majority of the financial instruments fall under the category loans and receivables, and are stated at amortised cost. The statement of financial position also includes capitalised intangible assets. The liabilities side of the Group'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. CONSOLIDATION**

The consolidated financial statements include Storebrand Bank ASA and companies over which Storebrand Bank ASA has a controlling influence. A controlling influence is normally achieved when the Group owns, either directly or indirectly, more than 50 per cent of the shares in the company and the Group is in a position to exercise actual control over the company. Minority interests are included in the Group's equity.

*COMPANY INTEGRATION*

The acquisition method is applied when accounting for business combinations. The acquisition cost is measured at fair value plus any costs directly attributable to the acquisition. Any expenses relating to the issuing of shares are not included in the acquisition cost, and are charged to equity.

Identifiable tangible and intangible assets acquired and liabilities assumed are valued at fair value on the date of acquisition. If the acquisition costs exceed the value of the identified assets and liabilities, the difference is recognised in the financial statements as goodwill. With acquisitions of less than 100 per cent of a business, 100 per cent of the added value and value shortfall are recognised in the statement of financial position with the exception of goodwill, of which only Storebrand's share is included.

Investments in associated companies (normally investments of between 20 per cent and 50 per cent of the company's equity) in which the Group exercises significant influence are consolidated in accordance with the equity method. Interests in joint ventures are consolidated in accordance with the proportionate consolidation method, which includes the share of revenues, expenses, assets and liabilities in the appropriate lines in the financial statements.

When making investments, including purchasing investment properties, a decision is made as to whether the purchase is subject to IFRS 3 regulations regarding business combinations. When these purchases are not regarded as an acquisition of a business, the acquisition method pursuant to IFRS 3 Business combinations is not applied, and therefore a determination is not made of any added value and a provision is not allocated for deferred tax as would have occurred in a business combination.

*ELIMINATION OF INTERNAL TRANSACTIONS*
Internal receivables and payables, internal gains and losses, interest, dividends and similar between companies in the Group are eliminated in the consolidated financial statements. This also includes Storebrand Bank ASA's investments in covered bonds issued by Storebrand Boligkreditt AS.

## 6. INCOME RECOGNITION

### NET INTEREST INCOME - BANKING
Interest income is recognised in profit or loss using the effective interest method.

### INCOME FROM PROPERTIES AND FINANCIAL ASSETS
Income from properties and financial assets is described in section 8.

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

## 7. GOODWILL AND INTANGIBLE ASSETS
Added value when acquiring a business that cannot be directly attributable to assets or liabilities on the date of the acquisition is classified as goodwill on the statement of financial position. Goodwill is valued at acquisition cost on the date of the acquisition. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is not amortised, but is tested for impairment and the need for write-downs. Goodwill is reviewed for impairment if there are indications that its value has become impaired. The review is conducted at least annually and determines the recoverable amount of goodwill.

If the discounted present value of the pertinent future cash flows is less than the carrying value, goodwill will be written down to its fair value. Reversal of an impairment loss for goodwill is prohibited even if information later comes to light showing that there is no longer a need for the write-down or the impairment loss has been reduced. Goodwill is allocated to the relevant cash flow generating units that are expected to benefit from the acquisition so that it can subsequently be tested for impairment. Cash flow generating units are identified according to operational segments.

Goodwill arising from the acquisition of interests in associated companies is included in investments in associated companies, and tested for impairment as part of the value of the write-down recognised in the investment.

Intangible assets with limited useful economic lives are valued at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are reassessed each year. With initial recognition of intangible assets in the statement of financial position, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the Group. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

## 8. FINANCIAL INSTRUMENTS

### 8-1. GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition
Financial assets and liabilities are recognised in the statement of financial position when Storebrand Bank becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are recorded 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/liability if it is not a financial asset/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, 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 of the 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 on another regulated market in which regular trading takes place is determined as the bid price on the last trading day up to and including the reporting date.

If a market for a financial instrument is not active, fair value is determined by using 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 on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

**8-2. 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, is part of a portfolio of identified financial instruments that are managed together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

With the exception of derivatives, only a limited proportion of Storebrand's financial assets 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)
A significant proportion of Storebrand's financial instruments are classified in the category 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
- the financial assets form part of a portfolio that is managed and reported on a fair value basis

The accounting is the same for the group held for trading (the instruments are assessed at the fair value and changes in value are listed on the income statement).

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

Loans and receivables are carried at amortised cost using the effective interest method. The category is used in the Norwegian life insurance business linked to insurance contracts with a guaranteed interest rate, and in the banking business.

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

**8-3. 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.

**8-4. HEDGE ACCOUNTING**
Fair value hedging
Storebrand Bank uses fair value hedging, where the items hedged are financial assets and liabilities measured at amortised cost. Derivatives are recognised at fair value in profit or loss. Changes in the value of the hedged item that relate to the hedged risk are applied to the book value of the item and are recognised through profit or loss.

**8-5. FINANCIAL LIABILITIES**
Subsequent to initial recognition, all financial liabilities are measured at amortised cost using an effective interest method, or at fair value.

## 9. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Bank has offered a defined-contribution scheme to its employees since 01.01.2011. Storebrand Bank had a defined-benefit scheme for its Norwegian employees until 31.12.2010. The defined-benefit scheme was closed to new members on 01.01.2011, and members at the time could voluntarily elect to transfer to a defined-contribution pension plan. Storebrand jointed the Norwegian contractual pension scheme (AFP) in 2013. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs.

### 9-1. BENEFIT SCHEME

Pension costs and pension obligations for defined-benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains/losses and the effects of changes in assumptions are included in the total comprehensive income in the income statement for the period in which they occur. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements, in which case the benefit is apportioned on a straight line basis until the entitlement has been fully earned. The employer's National Insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in the total comprehensive income.

A discount rate derived from high quality corporate bonds has been used as the discount rate since 31.12.2012. Government bond rates were used earlier. See note 15 for further details.

Storebrand Bank has both an insured and an uninsured pension scheme. The insured scheme in Norway is managed by Storebrand Livsforsikring AS.

### 9-2. DEFINED-CONTRIBUTION SCHEME

The defined-contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The Group does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. defined-contribution pension schemes are recognised directly in the financial statements.

## 10. TANGIBLE FIXED ASSETS

The Group's tangible fixed assets consist of machines, inventory and IT systems. Equipment and fittings are valued at acquisition cost less accumulated depreciation and any write-downs.

The write-down period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any impairment losses are charged to the income statement as the difference between the carrying value and the recoverable amount. The recoverable amount is the greater of the fair value less costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets.

## 11. TAX

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

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

## 12. PROVISION FOR GROUP CONTRIBUTION

In accordance with IAS 10 on events after the reporting date, proposed group contributions shall be classified as equity until approved by the AGM.

## 13. LEASING

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

## 14. 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.

## 15. SHARE-BASED REMUNERATION

Storebrand Bank Group has share-based remuneration agreements with key personnel. The fair value of the share options is determined on the date of the allocation. Valuation is made on the basis of recognised valuation models adjusted to the characteristics of the actual options. The value determined on the date of the allocation is periodised in the income statement over the option's vesting period with a corresponding increase in equity. The amount is recognised as an expense and is adjusted to reflect the actual number of share options earned. The vesting period is the period of time from when the scheme is established until the options are fully vested.

## Note 2 | Critical accounting estimates and judgements

In preparing the Group'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 Group'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.

### BONDS AT AMORTISED COST

See the description above concerning loans at amortised cost. The same assessments must be made to value bonds at amortised cost.

### FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true of the types of securities priced on the basis of non-observable assumptions. Various valuation techniques are applied to these investments in order to fix fair value. They include fixed-rate loans and other financial instruments where theoretical models are used in pricing. Any changes to the assumptions could affect recognised amounts.

In 2013, there was growing uncertainty regarding the pricing of fixed-rate loans recorded at fair value, as there is a great variation in the interest rate terms offered by banks, while the demand for fixed-rate loans has decreased. As a result, it has been more difficult to find observable conditions. The bank reclassified fixed-rate loans from level 2 to level 3 in the first quarter of 2013 in terms of the valuation hierarchy.

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

### INTANGIBLE ASSETS

Goodwill and intangible assets with undefined useful economic lives are tested annually for impairment. Goodwill is allocated to the Group's cash generating units. The test's valuation method involves estimating cash flows arising in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are assessed annually to ensure that the method and time period used correspond with economic realities.

### PENSIONS FOR OWN EMPLOYEES

The present value of pension obligations depends upon the financial and demographic assumptions used in the calculation. The assumptions must be realistic, mutually consistent and up to date as they should be based on a cohesive set of estimates about future financial performance. The Group has both secured and unsecured pension schemes (pension over operations). The operational schemes are mainly related to pension for wages above 12G and to early retirement pension. The pension liability calculations are undertaken by actuaries. Any changes to these estimates including expected salary growth, taking early retirement pension, leaving and the discount rate can have a major effect on the recognised pension liabilities relating to own employees. Estimates of future real interest rates, real salary growth, future adjustments to the National Insurance Basic Amount and future inflation, taking operational pension, etc. are subject to significant uncertainty. There will also be uncertainty associated with whether the defined-benefit scheme for the employees will exist in the future, or whether the schemes will be changed.

### CONTINGENT LIABILITIES

Companies in the Storebrand Bank Group may become 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 Bank is to create value by assuming deliberate and acceptable risk. Continuous monitoring and active risk management are therefore key to the bank's activities and organisation. Storebrand Bank is exposed to credit and liquidity risk, business risk, market risk, operational risk, and compliance 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 3 lines of defence. The model takes responsibility for risk management on both the company and group level.

The first line of defence is the bank 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) and compliance officer at the bank are the second line of defence, and support the Board's and the management's responsibility through processes to identify, monitor, control and report risk, and to comply with acts, regulations and other relevant rules. These control functions are functionally affiliated with the Storebrand Group's CRO, and report directly to the bank's Board. 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 loss arising from the client lacking the capacity or intent to fulfil its obligations. This includes the risk that the security is less effective than expected (residual risk) and concentration risk. Credit risk encompasses counterparty risk.

### RISK MANAGEMENT

The risk strategy reflects how much credit risk the bank group is willing to assume. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy, profitability, liquidity and growth. Credit policies establish general principles for granting credit. The bank group's procedures for credit management are set out in credit manuals for the Corporate and Retail Markets. The credit manuals are primarily designed for account managers and others who are involved in case management processes. The credit manuals contain common guidelines (or regulations) for the bank group's credit activities, and shall safeguard uniform and consistent credit management practices. The procedures adopted and stated in the credit manuals provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio.
The credit compliance of the Retail Market and the Corporate Market takes place in accordance with a management-adopted authorisation structure.
Treasury has the credit risk for its counterparties in the investment portfolio. Permitted counterparties and the composition of the portfolio are set out in the bank's counterparty risk policy. Counterparty risk in connection with the trading of financial derivatives with customers as the counterparty is included in credit risk, and is governed following a dedicated policy, based on the rating and size of the management portfolio. Customer derivatives trades are hedged using derivatives. Financial derivatives permitted by the bank are outlined in the interest rate risk policy.

### RISK CONTROL

Risk reporting entails ongoing reporting to the bank's management about developments in the bank's credit risk in relation to the target risk.
The most important control of credit risk is carried out and managed by the Credit Control unit which:
- Has ongoing responsibility for making sure that established procedures in the credit areas comply with the adopted risk profile and that they are adhered to on a day-to-day basis.
- Participates in the credit meetings with credit authorisation and carries out a formal check on all credit cases in the Corporate Market. This work includes credit authorisation, analyses, correct procedure use, complying with the strategy and the balance between risk and potential earnings.
- Ensures adequate risk classification systems in the credit areas and that they are being applied consistently.
- Identifies, monitors, and checks credit risk on an independent basis.
- Checks that loss assessments and loss reporting comply with procedures and ensures that non-performing loans are reported correctly and monitored.
- Evaluates whether there is a need to update the credit manual and procedure manual for the Corporate Market, and recommends changes to the head of Finance and Risk Management. Evaluates the Retail Market credit manual and recommends changes to the head of Finance and Risk Management. Ensures that the updates are in keeping with the risk profile, risk strategy and the business strategy for the two credit areas.

Customer exposure resulting from trading financial derivatives with customers is continually reported by Capital Market Products to the Corporate Market and the price development is monitored in respect of the customer's situation, cleared lines and breach clauses The Middle Office in Finance and Risk Management conducts running spot checks with regard to this. Trades with counterparties made by Treasury are checked by the Middle Office in Finance and Risk Management in accordance with dedicated procedures and work descriptions.

### 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. Maximum credit exposure has been reduced from the end of 2012 due to a reduction in the amount of loans.

| | **Maximum credit exposure** | |
|---|---|---|
| *NOK million* | **2013** | **2012** |
| Liquidity portfolio | 4 336.8 | 3 855.9 |
| Total commitments customers *) | 38 085.4 | 39 904.3 |
| Interest rate swaps | 693.1 | 999.0 |
| Forward foreign exchange contracts | 0.1 | 6.0 |
| **Total** | **43 115.4** | **44 765.1** |
| *) Of which net loans to and amounts due from customers measured at fair value: | 1 289.0 | 1 240.8 |

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

## CREDIT RISK LIQUIDITY PORTFOLIO

### Interest-bearing securities at fair value

Credit risk per counterparty

Short-term holdings of interest-bearing securities

| **Issuer category**<br>*NOK million* | **AAA**<br>**Fair value** | **AA**<br>**Fair value** | **A**<br>**Fair value** | **BBB**<br>**Fair value** | **NIG**<br>**Fair value** | **Total 2013**<br>**Fair value** | **Total 2012**<br>**Fair value** |
|---|---|---|---|---|---|---|---|
| Sovereign and Government Guaranteed bonds | 100.3 | | | | | 100.3 | 492.7 |
| Credit bonds | | 534.6 | | | | 534.6 | 526.2 |
| Mortgage and asset backed bonds | 2 054.8 | 101.0 | | | | 2 155.8 | 1 842.8 |
| **Total** | **2 155.1** | **635.7** | | | | **2 790.7** | **2 861.7** |

Rating classes are based on Standard & Poors.

| Change in value: | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total change in value on the balance sheet | 5.4 | 0.8 | | | | 6.2 | 16.4 |
| Change in vaule recognised in the profit and loss during period | -30.1 | -0.4 | | | | -30.5 | 11.4 |

### Interest-bearing securities at amortised cost

Credit risk per counterparty

Short-term holdings of interest-bearing securities

| **Issuer category**<br>*NOK million* | **AAA**<br>**Fair value** | **AA**<br>**Fair value** | **A**<br>**Fair value** | **BBB**<br>**Fair value** | **NIG**<br>**Fair value** | **Total 2013**<br>**Fair value** | **Total 2012**<br>**Fair value** |
|---|---|---|---|---|---|---|---|
| Public issuers and/or Government Guaranteed bonds | 727.5 | | | | | 727.5 | 627.3 |
| Credit bonds | | | | | | | 50.0 |
| Mortgage and asset backed bonds | 788.5 | 30.2 | | | | 818.7 | 316.8 |
| **Total** | **1 515.9** | **30.2** | | | | **1 546.1** | **994.2** |

Rating classes are based on Standard & Poors.

## CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS AND CENTRAL BANK

| **Credit risk per counterparty**<br>*NOK million* | **AAA**<br>**Fair value** | **AA**<br>**Fair value** | **A**<br>**Fair value** | **BBB**<br>**Fair value** | **NIG**<br>**Fair value** | **Total 2013**<br>**Fair value** | **Total 2012**<br>**Fair value** |
|---|---|---|---|---|---|---|---|
| Norway | 19.8 | | | | | 19.8 | 8.8 |
| **Total deposits with central bank** | **19.8** | | | | | **19.8** | **8.8** |
| Norway | | 108.7 | | | | 108.7 | 255.1 |
| Denmark | | | 43.7 | | | 43.7 | |
| **Total loans to and deposits with credit institutions** | **0.0** | **108.7** | **43.7** | **0.0** | | **152.5** | **255.1** |
| **Total loans to and deposits with credit institutions and central bank** | **19.8** | **108.7** | **43.7** | **0.0** | | **172.3** | **263.9** |

## CREDIT EXPOSURE FOR LENDING ACTIVITIES

### CORPORATE MARKET

Gross lending in the Corporate Market represents about NOK 9.8 billion. There is also about NOK 435 million in unused credit facilities and about NOK 277 million in guarantees. In addition, loans of nearly NOK 3.5 billion are under management, which are syndicated to Storebrand Livsforsikring AS.

As a result of group prioritizations regarding use of capital at Storebrand and a strategic assessment of the future direction of the Group, the Corporate Market segment at the bank is no longer prioritised as a core activity, and will be dismantled and eventually wound up.

In 2013, Storebrand Bank adopted an internal model for classification of the bank's Corporate Market loans. The model estimates the probability of default (PD) of the loans. The portfolio of income-generating properties (IGE) and development properties consists of few customers and few defaults, and there is comprehensive and complex risk assessment of debtors.

The PD model for the Corporate Market has accordingly been developed as an expert model, unlike the statistical model for the Retail Market. The PD is set in two steps. First a PD score is calculated based on a risk assessment of the debtor and affiliated project that Storebrand Bank finances for each debtor. The PD score is a number between 0 and 100. The PD score is then mapped over to the risk class and associated PD, where the bank's master scale is applied. The master scale consists of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans.

A scorecard has been drawn up for projects in both IGE and development properties. Development properties are further split into three scorecards to identify different characteristics in this type of project. The scorecard for IGE and construction loans for rental includes the property's location, tenant risk, development and zoning risk in the property assessment, at the same time that the downside risk is assessed, as well as the strength of the cash flow. The scorecard for construction loans for rental assesses cost risk, conversion risk and execution risk in the risk dimension project risk, but tenant risk and location are part of the property assessment. Downside risk and the strength of the cash flow are also assessed. The scorecard for construction loans for sale assesses cost risk and execution risk in the risk dimension project risk and the sales buffer residual risk, quality of advance sales and location in the risk dimension sales risk. The scorecard for loans for plots assesses liquidity risk, loan-to-value ratio and sensitivity of construction costs in the risk dimension financial risk, and the project complexity and the builder's experience/competence in the risk dimension execution risk. Political risk is another dimension that is assessed. A simple debtor scorecard has also been developed, where qualitative assessments are made in the risk dimensions business risk, financial risk, and ownership. The cash flow assessment is given greatest emphasis for IGE. The most important risk dimension for construction loans is project risk. Accordingly, financial risk is the most important risk dimension for loans for plots.

When assessing the quality of the security of the loans, numerical grades of 1 to 5 are applied, with 1 being the best.

Based on the Corporate Market expert model, about 66 per cent of loans are for IGE. About 19 per cent are for development properties. 15 per cent are outside the area of validity of the model, and represent loans for different purposes. The Corporate Market portfolio is generally secured on commercial property. A bare 4 per cent of the portfolio has other security than commercial property or is unsecured (credit card and credit accounts).

A construction loan of just over NOK 77 million kroner was granted at the end of 2013, but the funds have not been disbursed or accepted by the customers.

About 32 per cent of the portfolio relates to Group debtors with total loans of over NOK 200 million. The definition of a Group debtor is given in the regulations relating to large loans. 20 per cent of the portfolio relates to Group debtors with total loans below NOK 50 million. 48 per cent of the loans have been made to customers with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 9 Group debtors which have total loans exceeding NOK 200 million, and 53 Group debtors with total borrowings of between NOK 50 million and NOK 200 million.

The bank's exposure is secured by pledged assets in Oslo, equivalent to almost 47 per cent. A further 39 per cent of the bank's exposure is secured by assets pledged in the area surrounding Oslo and the rest of Eastern Norway. The remaining loans are secured primarily in and around Bergen and Stavanger. Assets pledged are valued at their realisable values in addition to separate assessments based on return considerations. At the end of 2013, about 67 per cent of the amount granted was linked to loans in risk classes A to D, while about 8 per cent was in risk classes G to J. The loans must be classified both on establishment and when there are changes in the loans. In addition, Corporate Market customers must be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times. The bank measures the Corporate Market portfolio's distribution into risk classes on a quarterly basis.

Of loans that are not non-performing or in arrears, about 83 per cent of the loans have a loan-to-value ratio of below 80 per cent. Approximately 87 per cent of the loans have a loan-to-value ratio within 90 per cent. The remaining healthy loans have a loan-to-value ratio of below 100 per cent for the most part. For Corporate Market loans in arrears, the loan-to-value ratio is below 80 per cent for 98 per cent of the volume of the loans.

The volume of non-performing loans without impairment at the end of 2013 covers two loans, and represents just under NOK 0.4 million. The risk of loss linked to these loans is considered very low. For impaired non-performing loans, the write downs that have been made have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The losses that have been recorded are considered to be sufficient. The bank does not believe that new losses will be forthcoming from these customers at this time. In the event of non-performance the bank will sell the securities or take over the assets if that is most appropriate.

In the current portfolio, no properties have been taken over.

**RETAIL MARKET**

In the Retail Market, most of the loans are secured by means of home mortgages. There are housing loans amounting to about NOK 23.6 billion with near NOK 2.5 billion in unused credit facilities. Total exposure in housing loans is therefore about NOK 26.1 billion.

Retail market customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, customers are checked regarding policy regulations, and customers are scored using a scoring model. For other Retail Market customers the overall loan-to-value ratio and debt servicing capability (as determined by the bank's credit policy for the segment) are applied to the portfolio. The securities for the portfolio are principally in properties for the Retail Market portfolio.

Storebrand Bank has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Home loans are classified according to the bank's master scale. The classification of home loans is automatically updated on a monthly basis. At the end of 2013, about 70 per cent of the EAD was linked to home loans in risk class A, while less than 3 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes. When arranging home loans Storebrand Bank gathers information of significance to the value of the property. Each quarter the bank obtains an updated, independent valuation of residential properties from Eiendomsverdi. For properties for which Eiendomsverdi has not updated a valuation (for example, housing cooperative flats, shared ownership flats and individual holiday homes), the last updated market value will be used until the next update. To the extent that Eiendomsverdi cannot state with a high degree of certainty the market value of a residential property, a 'haircut' is employed to ensure that the risk of quoting an estimated market value that is too high is reduced. If Eiendomsverdi has never received information regarding the property's market value, the value recorded at the time of entering into the contract (the deposit value) will be used. Loans like those mentioned here constitute just less than 1 per cent of the total portfolio exposure. The bank regularly checks the list of mortgaged properties that have not been given an updated value in the last three years, and then implements measures to reduce the number of properties on the list.

The average weighted loan-to-value ratio in the Bank Group is about 55 per cent, and 94 per cent of housing loans are within a loan-to-value ratio of 80 per cent and about 98 per cent are within a 90 per cent loan-to-value ratio. Approximately 55 per cent of housing loans have a loan-to-value ratio of less than 60 per cent in the Bank Group. The portfolio is considered to have a low credit risk. There is largely good security on non-performing loans that are not impaired for Retail Market customers. The average loan-to-value ratio for these loans is 65 per cent. Housing loans that are part of the volume of non-performing loans total just below NOK 97 million. About NOK 83 million in loans are within a loan-to-value ratio of 80 per cent, and about NOK 95 million are within a loan-to-value ratio of 90 per cent. The security is also good on home mortgages which are between 1 and 90 days past due. Assets pledged as collateral are sold in the Retail Market. They are not taken over by the bank.

In the credit card portfolio about NOK 175 million has been drawn, and approximately NOK 777 million is available as unused credit facilities. For credit accounts about NOK 93 million has been drawn, and approximately NOK 300 million is available as unused credit facilities.

**Commitments per customer group**

| 2013 | | | | |
|---|---|---|---|---|
| *NOK million* | **Loans to and due from customers** | **Guarantees [1)]** | **Undrawn credit limits** | **Total commitments** |
| Development of building projects | 1 378.8 | 32.8 | 61.7 | 1 473.3 |
| Sale and operation of real estate | 5 817.9 | 181.1 | 237.0 | 6 236.0 |
| Service providers | 2 016.9 | 32.0 | 89.8 | 2 138.7 |
| Wage-earners | 24 192.5 | 0.1 | 3 641.9 | 27 834.4 |
| Other | 340.7 | 31.4 | 30.8 | 402.9 |
| **Total** | **33 746.8** | **277.4** | **4 061.2** | **38 085.4** |
| Loan loss provisions on individual loans | -82.7 | | | -82.7 |
| Loan loss provisions on groups of loans | -30.2 | | | -30.2 |
| **Total loans to and due from customers** | **33 633.9** | **277.4** | **4 061.2** | **37 972.4** |

1) Guarantees include NOK 43 million in undrawn credit limits.

| 2012 | | | | |
|---|---|---|---|---|
| *NOK million* | **Loans to and due from customers** | **Guarantees [1)]** | **Undrawn credit limits** | **Total commitments** |
| Development of building projects | 1 496.1 | 45.0 | 486.6 | 2 027.7 |
| Sale and operation of real estate | 7 578.9 | 195.1 | 224.2 | 7 998.2 |
| Service providers | 1 939.7 | 2.8 | 5.4 | 1 947.8 |
| Wage-earners | 24 015.3 | 0.3 | 3 436.4 | 27 451.9 |
| Other | 415.6 | 32.8 | 30.3 | 478.6 |
| **Total** | **35 445.5** | **275.9** | **4 182.9** | **39 904.3** |
| Loan loss provisions on individual loans | -105.0 | | | -105.0 |
| Loan loss provisions on groups of loans | -39.1 | | | -39.1 |
| **Total loans to and due from customers** | **35 301.4** | **275.9** | **4 182.9** | **39 760.2** |

1) Guarantees include NOK 53 million in undrawn credit limits.

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**

| 2013 | | | | |
|---|---|---|---|---|
| *NOK million* | **Average volume loans to and deposits from customers** | **Average volume guarantees** | **Average volume undrawn credit limits** | **Total average engagement** |
| Development of building projects | 1 437.4 | 38.9 | 274.2 | 1 750.5 |
| Sale and operation of real estate | 6 698.4 | 188.1 | 230.6 | 7 117.1 |
| Service providers | 1 978.3 | 17.4 | 47.6 | 2 043.3 |
| Wage-earners | 24 103.9 | 0.2 | 3 539.1 | 27 643.2 |
| Other | 378.1 | 32.1 | 30.5 | 440.8 |
| **Total** | **34 596.1** | **276.6** | **4 122.1** | **38 994.8** |

| 2012 | | | | |
|---|---|---|---|---|
| *NOK million* | **Average volume loans to and deposits from customers** | **Average volume guarantees** | **Average volume undrawn credit limits** | **Total average engagement** |
| Development of building projects | 1 366.2 | 42.7 | 252.4 | 1 661.2 |
| Sale and operation of real estate | 7 773.0 | 247.3 | 364.5 | 8 384.8 |
| Service providers | 1 661.7 | 4.0 | 3.9 | 1 669.7 |
| Wage-earners | 23 300.9 | 0.2 | 3 289.3 | 26 590.4 |
| Other | 369.6 | 17.6 | 33.3 | 420.4 |
| **Total** | **34 471.4** | **311.8** | **3 943.3** | **38 726.5** |

## 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 loans |
|---|---|---|---|---|---|---|---|---|---|
| Eastern Norway | 28 170.8 | 269.8 | 3 202.5 | 31 643.1 | 85.5 | 347.2 | 432.8 | 66.2 | 366.6 |
| Western Norway | 3 650.6 | 7.3 | 601.5 | 4 259.3 | 21.0 | 5.4 | 26.4 | 2.8 | 23.6 |
| Southern Norway | 351.1 | | 66.1 | 417.2 | 0.2 | 1.9 | 2.1 | 0.2 | 1.8 |
| Mid-Norway | 953.9 | | 96.9 | 1 050.8 | 3.6 | | 3.6 | | 3.6 |
| Northern Norway | 448.0 | 0.3 | 64.9 | 513.2 | 0.7 | 1.8 | 2.5 | 1.0 | 1.5 |
| Rest of world | 172.4 | | 29.3 | 201.7 | 0.2 | | 0.2 | | 0.1 |
| **Total** | **33 746.8** | **277.4** | **4 061.2** | **38 085.4** | **111.1** | **356.4** | **467.5** | **70.2** | **397.3** |

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 loans |
|---|---|---|---|---|---|---|---|---|---|
| Eastern Norway | 29 974.3 | 275.6 | 3 314.4 | 33 564.4 | 132.7 | 84.9 | 217.6 | 77.6 | 140.0 |
| Western Norway | 3 573.6 | | 605.1 | 4 178.8 | 32.1 | 6.2 | 38.3 | 5.0 | 33.3 |
| Southern Norway | 433.9 | | 67.0 | 500.9 | 7.9 | 0.2 | 8.1 | 0.1 | 7.9 |
| Mid-Norway | 747.2 | | 98.0 | 845.2 | 4.8 | 0.2 | 5.0 | 0.3 | 4.8 |
| Northern Norway | 461.6 | 0.3 | 69.1 | 531.0 | 6.9 | 4.3 | 11.2 | 3.2 | 8.0 |
| Rest of world | 254.8 | | 29.2 | 284.0 | 0.4 | 19.2 | 19.6 | 18.8 | 0.8 |
| **Total** | **35 445.5** | **275.9** | **4 182.9** | **39 904.3** | **184.7** | **115.1** | **299.8** | **105.0** | **194.8** |

## 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 | 4.6 | | 4.0 | 8.5 |
| 1 - 3 months | 535.2 | | 15.3 | 550.5 |
| 3 months - 1 year | 879.0 | 29.6 | 203.2 | 1 111.7 |
| 1 - 5 years | 7 705.5 | 182.5 | 1 554.9 | 9 442.9 |
| More than 5 years | 24 622.5 | 65.3 | 2 283.8 | 26 971.7 |
| **Total** | **33 746.8** | **277.4** | **4 061.2** | **38 085.4** |

2012

| *NOK million* | Loans to and due from customers | Guarantees | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Up to 1 month | 78.1 | | 2.7 | 80.8 |
| 1 - 3 months | 172.1 | 0.2 | 14.8 | 187.0 |
| 3 months - 1 year | 1 268.1 | 9.2 | 132.1 | 1 409.4 |
| 1 - 5 years | 6 769.1 | 243.8 | 1 378.0 | 8 390.9 |
| More than 5 years | 27 158.0 | 22.7 | 2 655.4 | 29 836.2 |
| **Total** | **35 445.5** | **275.9** | **4 182.9** | **39 904.3** |

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

| | 2013 | | | |
|---|---|---|---|---|
| *NOK million* | **Loans to and due from customers** | **Guarantees** | **Undrawn credit limits** | **Total commitments** |
| Overdue 1 - 30 days | 797.4 | 21.9 | 3.7 | 822.9 |
| Overdue 31 - 60 days | 163.9 | | 0.7 | 164.6 |
| Ovedue 61- 90 days | 28.2 | | 0.6 | 28.8 |
| Overdue more than 90 days | 110.5 | | 0.6 | 111.1 |
| **Total** | **1 100.0** | **21.9** | **5.6** | **1 127.5** |
| **Engagements overdue more than 90 days by geographical area:** | | | | |
| Eastern Norway | 85.0 | | 0.5 | 85.5 |
| Western Norway | 21.0 | | 0.1 | 21.0 |
| Southern Norway | 0.1 | | | 0.2 |
| Mid-Norway | 3.6 | | | 3.6 |
| Northern Norway | 0.7 | | | 0.7 |
| Rest of world | 0.2 | | | 0.2 |
| **Total** | **110.5** | | **0.6** | **111.1** |

| | 2012 | | | |
|---|---|---|---|---|
| *NOK million* | **Loans to and due from customers** | **Guarantees** | **Undrawn credit limits** | **Total commitments** |
| Overdue 1 - 30 days | 876.7 | 31.8 | 3.8 | 912.3 |
| Overdue 31 - 60 days | 96.6 | | 0.7 | 97.2 |
| Ovedue 61- 90 days | 34.7 | | 0.1 | 34.8 |
| Overdue more than 90 days | 149.8 | | 1.0 | 150.9 |
| **Total** | **1 157.8** | **31.8** | **5.6** | **1 195.2** |
| **Engagements overdue more than 90 days by geographical area:** | | | | |
| Eastern Norway | 107.6 | | 0.8 | 108.4 |
| Western Norway | 26.0 | | 0.2 | 26.2 |
| Southern Norway | 6.4 | | | 6.4 |
| Mid-Norway | 3.9 | | | 3.9 |
| Northern Norway | 5.6 | | | 5.6 |
| Rest of world | 0.3 | | 0.1 | 0.3 |
| **Total** | **149.8** | | **1.0** | **150.9** |

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

Commitments are regarded as non-performing and loss-exposed:
- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage 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 as a non-performing loan.

When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing. 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 per 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** |
| Development of building projects | | | | | | | |
| Sale and operation of real estate | 287.3 | | 287.3 | 38.5 | 248.8 | | -6.9 |
| Service providers | | 2.4 | 2.4 | | 2.4 | | |
| Wage-earners | 66.6 | 108.2 | 174.7 | 30.1 | 144.6 | | -10.6 |
| Other | 2.5 | 0.5 | 3.1 | 1.6 | 1.5 | | -17.3 |
| **Total** | **356.4** | **111.1** | **467.5** | **70.2** | **397.3** | | **-34.8** |

| | 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** |
| Development of building projects | | | | | | | -2.8 |
| Sale and operation of real estate | 40.7 | | 40.7 | 45.4 | -4.7 | | 1.1 |
| Service providers | | 7.7 | 7.7 | | 7.7 | | |
| Wage-earners | 55.1 | 176.7 | 231.8 | 40.7 | 191.1 | | 3.9 |
| Other | 19.2 | 0.3 | 19.5 | 18.8 | 0.7 | | -0.7 |
| **Total** | **115.1** | **184.7** | **299.8** | **105.0** | **194.8** | | **1.6** |

**Repossessed assets**

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has two repossessed assets held as subsidiaries in the Storebrand Bank Group and internal transactions have been eliminated in the normal manner.

| Fiancial assets at fair value through profit and loss (FVO) | Lending to customers | | Liquidity portfolio | |
|---|---|---|---|---|
| *NOK million* | **2013** | **2012** | **2013** | **2012** |
| Book value maximum exposure for credit risk | 1 289.0 | 1 240.8 | 2 790.7 | 2 861.7 |
| Book value of related credit derivatives that reduce credit risk | | | | |
| Collateral | | | | |
| **Net credit risk** | **1 289.0** | **1 240.8** | **2 790.7** | **2 861.7** |
| This year's change in fair value of financial assets due to change in credi risk | -14.9 | | -10.2 | 11.4 |
| Accumulated change in fair value of financial assets due to change in credit risk | -14.9 | | 6.3 | 16.4 |
| This year's change in value of related credit derivatives | | | | |
| Accumulated change in value of related credit derivatives | | | | |

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

Financial assets are designated at fair value through the profit and loss account (FVO) the first time they are recognised where another measurement would result in an inconsistency in the profit and loss account. Objective market prices are used for papers where these exist.  Valuation techniques involving the use of interest rate curves from Reuters and credit spreads from external providers are used for the remaining papers.

**Financial liabilities at fair value through profit and loss (FVO)**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| The year's change in fair value of liabilities due to changes in credit risk | 1.0 | 2.4 |
| Difference between book value of liabilities and contractual amount due at maturity | 0.4 | 1.4 |
| Accumulated change in fair value of liabilities due to changes in credit risk | 0.4 | 1.4 |
| Difference between book value of liabilities and contractual amount due at maturity | 0.4 | 1.4 |

### 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 bank's risk strategies and policies establish limits for how much credit risk the bank group is willing to accept. Storebrand Bank hedges all customer derivative trades by opposite derivatives to minimise foreign exchange and interest rate exposure.
The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies. Net credit exposure for 2013 is NOK 63.1 million.

**Credit risk per counterparty**

| | AAA | AA | A | BBB | NIG | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|---|
| *NOK million* | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value |
| Norway | | 32.7 | 266.5 | 382.4 | | | |
| Sweden | | | 10.5 | | | | |
| Denmark | | | 1.1 | | | 693.2 | 1 005.0 |
| **Total** | | **32.7** | **278.1** | **382.4** | | **693.2** | **1 005.0** |
| Change in value: | | | | | | | |
| Total change in value on the balance sheet | | 32.7 | 278.1 | 382.4 | | 693.2 | 1 005.0 |
| Change in value recognised in the profit and loss during period | | -10.5 | -110.2 | -191.1 | | -311.8 | 84.4 |

**Equity options, interest rate swaps, basis swaps and forward foreign exchange contracts**

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 Bank Group, the parent bank and subsidiaries are unable to fulfill their 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.

### RISK MANAGEMENT

The risk strategy establishes overall limits for how much liquidity risk the bank group is willing to accept. The liquidity risk policy builds on the strategy and describes the principles for liquidity management and specifies stress testing, minimum liquidity reserves and indicators for measuring liquidity risk. In addition, the Treasury department draws up an annual funding strategy and funding plan that set out the overall limits for the bank's funding activities.

Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position and cash flows. The results of the stress tests are applied when assessing the frames for liquidity risk. A contingency plan is drawn up annually to safeguard proper management of the liquidity situation during stressful periods.

The Treasury function is responsible for the bank's liquidity management, and the Middle Office in Finance and Risk Management monitors and reports on the utilisation of limits pursuant to the liquidity strategy and policy.

### RISK CONTROL

The means of controlling liquidity risk include monthly reports of liquidity indicators and monitoring developments in the bank's maturity profile. Both of these activities are included in the administration's ongoing reporting to the Board through the risk reports and the CEO's business briefings. The risk strategy and liquidity policy specify which liquidity indicators are followed. The Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

**Non-discounted cash flows - financial liabilties**

| *NOK million* | 0 - 6 months | 6 - 12 months | 1 - 3 years | 3 - 5 years | More than 5 years | Total | Book value |
|---|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 1 029.9 | | | | | 1 029.9 | 1 027.8 |
| Deposits from and due to customers | 20 724.0 | 2.9 | 1.2 | | | 20 728.1 | 20 728.1 |
| Commercial papers and bonds issued | 1 620.8 | 332.6 | 6 482.3 | 4 379.4 | 1 626.5 | 14 441.5 | 13 523.6 |
| Other liabilities | 133.6 | | | | | 133.6 | 133.6 |
| Subordinated loan capital | | 294.7 | 13.8 | 310.7 | 13.3 | 632.4 | 589.7 |
| Undrawn credit limits | 4 071.5 | | | | | 4 071.5 | |
| Lending commitments | 77.4 | | | | | 77.4 | |
| **Total financial liabilities 2013** | **27 657.1** | **630.2** | **6 497.2** | **4 690.1** | **1 639.8** | **41 114.4** | **36 002.9** |
| **Derivatives related to funding 31.12.2013** | **-106.7** | **-52.5** | **-188.7** | **-81.8** | **-35.4** | **-465.1** | **282.2** |
| Total financial liabilities 2012 | 26 945.5 | 1 039.4 | 9 119.9 | 7 099.2 | 2 224.4 | 46 428.3 | 37 515.4 |

The amounts includes accrued interests.

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 costs for lending with FRN conditions. The call date is used as the maturity date on borrowing which has a call date.

**Specification of subordinated loan capital**

| *NOK Million* | Issuer | Net nominal value | Currency | Interest | Call-date | Book value |
|---|---|---|---|---|---|---|
| **Dated subordinated loan capital** | | | | | | |
| NO001064165 | Storebrand Bank ASA | 150.0 | NOK | Floating | 12.04.2017 | 151.2 |
| **Other subordinated loan capital** | | | | | | |
| NO00177116 | Storebrand Bank ASA | 9.3 | NOK | Fixed | perpetual | 9.3 |
| **Tier 1 hybrid capital** | | | | | | |
| NO001024206 | Storebrand Bank ASA | 107.0 | NOK | Fixed | 29.10.2014 | 110.1 |
| NO001024207 | Storebrand Bank ASA | 168.0 | NOK | Floating | 29.10.2014 | 168.8 |
| NO001068355 | Storebrand Bank ASA | 150.0 | NOK | Floating | 20.06.2018 | 150.3 |
| **Total subordinated loan capital 2013** | | | | | | **589.7** |
| Total subordinated loan capital 2012 | | | | | | 441.4 |

**Specification of liabilites to credit institutions**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| **Total liabilites to credit institutions without fixed maturity at amortised cost** | **31.2** | **11.6** |
| **F-loan:** | | |
| Maturity 2013 | | 500.3 |
| **Loan with floating interest rate:** | | |
| Accrued expenses | | 0.8 |
| **Total liabilities to credit institutions with fixed maturity at amortised cost** | **0.0** | **501.0** |
| **Borrowings under the Norwegian Government's Swap scheme:** | | |
| Maturity 2013 | | 990.3 |
| Maturity 2014 | 996.6 | 995.7 |
| **Total liabilities to credit institutions with fixed maturity at fair value (FVO)** | **996.6** | **1 986.0** |
| **Total liabilities to credit institutions** | **1 027.8** | **2 498.7** |

**Specification of commercial paper and bonds issued**

*NOK million*

| ISIN code | Issuer | Net nominal value | Currency | Interest | Maturity | Book value |
|---|---|---|---|---|---|---|
| **Bond loans** | | | | | | |
| NO0010439821 | Storebrand Bank ASA | 310.0 | NOK | Fixed | 04.06.2015 | 335.1 |
| NO0010513237 | Storebrand Bank ASA | 300.0 | NOK | Fixed | 25.05.2016 | 325.7 |
| NO0010660806 | Storebrand Bank ASA | 300.0 | NOK | Fixed | 08.10.2019 | 304.2 |
| NO0010507775 | Storebrand Bank ASA | 511.0 | NOK | Floating | 30.04.2014 | 515.1 |
| NO0010599822 | Storebrand Bank ASA | 178.0 | NOK | Floating | 11.08.2014 | 178.5 |
| NO0010635626 | Storebrand Bank ASA | 332.0 | NOK | Floating | 26.01.2015 | 334.0 |
| NO0010654510 | Storebrand Bank ASA | 450.0 | NOK | Floating | 06.07.2015 | 453.4 |
| NO0010641079 | Storebrand Bank ASA | 800.0 | NOK | Floating | 27.03.2017 | 801.7 |
| NO0010662752 | Storebrand Bank ASA | 300.0 | NOK | Floating | 13.11.2017 | 301.0 |
| NO0010670979 | Storebrand Bank ASA | 500.0 | NOK | Floating | 29.01.2016 | 502.2 |
| **Total bond loans** | | | | | | **4 050.8** |
| | | | | | | |
| **Covered bonds** | | | | | | |
| NO0010466071 | Storebrand Boligkreditt AS | 850.0 | NOK | Fixed | 24.04.2014 | 893.3 |
| NO0010428584 | Storebrand Boligkreditt AS | 1 000.0 | NOK | Fixed | 06.05.2015 | 1 083.1 |
| NO0010548373 | Storebrand Boligkreditt AS | 1 250.0 | NOK | Fixed | 28.10.2019 | 1 383.0 |
| NO0010638307 | Storebrand Boligkreditt AS | 1 000.0 | NOK | Floating | 17.06.2015 | 1 000.6 |
| NO0010575913 | Storebrand Boligkreditt AS | 490.0 | NOK | Floating | 03.06.2016 | 490.8 |
| NO0010612294 | Storebrand Boligkreditt AS | 1 560.0 | NOK | Floating | 15.06.2016 | 1 557.6 |
| NO0010635071 | Storebrand Boligkreditt AS | 2 550.0 | NOK | Floating | 21.06.2017 | 2 564.4 |
| NO0010660822 | Storebrand Boligkreditt AS | 500.0 | NOK | Floating | 20.06.2018 | 500.0 |
| **Total covered bonds** | | | | | | **9 472.8** |
| | | | | | | |
| **Total commercial papers and bonds issued 2013** | | | | | | **13 523.6** |
| Total commercial papers and bonds issued 2012 | | | | | | 14 540.3 |

The loan agreements contain standard covenants. Storebrand Bank ASA and Storebrand Boligkreditt AS were in compliance with all relevants covenants in 2013. Under the loan programme in Storebrand Boligkreditt AS the company's overcollateralisation requirement was 109.5 percent fulfilled.

## 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 pecified time horizon. Covers counter-party risk in financial instruments trading, as well as stock market risk, interest rate risk and exchange rate risk.

### RISK MANAGEMENT

The risk strategy sets general limits for the management and control of market risk which primarily relates to the bank group's long term investments in equity instruments and fixed income securities. The bank is also exposed to currency risk to a lesser degree.

Market risk policies specify limits for market risk that the bank is willing to accept. Storebrand Bank ASA'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 annually. The sizes of these limits are set on the basis of stress tests and analyses of market movements, as well as risk capacity and willingness.

### RISK MANAGEMENT

Middle Office in the Risk Management unit is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. The market risk indicators that are followed are specified in the risk strategy, interest rate risk policy and currency risk policy. Monthly reports for the individual portfolios are produced for the bank's balance sheet management committee and the bank'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 at 31 December 2013:

**Effect on accounting income**

| *NOK million* | **Amount** |
|---|---|
| Interest rate -1,0% | -19.2 |
| Interest rate +1,0% | 19.2 |

**Effect on accounting result/equity** [1)]

| *NOK million* | **Amount** |
|---|---|
| Interest rate -1,0% | -19.2 |
| Interest rate +1,0% | 19.2 |

1) Before taxes·

**Financial interest rate risk**

| *NOK million* | **Amount** |
|---|---|
| Interest rate -1,0% | 4.4 |
| Interest rate +1,0% | -4.4 |

The note presents the accounting effect over a 12 month period and the immediate financial effect of an immediate parallel change in interest rates of +1.0 percentage points and -1.0 percentage points respectively. When the accounting risk is calculated, account is taken of the non-recurring effect that such an immediate change in interest rates would have on the items recognised at fair value and the value of hedging, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses. Items that would be affected by the non-recurring effect and are recorded at fair value are the investment portfolio, fixed interest rate loans, borrowing via the swap scheme with the government, deposits with returns linked to the stock market and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are borrowings with fixed interest rate. The change in market value that such an immediate change in interest rates would have is looked at for all items on the statement of financial position when calculating the financial effect.

See also note 27 regarding foreign exchange risk.

## Note 7 | Operational risk

The risk of financial loss due to ineffective, inadequate or fail internal processes or systems, human error, external events or failure to comply witn internal guidelines. Breach of laws and regulations can obstruct the Group from achieving its objectives and this part of compliance risk is included in operational risk.

**RISK MANAGEMENT**
Operational risk management and compliance with laws, regulations and internal rules are an intergrated 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 continually recorded and documented in Easy Risk Manager (ERM, a risk management system supplied by Det Norske Veritas).

Operational risk in the bank group is governed through an operational risk policy.

**RISK CONTROL**
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 Finance and Risk Management carries out numerous checks and reconciliations in conjunction with the monthly, quarterly and annual financial statements in order to check and reduce operational risk. In addition to this, the compliance function and internal auditor carry out spot checks in a number of the bank's most important work processes. The results are reported to the bank's management and the Board

**COMPLIANCE RISK:**
The risk that the Group incurs public sanctions or financial losses due to failure to comply with external and internal regulations.

**RISK MANAGEMENT**
The compliance risk at Storebrand Bank is governed through a set of instructions for the compliance function that defines the main responsibility of the function:

- Secure general information to the management and the line on internal and external rules that must be complied with.
- Monitor that the company complies with its commitments under the Securities Trading Act and accompanying regulations and other requirements.
- Regularly assess the company's procedures and guidelines, in regard to the company's risk profile.
- Regularly assess whether the guidelines and procedures mentioned are effective enough.
- Evaluate necessary measures to remedy any lack of compliance.
- Function as an internal adviser to employees on questions relating to compliance

**RISK CONTROL**

The compliance function is responsible for keeping a compliance log and conducting running spot tests regarding compliance with the Personal Data Act, the rules against money laundering, the rules regarding own account trading, MiFID, etc. In order to be able to identify internal problem areas, the bank has implemented procedures for continuously reporting incidents to the compliance function, which is responsible for logging the reported incidents in a dedicated incident journal. The event journal provides the line with a good basis for evaluating/implementing measures to reduce the unit's operational risk.

## Note 8 | Valuation of financial instruments

**SPECIFICATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST**

The fair value of lending to customers subject to variable interest rates is stated as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had had they been taken out at 31 December 2013. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

| | Level 1 | Level 2 | Level 3 | | | | |
|---|---|---|---|---|---|---|---|
| *NOK million* | **Quoted prices** | **Observable assumptions** | **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** | | | | | | | |
| Bonds classified as Loans and receivables | 100.4 | 1 445.8 | | 1 546.1 | 994.2 | 1 541.8 | 990.0 |
| Loans to and deposits with credit institutions, amortised cost | | 152.5 | | 152.5 | 255.1 | 152.5 | 255.1 |
| Lending to customers, amortised cost | | 32 281.8 | | 32 281.8 | 33 966.8 | 32 344.9 | 34 060.7 |
| Total fair value 31.12.2012 | 101.0 | 35 115.1 | | | 35 216.0 | | |
| **Financial liabilities** | | | | | | | |
| Deposits from and due to credit institutions, amortised cost | | 31.2 | | 31.2 | 512.7 | 31.2 | 512.6 |
| Deposits from and due to customers, amortised cost | | 20 728.1 | | 20 728.1 | 19 932.7 | 20 728.1 | 19 932.7 |
| Commercial papers and bonds issued, amortised cost | | 13 695.1 | | 13 695.1 | 14 708.1 | 13 523.6 | 14 540.3 |
| Subordinated loan capital, amortised cost | | 596.9 | | 596.9 | 443.8 | 589.7 | 441.4 |
| Total fair value at 31.12.2012 | | 35 597.3 | | | 35 597.3 | | |

**Valuation of financial instruments at fair value**

Storebrand Bank Group 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 well recognised brokerage houses.

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 Bank Group 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 that gather information from a wide range of well-informed sources with reference to minimize uncertainty related to the valuation.

Fixed-rate loans to customers, which are valued at fair value (FVO) for accounting purposes, have been moved from level 2 to level 3 in Q1 2013 as uncertainty related to the stipulation of the market's margin requirements for such loans is considered to have increased. The value of fixed-rate loans is determined by agreed cash flows discounted over the remaining fixed-rate period at a discount rate that is adjusted for an estimate of the market's margin requirements. No negative development in the borrower's ability to repay, or negative development in underlying collateral securities has been observed.

**Sensitivity analysis of fixed-rate loans to costomers:**

| | Change in market spread | |
|---|---|---|
| Increase/reduction in fair value | + 10 bp | - 10 bp |
| Change in fair value per 31.12.2013 (NOK Million) | -3.9 | 3.9 |

**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. When it comes to derivatives, standardised stock index futures and interest rate futures they will also be included at this level.

**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 in directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified in 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 bank group did not have any investments that were classified at this level at year-end.

**Specification of financial assets at fair value**

| *NOK million* | Quoted prices | Observable assumptions | Non-observable assumptions | Book value 31.12.2013 | Book value 31.12.2012 |
|---|---|---|---|---|---|
| Equities and units | | 1.7 | | 1.7 | 5.2 |
| Total Equities and units 31.12.2012 | | 5.2 | | | |
| Lending to customers | | | 1 289.0 | 1 289.0 | 1 240.8 |
| Total lending to customes 31.12.2012 | | 1 240.8 | | | |
| Sovereign and Government Guaranteed bonds | 100.3 | | | 100.3 | 492.7 |
| Credit bonds | | 534.6 | | 534.6 | 526.2 |
| Mortage and asset backed bonds | | 2 155.8 | | 2 155.8 | 1 842.8 |
| Total bonds | 100.3 | 2 690.4 | 0.0 | 2 790.7 | 2 861.7 |
| Total bonds 31.12.2012 | 557.4 | 2 304.3 | | | |
| Interest rate derivatives | | 282.6 | | 282.6 | |
| Currency derivatives | | -0.4 | | -0.4 | 0.0 |
| Total derivatives | 0.0 | 282.2 | 0.0 | 282.2 | 403.9 |
| Derivatives with a positive fair value | | 693.2 | | 693.2 | 1 005.0 |
| Derivatives with a negative fair value | | -411.0 | | -411.0 | -601.1 |
| Total derivatives 31.12.2012 | | 403.9 | | | |
| **Specification of financial liabilities at fair value** | | | | | |
| Liabilities to credit institutions | | 996.6 | | 996.6 | 1 986.0 |
| Total liabilities to credit institutions 31.12.2012 | | 1 986.0 | | | |

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

**Spesification of securities pursuant to valuation techniques (non-observable assumptions)**

| *NOK million* | Lending to customers |
|---|---|
| Book value 01.01.2013 | 0.0 |
| Net gains/losses on financial instruments | -7.1 |
| Supply / disposal | 41.8 |
| Sales / due settlements | -122.9 |
| Transferred from observable assumptions to non-observable assumptions | 1 377.3 |
| Translation differences | |
| Other | |
| **Book value 31.12.2013** | **1 289.0** |

## NOTE 9 | Segment reporting

**Analysis of profit and loss account by segment:**

| | Corporate | | Retail | | Treasury/other | | Total | |
|---|---|---|---|---|---|---|---|---|
| *NOK million* | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Profit and loss items:** | | | | | | | | |
| Net external interest income | 199.4 | 202.0 | 340.0 | 273.9 | 7.4 | 14.2 | 546.7 | 490.1 |
| Net internal interest income | | | | | | | | |
| **Net interest income** | **199.4** | **202.0** | **340.0** | **273.9** | **7.4** | **14.2** | **546.7** | **490.1** |
| Net external fee and commission income | 12.8 | 10.3 | 57.1 | 61.1 | 0.4 | -0.2 | 70.2 | 71.2 |
| Net internal fee and commission income | | | | | | | | |
| **Net fee and commission income** | **12.8** | **10.3** | **57.1** | **61.1** | **0.4** | **-0.2** | **70.2** | **71.2** |
| Other external operating income | 20.4 | 36.5 | -12.5 | 3.8 | -3.6 | 19.2 | 4.3 | 59.5 |
| Other internal operating income | | | | | | | | |
| **Total other operating income** | **20.4** | **36.5** | **-12.5** | **3.8** | **-3.6** | **19.2** | **4.3** | **59.5** |
| Operating costs | -126.2 | -139.0 | -221.0 | -268.4 | -27.7 | -12.3 | -374.8 | -419.7 |
| **Total operating costs** | **-126.2** | **-139.0** | **-221.0** | **-268.4** | **-27.7** | **-12.3** | **-374.8** | **-419.7** |
| Operating profit before loan losses | 106.5 | 109.8 | 163.5 | 70.4 | -23.5 | 20.9 | 246.5 | 201.1 |
| Loan losses | -3.9 | 8.1 | -7.2 | 1.1 | 0.0 | -1.5 | -11.1 | 7.7 |
| **Ordinary profit from continuing operations** | **102.6** | **117.9** | **156.3** | **71.5** | **-23.5** | **19.4** | **235.3** | **208.8** |
| **Ordinary profit from businesses sold/discontinued operations** | **0.0** | **0.0** | **0.0** | **0.0** | **-3.8** | **2.7** | **-3.8** | **2.7** |
| **Balance sheet items:** | | | | | | | | |
| Gross lending | 9 809.6 | 11 670.8 | 23 905.6 | 23 734.4 | 31.6 | 40.2 | 33 746.8 | 35 445.5 |
| Loan loss provisions | -90.4 | -133.9 | -22.6 | -22.6 | 0.1 | 12.4 | -112.9 | -144.1 |
| **Net customer lending** | **9 719.2** | **11 536.9** | **23 883.0** | **23 711.8** | **31.7** | **52.6** | **33 633.9** | **35 301.4** |
| Other assets | | | | | 5 422.2 | 5 369.8 | 5 422.2 | 5 369.8 |
| **Total assets** | **9 719.2** | **11 536.9** | **23 883.0** | **23 711.8** | **5 453.9** | **5 422.4** | **39 056.1** | **40 671.2** |
| Deposits from and due to customers | 8 186.3 | 7 549.1 | 12 542.7 | 12 370.0 | -0.9 | 13.6 | 20 728.1 | 19 932.7 |
| Other liabilities | 456.9 | 2 765.3 | 10 275.9 | 10 288.4 | 5 029.7 | 5 229.1 | 15 762.5 | 18 282.8 |
| Equity | 1 076.0 | 1 222.5 | 1 064.4 | 1 053.5 | 425.1 | 179.7 | 2 565.5 | 2 455.7 |
| **Total liabilities and equity** | **9 719.2** | **11 536.9** | **23 883.0** | **23 711.8** | **5 453.9** | **5 422.4** | **39 056.1** | **40 671.2** |
| Key figures: | | | | | | | | |
| Cost/income ratio | 54 % | 56 % | 57 % | 79 % | 671 % | 37 % | 60 % | 68 % |
| Deposits from customers as % of gross lending | 83 % | 65 % | 52 % | 52 % | -3 % | 34 % | 61 % | 56 % |
| Total level of provisioning | 29 % | 123 % | 15 % | 11 % | | | 24 % | 48 % |

Business segments are the Group's primary reporting segments. The Group's activities mainly take place in Norway.

**Description of the segments:**

**Corporate market:** The segment includes corporate customers' deposits and loans, mainly property owners and developers, as well as commercial real estate agency for corporate customers (Hadrian Eiendom AS). In April 2013, Storebrand decided to wind up the corporate market at the bank. This market is no longer a prioritised part of Storebrand's core activities. The winding up of the operation will be gradual and controlled, with existing customers being well looked after.Changes in the value of acquired assets, that are presented in the income statement as a separate line item, are shown in the segment note on the loan losses line, reflecting the accounting treatment internally. The reclassification is presented under the "Treasury/other" segment. All capital market business for customers within the bank's corporate market segment are presented under the "Corporate market" segment. The subsidiary Hadrian Eiendom AS is also included in this area. The bank holds an ownership interest of 100% in the company.
**Retail market:** Deposits from and loans to retail market customers, including credit cards. Loans comprise primarily home mortgages. The segment includes loans in Storebrand Boligkreditt AS. All capital market business for customers within the bank's retail market segment are presented under the "Retail market" segment. The bank's entire residential real estate agency business is being wound up, and the results are presented on the line for discontinued operations. The allocation of income and expenses that are not directly attributable has been made on the basis of assumed resource use.  The effects of financial risk management and the liquidity portfolio have not been allocated to the business areas and are reported under "Treasury/other".

## Note 10 | Net income from financial instruments

**Net interest income**

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Interest and other income on loans to and deposits with credit institutions | 17.7 | 12.7 |
| Interest and other income on loans to and due from customers | 1 442.6 | 1 436.3 |
| Interest on commercial paper, bonds and other interest-bearing securities | 80.8 | 96.9 |
| Other interest income and related income | 7.5 | 6.8 |
| **Total interest income *)** | **1 548.6** | **1 552.8** |
| Interest and other expenses on debt to credit institutions | -34.2 | -104.4 |
| Interest and other expenses on deposits from and due to customers | -551.6 | -519.6 |
| Interest and other expenses on securities issued | -373.2 | -408.5 |
| Interest and expenses on subordinated loan capital | -26.3 | -29.5 |
| Other interest expenses and related expenses | -16.7 | -0.8 |
| **Total interest expenses **)** | **-1 001.9** | **-1 062.7** |
| **Net interest income** | **546.7** | **490.1** |
| | | |
| *) Of which total interest income on financial assets that are not at fair value through the profit and loss account | 1 351.9 | 1 299.5 |
| **) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account | -972.5 | -994.7 |

**Interest expense and changes in value of issued funding at FVO:**

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Interest expense issued funding at FVO | -28.3 | -66.9 |
| Changes in value of issued funding at FVO | 1.0 | 2.4 |
| **Net expense issued funding at FVO** | **-27.2** | **-64.5** |

**Net income and gains from financial assets and liabilities at fair value:**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| **Equity instruments** | | |
| Dividends received from equity investments | | |
| Net gains/losses on realisation of equity investments | | |
| Net change in fair value of equity investments | -0.1 | 0.1 |
| *Total equity instruments* | -0.1 | 0.2 |
| **Commercial paper and bonds** | | |
| Realised gain/loss on commercial papers and bonds | 5.8 | 6.8 |
| Unrealised gain/loss on commercial papers and bonds | -10.1 | 11.4 |
| *Total gain/loss on commercial papers and bonds* | -4.3 | 18.3 |
| **Lending to customers** | | |
| Unrealised gain/loss on lending to customers, FVO | -18.6 | 22.4 |
| *Total gain/loss on lending to customers, FVO* | -18.6 | 22.4 |
| **Liabilities to credit institutions and other funding** | | |
| Realised gain/loss on liabilities to credit institutions and other funding, FVO | -1.0 | -8.8 |
| Unrealised gain/loss on liabilities to credit institutions and other funding, FVO | 1.0 | 2.4 |
| *Total gain/loss on liabilities to credit institutions and other funding, FVO* | 0.0 | -6.4 |
| **Financial derivatives and foreign exchange** | | |
| Realised gain/loss on financial derivatives, held for trading | 10.5 | 18.3 |
| Unrealised gain/loss on financial derivatives, held for trading | -3.2 | -39.4 |
| *Total financial derivatives and foreign exchange, held for trading* | 7.3 | -21.1 |
| **Net income and gains from financial assets and liabilities at fair value** | **-15.7** | **13.4** |
| | | |
| **Fair vaule hedging** | | |
| Realised gain/loss on derivatives and bonds issued, fair value hedging | 4.3 | -5.5 |
| Unrealised gain/loss on derivatives and bonds issued, fair value hedging | -3.4 | 4.8 |
| **Net gain/loss on fair value hedging** | **0.9** | **-0.7** |
| | | |
| **Net income and gains from financial assets and liabilities at amortised cost** | | |
| **Commercial papers and bonds** | | |
| Realised gain/loss on commercial papers and bonds at amortised cost | 2.7 | 2.6 |
| *Total gain/loss on commercial papers and bonds at amortised cost* | *2.7* | *2.6* |
| **Bonds issued** | | |
| Realised gain/loss on bonds issued at amortised cost | -4.0 | 20.0 |
| *Total gain/loss on bonds issued at amortised cost* | *-4.0* | *20.0* |
| **Net income and gains from financial assets and liabilities at amortised cost** | **-1.2** | **22.6** |
| | | |
| **Net income and gains from financial assets and liabilities** | **-16.0** | **35.3** |
| | | |
| **Net gain/loss on financial assets at fair value through the profit and loss account:** | | |
| Financial assets designated at fair value upon initial recognition | -31.6 | 75.1 |
| Financial assets classified as held for trading | -10.6 | -19.2 |
| Changes in fair value of assets due to changes in credit risk | -8.7 | 16.4 |
| **Net gain/loss on financial liabilities at fair value through the profit and loss account:** | | |
| Financial liabilities designated at fair value upon initial recognition | | -6.4 |
| Financial liabilities classified as held for trading | | |

The note includes gain and loss on investments in bonds and commercial papers, all of the financial derivatives, lending at FVO, other funding at FVO, net gain and loss on fair vaule hedging and total bonds and commercial papers issued. Other financial assets and liabilities are not included in the note.

## Note 11 | Net commission income

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Fees related to banking operations | 53.1 | 52.6 |
| Commissions from saving products | 23.9 | 25.1 |
| Commissions from stockbroking | | 2.3 |
| Fees from loans | 5.0 | 5.6 |
| Total fees and commissions receivable *) | **82.0** | **85.5** |
| | | |
| Fees and commssisions payable relating to banking operations | -9.1 | -10.9 |
| Commissions payable on saving products | -2.6 | -3.2 |
| Commissions payable on stockbroking | | -0.1 |
| Other fees and commissions payable | -0.1 | -0.2 |
| Total fees and commissions payable **) | **-11.8** | **-14.3** |
| **Net commission income** | **70.2** | **71.2** |
| **) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account* | *58.1* | *58.1* |
| ***) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account* | *-9.1* | *-10.9* |

## Note 12 | Other income

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Income from real estate broking corporate | 15.5 | 15.4 |
| Gain on sale of real estate | | 2.9 |
| Gain on sale and winding -up of associated companies and group companies | 4.7 | 4.7 |
| Other income | 0.1 | 0.0 |
| **Total other income** | **20.3** | **23.0** |

## Note 13 | Remuneration paid to auditors

**Remuneration excluding value added tax:**

| *NOK 1000* | **2013** | **2012** |
|---|---|---|
| Statutory audit | 1 026 | 1 447 |
| Other reporting duties | 288 | 320 |
| Taxation advice | 10 | 0 |
| Other non-audit services | 12 | 0 |
| **Total** | **1 336** | **1 767** |
| Of which remuneration to Deloitte AS (excl. VAT): | | |
| Statutory audit | 1 026 | 1 447 |
| Other reporting duties | 288 | 320 |
| Taxation advice | 10 | 0 |
| Other non-audit services | 12 | 0 |
| **Total** | **1 336** | **1 767** |

## Note 14 | Operating expenses

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Ordinary wages and salaries | -95.7 | -95.4 |
| Employer's social security contributions | -12.2 | -14.1 |
| Other staff expenses | -22.6 | -24.6 |
| Pension cost (see note 15) 1) | 2.9 | -20.7 |
| **Total staff expenses** | **-127.6** | **-154.8** |
| | | |
| IT costs | -50.2 | -58.3 |
| Printing, postage etc. | -2.3 | -2.6 |
| Travel, entertainment, courses, meetings | -1.9 | -2.4 |
| Other sales and marketing costs | -1.3 | -1.9 |
| **Total general administration expenses** | **-55.6** | **-65.2** |
| | | |
| Depreciation fixed assets and intangible assets (see note 30 and 31) | -52.5 | -36.8 |
| Contract personnel (see note 13) | -10.7 | -6.5 |
| Operating expenses on rented premises (see note 32) | -12.4 | -12.8 |
| Inter-company charges for services 2) | -90.0 | -115.7 |
| Other operating expenses | -26.1 | -27.9 |
| **Total other operating expenses** | **-191.6** | **-199.8** |
| **Total operating expenses** | **-374.8** | **-419.7** |

1) Pension cost include NOK 0.4 million recognised by subsidiaries that operate defined contribution pension schemes. Pension cost is positive due to recognition of an income related to the change in pension scheme of NOK 19 million (see note 15)

2) Services purchased from the group contain costs relating to bank production, IT services, joint administrative functions, financial and legal services, marketing activities, HR and skills development, purchasing, information services and savings advice.

## Note 15 | Pensions

The Storebrand Group has country-specific pension schemes.

The employees of Storebrand in Norway have both defined-contribution and defined-benefit pension schemes from Storebrand Livsforsikring AS. The defined-benefit scheme was closed to new members on 1 January 2011. On the same date, a defined-contribution pension scheme was established. The contribution-based scheme covered all new employees starting on 1 January 2011, and to those who chose to transfer from a defined-benefit to a defined-contribution pension scheme. In the case of the defined-contribution scheme, the cost is equal to the period's contribution to the employees' pension savings, which amounts to 5 per cent of the contribution basis between 1G and 6G (G = National Insurance Scheme Basic Amount as at 31.12.2013, amounting to NOK 85,245), 8 per cent of the contribution basis between 6G and 12G, as well as a defined-contribution scheme that is funded from operations that annually comprises 20 per cent of the contribution basis for salaries over 12G. The contributions are deposited in the employees' pension accounts each month. The future pension depends upon the amount of the contributions and the return on pension savings.

Employees that are members of the defined-benefit pension scheme are entitled to 70 per cent of the pension basis on the leaving date, once a National Insurance benefit has been included in the calculation. Full pension entitlement is reached after 30 years of membership in the pension scheme. The cost for the period shows the employees' accrued future pension entitlements during the financial year.

Storebrand was included in the AFP contractual pension scheme on 1 January 2013. The private AFP contractual pension scheme shall be recognised in the accounts as a defined-benefit multi-purpose scheme and is financed through annual premiums that are determined to be one per cent of salary between 1 and 7.1G. There is no information available regarding recognition of the new liability in the statement of financial position. Storebrand employees in Norway also have an existing right to retire at the age of 65 and receive a direct pension from the company until they reach the age of 67. Provisions have been made in the accounts for direct pension

The pension for employees aged between 65 and 67 years old and pensions linked to salaries over 12G are paid directly by the companies and apply to both members of the defined-contribution and the defined-benefit schemes. A guarantee has been granted for earned pensions on salaries over 12G for employees retiring before the age of 65. The pension conditions are determined by the pension regulations. Storebrand is under an obligation to have an occupational pension scheme pursuant to the Act relating to mandatory occupational pensions. The company's pension scheme satisfies the requirements of the Act.

All of the members of the pension schemes have an associated survivor's and disability cover.

#### Reconciliation of pension assets and liabilities in the balance sheet

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Present value of insured pension liabilities | 119.2 | 127.8 |
| Pension assets at fair value | -109.3 | -103.5 |
| Net pension liabilities/surplus for the insured schemes | 9.9 | 24.3 |
| Present value of uninsured pension liabilities | 47.8 | 46.9 |
| **Net pension liabilities in the balance sheet** | **57.8** | **71.3** |

Includes employer's NI contributions on net underfunded liabilities.

#### Recognised in the balance sheet

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Pension assets | | |
| Pensions liabilities | 57.8 | 71.3 |

#### Experience adjustments applied to equity

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Year's change in experience adjustments included in equity after tax | -3.5 | 25.1 |
| Accumulated experience adjustments included in equity | 41.9 | 45.4 |

#### Changes in the net defined benefits pension liabilities in the period

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Net pension liability at 01.01. incl. provision for employer's NI contribution | 174.7 | 196.2 |
| Net pension cost recognised in the period incl. provision for employer's NI contribution | 11.5 | 18.0 |
| Interest on pension liabilities | 6.9 | 5.9 |
| Experience adjustments | 0.8 | -40.0 |
| Pension paid | -6.6 | -3.3 |
| Reversed employer's NI contribution | -1.2 | -2.0 |
| Change to pension scheme | -19.0 | |
| **Net pension liabilities at 31.12.** | **167.1** | **174.7** |

#### Change in the fair value of pension assets

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Pension assets at fair value at 01.01. | 103.5 | 92.4 |
| Expected return | | 3.8 |
| Interest income pension assets | 4.0 | |
| Experience adjustments | -4.9 | -5.2 |
| Gain/loss of curtailment | 8.6 | 14.0 |
| Premium paid | -1.9 | -1.7 |
| **Pensions paid** | **109.3** | **103.5** |
| Net pension assets at 31.12. | 12.5 | |
| Expected premium payments (benefit) in 2014: | 0.9 | |
| Expected premium payments (contribution) in 2014: | 1.2 | |
| Expected payments AFP in 2014: | 3.1 | |

**Pension assets are based on the financial assets held by Storebrand Livsforsikring composed as of 31.12.**

| | 2013 | 2012 |
|---|---|---|
| Properties and real estate | 12 % | 17 % |
| Bonds at amortised cost | 48 % | 35 % |
| Secured and other lending | 2 % | 2 % |
| Equities and units | 16 % | 14 % |
| Bonds | 20 % | 18 % |
| Commercial papers | 2 % | 14 % |
| Other short-term financial assets | 0 % | 0 % |
| **Total** | **100 %** | **100 %** |
| The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring. | | |
| The book (realised) return on the assets | 3.3 % | 5.8 % |

**Net pension cost booked to the profit and loss account specified as follows:**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Current service cost including employer's NI contributions | 11.5 | 18.0 |
| Interest on pension liabilities | 2.8 | 5.9 |
| Expected return on pension assets | | -3.8 |
| Change to pension scheme | -19.0 | |
| **Total defined benefit pension schemes** | **-4.7** | **20.0** |
| Payment to defined contribution pension scheme in the period | 1.7 | 0.7 |
| **Net pension cost booked to profit and loss account in the period** | **-2.9** | **20.7** |

Net pension cost includes national insurance contributions and is included in operating expenses. See note 14.

**Analysis of actuarial loss (profit) during the period**

| *NOK million* | 2013 |
|---|---|
| Loss (profit) – change to the discount rate | |
| Loss (profit) – change to other financial assumptions | -2.4 |
| Loss (profit) – change to the mortality table | 11.6 |
| Loss (profit) – change to other demographical assumptions | |
| Loss (profit) – experienced DBO | -8.4 |
| Loss (profit) – experienced pension funds | 3.8 |
| Investment/administration costs | 1.1 |
| Upper limit pension funds | |
| **Actuarial loss (profit) during the period** | **5.7** |

| **Main assumptions used when calculating net pension liability** | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Discount rate | 4.0 % | 4.0 % |
| Expected return on pension assets during the accounting period | 4.0 % | 4.0 % |
| Expected wage growth | 3.3 % | 3.3 % |
| Expected annual adjustment to National Insurance | 3.5 % | 3.3 % |
| Expected annual adjustment to pension payments | 0.1 % | 1.5 % |
| Disability table | KU | KU |
| Mortality table | K2013BE | K2005 |

**Financial assumptions: :**
The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are particularly subject to a high degree of uncertainty.
IAS 19.78 states that high quality corporate bond rates shall be used as the discount rate. In countries where there is no deep market for such bonds, the government bond rates shall be used.

Storebrand has applied the covered bond rate as at 31.12.2013 as the discount rate. Based on the market and volume development observed, the Norwegian covered bond market must be perceived as a deep market in relation to the provisions in IAS 19 in the opinion of Storebrand. This conclusion is based on the regular activity that takes place in both the primary and secondary markets, as well as the transparency that exists due to the fact that the trades observed on the exchange are close to the indicative levels quoted by the banks. Broad participation by all of the largest bond brokers in the reporting system of the Norwegian Mutual Fund Association (VFF) supports the reliability of the available data. Reference is made to the guide of January 2014 from the Norwegian Accounting Standards Board, which discusses the use of covered bonds as the discount rate.

In 2013 Storebrand (Norway) amended the pension rules in the collective schemes for employees and former employees of the company. The change entails that pensions in payment are no longer annually adjusted by a minimum of 80 per cent of the change in the consumer price index. This means that pensions will only be recorded if there is an adequate surplus of the premium reserve for pensioners, pursuant to the general rule in the Occupational Pensions Act. This gives a positive non-recurring effect in the profit or loss in 2013 which is shown in the pension costs as a change to the scheme.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

**Actuarial assumptions:**
In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. In a letter dated 8 March, the Financial Supervisory Authority of Norway determined that a new mortality basis, K2013, would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. Based on life expectancies, the new mortality basis will entail an increase in pension obligations pursuant to IAS 19. The pension funds will not increase accordingly, due to the escalation period granted to the life insurance companies.  Storebrand applied mortality table K2013BE to the actuarial calculations as at 31.12.2013, while K2005 was used last year. The effect of the increased pension obligations pursuant to K2013BE is included in the actuarial gains/losses charged to the total comprehensive income.

The average employee turnover rate is 2–3 per cent for the entire work force as a whole, and falling turnover with increasing age is assumed.

**Sensitivity analysis and pension calculation**
Sensitivity analyses are based on facts and circumstances as at 31 December 2013, as long as all other prerequisites are constant.

| | Discount rate | | Expected wage growth / regulation of the National Insurance Basic Amount | | Mortality – changes life expectancy | |
|---|---|---|---|---|---|---|
| | **1,0 %** | **-1,0 %** | **1,0 %** | **-1,0 %** | **+1 YEAR** | **-1 YEAR** |
| **Change to pension in per cent:** | | | | | | |
| Pension liabilities | -15 % | 20 % | 9 % | -8 % | 4-5 % | -4-5% |
| The period's net pension costs | -18 % | 26 % | 14 % | 11 % | 4-5 % | -4-5% |

The risk to Storebrand associated with the pension scheme is linked to the changes to the financial and actuarial assumptions that must be applied to the calculations, and the actual return on the pension funds. Pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities.

## Note 16 | Loan losses

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Change in loan loss provisions on individual loans for the period | 34.7 | 6.3 |
| Change in loan loss provisions on groups of loans for the period | 8.9 | 14.1 |
| Other corrections to loan loss provisions | 5.2 | -3.6 |
| Realised losses in period on commitments specifically provided for previously | -78.3 | -9.1 |
| Realised losses on commitments not specifically provided for previously | -2.9 | -5.8 |
| Recoveries on previously realised losses | 21.2 | 5.8 |
| **Loan losses for the period** | **-11.1** | **7.7** |
| | | |
| Interest recognised to the profit and loss account on loans subject to loan loss provisions | 4.8 | 9.7 |

# NOTE 17 | Tax

**Tax charge for the year**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Tax payable for the period | -70.5 | -27.9 |
| Changes in deferred tax/deferred tax asset | 1.4 | -8.7 |
| **Total tax cost** | **-69.1** | **-36.6** |

**Reconciliation of expected and actual tax charge**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Ordinary pre-tax profit | 235.3 | 208.8 |
| Expected tax on income at nominal rate | -65.9 | -58.5 |
| Tax effect of: | | |
| Realised shares/structured bonds | 1.3 | 1.3 |
| Associated companies | | 0.3 |
| Permanent differences | -3.4 | 0.0 |
| Change in deferred tax assets not recognised in the balance sheet | 0.3 | 20.3 |
| Change in tax rules | -1.0 | |
| Changes earlier years | -0.5 | |
| **Tax charge** | **-69.1** | **-36.6** |
| | | |
| Tax payable | -70.5 | -27.9 |
| - tax effect of group contribution paid | 0.0 | 0.0 |
| **Tax payable in the balance sheet (see note 39)** | **-70.5** | **-27.9** |

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

| *NOK million* | 2013 | 2012 |
|---|---|---|
| *Tax increasing timing differences* | | |
| Fixed assets | 18.4 | 24.6 |
| Financial instruments | 18.4 | 49.3 |
| Gains/losses account | 0.1 | 0.2 |
| Other | 0.6 | 1.1 |
| **Total tax increasing timing differences** | **37.5** | **75.2** |
| | | |
| *Tax reducing timing differences* | | |
| Pensions | -57.8 | -71.3 |
| Fixed assets | -7.7 | -9.7 |
| Provisions | -20.1 | -19.3 |
| **Total tax reducing timing differences** | **-85.6** | **-100.2** |
| | | |
| Losses/allowances carried forward | -0.1 | -2.3 |
| **Net base for deferred tax/tax assets** | **-48.2** | **-27.4** |
| Write-down of deferred tax asset | 0.0 | 1.2 |
| **Net base for deferred tax and deferred tax asset** | **-48.2** | **-26.1** |
| **Net deferred asset/liability in the balance sheet** | **13.0** | **7.3** |

**Analysis of tax payable and deferred tax applied directly to equity:**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Pension experience adjustments | 2.1 | -9.8 |
| **Total** | **2.1** | **-9.8** |

Deferred tax assets principally relate to tax reducing temporary differences on fixed assets, pension liabilities and financial instruments. The bank produces an annual profit, and is expected to continue to produce a profit in future years. Deferred tax assets in respect of  Storebrand Bank ASA are capitalised to the extent that it is considered likely that it will be possible to make use of the assets.

## Note 18 | Classification of financial instruments

| NOK million | Loans and receivables | Fair value, trading | Fair value, FVO | Liabilities at amortised cost | Total bok value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and deposits with central banks | 19.8 | | | | 19.8 |
| Loans to and deposits with credit institutions | 152.5 | | | | 152.5 |
| Equity instruments | | | 1.7 | | 1.7 |
| Bonds and other fixed-income securities | 1 541.8 | | 2 790.7 | | 4 332.6 |
| Derivatives | | 693.2 | | | 693.2 |
| Lending to customers | 32 344.8 | | 1 289.0 | | 33 633.9 |
| Other current assets | 100.6 | | | | 100.6 |
| **Total financial assets 2013** | **34 159.5** | **693.2** | **4 081.4** | **0.0** | **38 934.2** |
| Total financial assets 2012 | 35 436.1 | 1 005.0 | 4 107.7 | 0.0 | 40 548.8 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Deposits from and due to credit institutions | | | 996.6 | 31.2 | 1 027.8 |
| Deposits from and due to customers | | | | 20 728.1 | 20 728.1 |
| Commercial papers and bonds issued | | | | 13 523.6 | 13 523.6 |
| Derivatives | | 411.0 | | | 411.0 |
| Other liabilities | | | | 133.6 | 133.6 |
| Subordinated loan capital | | | | 589.7 | 589.7 |
| **Total financial liabilities 2013** | **0.0** | **411.0** | **996.6** | **35 006.3** | **36 413.9** |
| Total financial liabilities 2012 | 0.0 | 601.1 | 1 986.0 | 35 529.4 | 38 116.6 |

## Note 19 | Fair value of financial assets and liabilities at amortised cost

The fair value of lending to customers subject to variable interest rates is stated as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had had they been taken out at year-end 2013. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| NOK million | Book value | Fair value | Book value | Fair value |
| **Assets** | | | | |
| Loans and receivables: | | | | |
| Bonds, amortised cost | 1 541.8 | 1 546.1 | 990.0 | 994.2 |
| Loans to and deposits with credit institutions, amortised cost | 152.5 | 152.5 | 255.1 | 255.1 |
| Lending to customers, amortised cost | 32 344.9 | 32 281.8 | 34 060.7 | 33 966.8 |
| Other current assets | 100.6 | 100.6 | 121.6 | 121.6 |
| **Liabilities** | | | | |
| Deposits from and due to credit institutions, amortised cost | 31.2 | 31.2 | 512.7 | 512.7 |
| Deposits from and due to customers, amortised cost | 20 728.1 | 20 728.1 | 19 932.7 | 19 932.7 |
| Commercial papers and bonds issued, amortised cost | 13 523.6 | 13 695.1 | 14 540.3 | 14 708.1 |
| Other liabilities | 133.6 | 133.6 | 102.4 | 102.4 |
| Subordinated loan capital, amortised cost | 589.7 | 596.9 | 441.4 | 443.8 |

## Note 20 | Cash and deposits with central banks

| NOK million | 2013<br>Book value | 2012<br>Book value |
|---|---|---|
| Cash | 2.0 | 8.8 |
| Deposits with central banks at amortised cost, loans and receivables | 17.8 | 0.0 |
| **Total cash and deposits with central banks** | **19.8** | **8.8** |

## Note 21 | Loans to and deposits with credit institutions

| NOK million | 2013<br>Book value | 2012<br>Book value |
|---|---|---|
| Total loans to and deposits with credit institutions without fixed maturity at amortised cost | 152.5 | 255.1 |
| **Total loans to and deposits with credit institutions at amortised cost** | **152.5** | **255.1** |

## Note 22 | Shares and other equity instruments

| NOK million | Ownership interest | 2013<br>Book value | 2012<br>Book value |
|---|---|---|---|
| Storebrand Institusjonelle Investor ASA | 5.15% | 0.8 | 1.0 |
| Visa Inc. A-shares | | 0.8 | 0.7 |
| Skjærhallen Brygge AS | 3.13% | 0.0 | 3.4 |
| Other | | 0.2 | 0.2 |
| **Total** | | **1.7** | **5.2** |
| Of which | | | |
| Listed shares | | | |
| Unlisted shares | | 1.7 | 5.2 |

Shares and other equity instruments are classified as financial assets at fair value through the profit and loss account.

## Note 23 | Bonds and other fixed-income securities at fair value through the profit and loss account

| NOK million | 2013<br>Ownership interest | 2013<br>Book value | 2012<br>Book value |
|---|---|---|---|
| Sovereign and Government Guaranteed bonds | 100.0 | 100.3 | 492.7 |
| Credit bonds | 534.2 | 534.6 | 526.2 |
| Mortgage and asset backed bonds | 2 145.6 | 2 155.8 | 1 842.8 |
| **Total bonds and other fixed-income securities at fair value through the profit and loss account** | **2 779.7** | **2 790.7** | **2 861.7** |
| Modified duration | | 0.17 | 0.21 |
| Average effective yield per 31.12. | | 1.82 % | 1.84 % |

The portfolio is mainly denominated in NOK, as per 31 December 2012 the bank had only one covered bond in EUR. The effective yield for each asset is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

## Note 24 | Bonds at amortised cost - Loans and receivables

| | 2013 | | | | 2012 | |
|---|---|---|---|---|---|---|
| *NOK million* | **Nominal value** | **Acquisition cost** | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Public issuers and Government Guaranteed Bonds | 725.0 | 724.9 | 727.1 | 727.5 | 626.9 | 627.3 |
| Credit bonds | | | | | 50.1 | 50.0 |
| Mortgage and asset backed bonds | 812.0 | 812.1 | 814.8 | 818.7 | 313.1 | 316.8 |
| **Total bonds at amortised cost** | **1 537.0** | **1 537.1** | **1 541.8** | **1 546.1** | **990.0** | **994.2** |
| Modified duration | | | | 0.13 | | 0.12 |
| Average effective yield per 31.12. | | | | 1.89 % | | 2.05 % |

All securities are denominated in NOK. The effective yield for each asset is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

## Note 25 | Transferred financial assets (swap scheme)

| *NOK million* | **2013 Book value** | **2012 Book value** |
|---|---|---|
| **Covered bonds:** | | |
| Covered bonds in Storebrand Bank ASA 1) (see note 23) | 2 759.5 | 2 762.9 |
| Swap scheme (see note 18) | 996.6 | 1 986.0 |

Transferred financial assets consist of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 41). The swap agreements were entered into through auctions that are administrated by Norges Bank. In the swap agreement, the state sells treasury bills to the bank through a timerestricted swap for covered bonds. The bank can either keep the treasury bills and receive payment from the state when the swap agreement falls due for repayment, or it may sell the treasury bills in the market. When the bills become due within the term of the swap agreement, the bank must purchase new bills from the state at the price that is determined by the market price for treasury bills. This rollover will be ongoing throughout the entire term of the agreement. Upon expiry of the swap agreement, the bank is obliged to purchase the covered bonds back from the state at the same price that the state purchased them for. Storebrand Bank ASA will receive the interest on the transferred covered bonds. All risk concerning the covered bonds continues to lie with Storebrand Bank ASA.

1) The stated amount is before elimination of covered bonds issued in Storebrand Boligkreditt AS.

## NOTE 26 | Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to such underlying amounts as underlying principal, nominal volume and the like. Different calculation methods are applied to nominal volume for different types of financial derivatives, and this figure expresses the scope of risk and positions of financial derivatives.

Gross nominal volume primarily provides information on 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 change in value if share prices rise. For interest derivatives, an asset position implies a positive change 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.

| | | | | | Amounts that can be, but are not presented net in the balance sheet | | |
|---|---|---|---|---|---|---|---|
| *NOK million* | Gross nom. volume 1) | Gross recognised financial assets | Gross recognised debt | Net financial assets / debt in the balance sheet | Fin. assets | Fin. debt | Net amount |
| Share derivatives | | | | | | | 0.0 |
| Interest derivatives 2) | 19 648.6 | 693.1 | -410.5 | | | | 1 103.5 |
| Currency derivatives | 53.0 | 0.1 | -0.6 | | | | 0.7 |
| **Total derivatives 31.12.2013** | **19 701.6** | **693.2** | **-411.0** | **0.0** | **0.0** | **0.0** | **1 104.2** |
| Total derivatives 31.12.2012 | 27 070.7 | 1 005.0 | -601.1 | 0.0 | 0.0 | 0.0 | 1 606.1 |

1) Values of 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 |
| **Counterparties:** | | | | | | |
| CHASE MANHATTAN BANK | | -0.4 | -0.4 | | | -0.4 |
| DEN DANSKE BANK AS | 1.1 | -1.1 | -0.0 | | | -0.0 |
| DNB NOR BANK ASA | 266.5 | -179.8 | 86.7 | | | 86.7 |
| NORDEA BANK NORGE ASA | 32.7 | -227.3 | -194.6 | | 381.5 | 186.9 |
| SWEDBANK | 1.8 | | 1.8 | | | 1.8 |
| Customers | 391.1 | -2.4 | 388.7 | | | 388.7 |
| **Total counter-parties** | **693.2** | **-411.0** | **282.2** | **0.0** | **381.5** | **663.7** |

## NOTE 27 | Foreign exchange risk

| **Financial assets and liabilities in foreign currency** | Statement of financial position items | | Currency forwards | Net position | |
|---|---|---|---|---|---|
| *NOK million* | Assets | Liabilities | Net sale | in currency | in NOK |
| CHF | 6.6 | 3.4 | -3.4 | | -0.2 |
| DKK | 1.4 | 1.4 | | | |
| EUR | 32.5 | 39.9 | 7.1 | | -0.4 |
| GBP | 4.6 | 4.7 | | | -0.1 |
| JPY | | | | 0.1 | |
| SEK | 53.5 | 6.8 | -47.4 | -0.2 | -0.7 |
| USD | 64.8 | 59.1 | -5.8 | | -0.1 |
| Other | 0.1 | 0.5 | | -0.3 | -0.4 |
| **Total net currency positions 2013** | | | | | **-1.9** |
| Total net currency positions 2012 | | | | | -0.9 |

Storebrand Bank ASA hedges the net currency position on its balance sheet with forward contracts, accordingly forward sales and forward purchases are not shown separately in respect of assets and liabilities.

## NOTE 28 | Loan portfolio and guarantees

| *NOK million* | 2013 Book value | 2012 Book value |
|---|---|---|
| Lending to customers at amortised cost | 32 457.7 | 34 204.7 |
| Lending to customers at fair value | 1 289.0 | 1 240.8 |
| **Total gross lending to customers** | **33 746.8** | **35 445.5** |
| Loan loss provisions on individual loans (see note 29) | -82.7 | -105.0 |
| Loan loss provisions on groups of loans (see note 29) | -30.2 | -39.1 |
| **Net lending to customers** | **33 633.9** | **35 301.4** |

See note 4 for analysis of loan portfolio and guarantees per customer group.

## NOTE 29 | Loan loss provisions

| *NOK million* | 2013 Book value | 2012 Book value |
|---|---|---|
| Loan loss provisions on individual loans 01.01 | 117.3 | 103.4 |
| Losses realised in the period on individual loans previously written down | -78.3 | -9.1 |
| Loan loss provisions on individual loans for the period | 52.9 | 18.8 |
| Reversals of loan loss provisions on individual loans for the period | -9.3 | -8.8 |
| Other corrections to loan loss provisions 1) | | 0.6 |
| **Loan loss provisions on individual loans at 31.12** | **82.7** | **105.0** |
| | | |
| Loan loss provisions on groups of loans and guarantees 01.01 | 39.1 | 53.2 |
| Grouped loan loss provisions for the period | -8.9 | -14.1 |
| **Loan loss provisions on groups of loans and guarantees etc. 31.12** | **30.2** | **39.1** |
| **Total loan loss provisions (see note 28)** | **112.9** | **144.1** |

The bank has NOK 0,1 million in individual loss provision for guarantees as of 31.12.2013. Per 31.12.2012 the bank had no provisions for guarantees. See also note 38.

## NOTE 30 | Intangible assets and goodwill

| *NOK million* | Brand name | IT-systems | Customer lists | Goodwill | 2013 Book value | 2012 Book value |
|---|---|---|---|---|---|---|
| Acquistion cost at 01.01 | 30.7 | 153.2 | 1.1 | 19.3 | 204.3 | 178.3 |
| Additions in the period: | | | | | | |
| Purchased separately | | 42.8 | | | 42.8 | 29.4 |
| Purchased through merger, acquistion or similar | | | | | 0.0 | 0.0 |
| Disposals in the period | | | | | 0.0 | -3.4 |
| **Acquisition cost at 31.12** | **30.7** | **196.0** | **1.1** | **19.3** | **247.0** | **204.3** |
| | | | | | | |
| Accumulated depreciation and write-downs at 01.01 | 6.1 | 87.5 | 1.1 | 3.2 | 97.9 | 67.2 |
| Depreciation in the period (see note 14) | 6.1 | 33.0 | | | 39.2 | 33.3 |
| Disposals in the period | | | | | 0.0 | -3.4 |
| Write-downs in the period (see note 14) | | | | 10.8 | 10.8 | 0.9 |
| Other changes | | | | | 0.0 | 0.0 |
| **Accumulated depreciation and write-downs at 31.12** | **12.3** | **120.6** | **1.1** | **14.0** | **147.9** | **97.9** |
| **Book value at 31.12** | **18.4** | **75.4** | **0.0** | **5.2** | **99.1** | **106.3** |

Intangible assets are depreciated on a linear basis over periods from four months to eight years. With effect from 01.01.2012, the brand name identified on the acquisition of Hadrian Eiendom AS, is assessed to have an economic life of 5 years. Goodwill is not subject for depreciation.

Depreciation and write-downs of intangible assets are included in the line "Other operating costs" in the profit and loss account. During 2013 Storebrand Bank has made a write-down of goodwill by NOK 10.8 million.

IT systems in this note refers to the development of systems, data warehouses, user licenses to systems, etc. All capitalised expenses in respect of systems development relate to work carried out by external resources. The estimate of economic liftetime are reviewed annually.

**Analysis of goodwill by business acquisition**

| *NOK million* | Acquisition cost 01.01 | Accumulated depreciation 01.01. | Book value 01.01. | Additions / disposals | Write-downs | Book value 31.12. |
|---|---|---|---|---|---|---|
| Hadrian Eiendom AS | 16.1 | 0.0 | 16.1 | | -10.8 | 5.2 |
| **Total** | **16.1** | **0.0** | **16.1** | **0.0** | **-10.8** | **5.2** |

In accordance with IFRS goodwill is tested at least annually or if there is reason to believe that the carrying value is impaired. When Hadrian Eiendom AS was acquired in 2007 the purchase price was allocated across the net identifiable assets in accordance with IFRS 3 and is linked to the company's market position. In calculating the value in use of Hadrian Eiendom AS, a cash flow based assessment of value has been made using the expected profit before taxes. The calculation is based on Board-authorised budgets and forecasts for the next three years. A stable growth rate of 2.0% has been assumed in determining the terminal value, corresponding to the rate of inflation. The value in use is calculated by applying the required rate of return after tax of 13.0%. The required rate of return is determined by establishing the risk-free rate of return and adding a premium to reflect the risk in the business. The calculations show a need for write-down of goodwill relating to Hadrian Eiendom AS. Therefore, a write-down by NOK 10.8 million has been made in 2013.

## Note 31 | Fixed assets

| *NOK million* | Fixtures & fittings | IT | Real estate [1)] | 2013 Book value | 2012 Book value |
|---|---|---|---|---|---|
| Book value at 01.01 | 6.2 | | 2.3 | 8.5 | 11.2 |
| Additions | | | 3.0 | 3.0 | 0.0 |
| Disposals | | | | 0.0 | 0.0 |
| Depreciation (see note 14) | -1.6 | | -0.4 | -2.0 | -2.7 |
| Write-downs in the period (se note 14) | | | | 0.0 | 0.0 |
| **Book value at 31.12** | **4.6** | **0.0** | **5.0** | **9.5** | **8.5** |
| Opening acquisition cost | 11.8 | 6.8 | 5.7 | 24.3 | 23.8 |
| Closing acquisition cost | 11.8 | 6.8 | 8.7 | 27.3 | 24.3 |
| Opening accumulated depreciation and write-downs | 5.6 | 6.8 | 3.4 | 15.8 | 12.7 |
| Closing accumulated depreciation and write-downs | 7.2 | 6.8 | 3.8 | 17.8 | 15.8 |

**For each class of fixed assets:**

| | | | |
|---|---|---|---|
| Method for measuring cost price | Acquisition cost | Acquisition cost | Acquisition cost |
| Depreciation method | linear | linear | linear |
| Depreciation period and economic life | 3 - 10 years | 4 - 6 years | 15 years |

1) Holiday cabins valued using the cost method.

Depreciation of fixed assets is included in the line "Other operating costs" in the profit and loss account. There are no restrictions on rights to fixed assets. No fixed assets have been pledged as collateral for liabilities.

## Note 32 | Operational leasing

**Minimum future payments on operational leases for fixed assets are as follows:**

| *NOK million* | Minimum lease less than 1 year | Minimum lease between 1 - 5 years | Minimum lease more than 5 years |
|---|---|---|---|
| Lease agreements less than 1 year | 0.1 | | 0.0 |
| Lease agreements between 1 -5 years | 1.0 | 0.4 | 0.0 |
| Lease agreements more than 5 years | 9.7 | 38.8 | 8.1 |
| **Total** | **10.8** | **39.2** | **8.1** |

Of which future lease income

**Amount through the profit and loss account**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Lease payments through the profit and loss account (see note 14) | 11.0 | 11.2 |

Operational leases are primarily lease for Storebrand's head office in Lysaker.

Costs are included in the item "General adminstration expenses" and the item "Other operating costs".

Companies in the group also have lease contracts related to postage machines, printers, computers and projectors, but are not included in this note as the amounts are considered to have no material effect in the accounts.

## NOTE 33 | Other current assets

| *NOK million* | 2013 Book value | 2012 Book value |
|---|---|---|
| Interest accrued | 85.8 | 100.9 |
| Other accrued income | 11.9 | 10.2 |
| Due from customers stockbrokerage | | 3.7 |
| Balances held for customers and liability to customers, real estate broking 1) | 2.8 | 0.8 |
| Other assets | | 6.0 |
| **Total other current assets** | **100.6** | **121.6** |

1) Balances held for customers and liability to customers are related to Hadrian Eiendom AS, which has a licence to operate in real estate broking.

## NOTE 34 | Deposits from customers

| *NOK million* | 2013 Book value | 2012 Book value |
|---|---|---|
| Deposits from customers without agreed maturity | 20 359.8 | 18 968.9 |
| Term loans and deposits from customers with agreed maturity | 368.3 | 963.8 |
| **Total deposits from customers** | **20 728.1** | **19 932.7** |

Deposits with agreed maturity relate to deposits for a contractually agreed period. Deposits without agreed maturity relates to deposits with no fixed period where the customer has unrestricted access to the deposit.

**Deposits from customers per sector and industry classification and geographical distribution:**

| *NOK million* | 2013 Book value | 2012 Book value |
|---|---|---|
| **Sector and industry classification** | | |
| Development of building projects | 230.5 | 291.4 |
| Sale and operation of real estate | 2 772.9 | 2 926.5 |
| Service providers | 2 255.2 | 1 965.2 |
| Wage-earners | 12 391.3 | 11 648.9 |
| Other | 3 078.1 | 3 100.8 |
| **Total** | **20 728.1** | **19 932.7** |
| **Geographic distribution** | | |
| Eastern Norway | 15 867.5 | 15 844.9 |
| Western Norway | 2 761.8 | 2 229.1 |
| Southern Norway | 353.8 | 309.2 |
| Mid-Norway | 557.5 | 496.0 |
| Northern Norway | 700.7 | 624.5 |
| Rest of world | 486.7 | 429.0 |
| **Total** | **20 728.1** | **19 932.7** |

## Note 35 | 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. Hedging effectiveness is monitored at the individual item level. Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock. Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations. Hedging is expected to be highly efficient in the period.

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Contract/ | Fair value 1) | | Contract/ | Fair value 1) | |
| NOK million | nominal value | Assets | Liabilities | nominal value | Assets | Liabilities |
| Interest rate swaps | 4 117.0 | 300.6 | | 4 417.0 | 383.5 | |
| Total interest rate derivatives | 4 117.0 | 300.6 | 0.0 | 4 417.0 | 383.5 | 0.0 |
| | | | | | | |
| Total derivatives | 4 117.0 | 300.6 | 0.0 | 4 417.0 | 383.5 | 0.0 |

| | Contract/ | Fair value 1) | | Contract/ | Fair value 1) | |
|---|---|---|---|---|---|---|
| | nominal value | Assets | Liabilities | nominal value | Assets | Liabilities |
| Total underlying items | 4 117.0 | | 4 434.6 | 4 417.0 | | 4 848.2 |
| | | | | | | |
| Hedging effectiveness - prospective | | | 95 % | | | 102 % |
| Hedging effectiveness - retrospective | | | 99 % | | | 99 % |

**Gain/loss on fair value hedging:** 2)

| | 2013 | 2012 |
|---|---|---|
| NOK million | Gain / loss | Gain / loss |
| On hedging instruments | -102.4 | 9.4 |
| On items hedged | 99.0 | -10.3 |

1) Book value at 31.12.

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

## Note 36 | Bonds and commercial papers issued

| | 2013 | 2012 |
|---|---|---|
| NOK million | Book value | Book value |
| Commercial papers | | |
| Bond loans | 13 523.6 | 14 540.3 |
| **Total bonds and commercial papers issued** | **13 523.6** | **14 540.3** |

See also note 5 for analysis of bonds and commercial papers issued.

## Note 37 | Subordinated loan capital

| NOK million | 2013<br>Book value | 2012<br>Book value |
|---|---|---|
| Dated subordinated loan capital | 151.3 | 151.2 |
| Other subordinated loan capital | 9.3 | 9.3 |
| Tier 1 hybrid capital | 429.2 | 280.9 |
| **Total subordinated loan capital** | **589.7** | **441.4** |

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Subordinated loan capital included in capital adequacy calculation | 589.7 | 441.4 |
| | | |
| **Interest expense** | | |
| Interest expense booked in respect of subordinated loan capital | 26.3 | 29.5 |

All subordinated loans are denominated in NOK.
See also note 5 for analysis of subordinated loan capital and Tier 1 hybrid capital.

## Note 38 | Provisions

| | Provisions for restructuring | |
|---|---|---|
| *NOK million* | 2013 | 2012 |
| Provisions 1 January | 17.7 | 0.8 |
| Provisions during the period | 12.9 | 17.6 |
| Provisions used during the period | -12.3 | -0.8 |
| **Total provisions 31 December** | **18.3** | **17.7** |
| | | |
| Classified as: | | |
| Provision for accrued expenses and liabilities | 18.3 | 17.7 |

The line "Allocations for costs accrued and liabilities" in the statement of financial position also includes an individual write-down of guarantees of NOK 0.1 million (see also note 30).

In 2012, Storebrand decided to implement a major cost reduction programme and the programme is continued in 2013. In the financial statements for Storebrand Bank Group NOK 12.9 million has been reserved to cover costs associated with the restructuring. These costs relate to headcount reductions, and chiefly apply to early retirees, ant to IT costs. This provision has been considered in accordance with IAS 37, and the restructuring plan has been announced to all parties affected by the changes.

## Note 39 | Other liabilities

| *NOK mill* | 2013<br>Book value | 2012<br>Book value |
|---|---|---|
| Money transfers | 8.0 | 7.9 |
| Accrued interest expenses financial debt | 1.3 | 13.1 |
| Accrued expenses and prepaid income | 35.5 | 35.6 |
| Accounts payable | 5.6 | 3.6 |
| Payable to stockbrokers | | 3.7 |
| Tax payable (see note 17) | 70.5 | 27.9 |
| Other debt | 12.5 | 10.6 |
| **Total other liabilities** | **133.6** | **102.4** |

## NOTE 40 | Off balance sheet liabilities and contingent liabilities

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Guarantees | 241.6 | 226.0 |
| Undrawn credit limits | 4 060.2 | 4 181.4 |
| Lending commitments | 77.4 | 796.1 |
| **Total contingent liabilities** | **4 379.2** | **5 203.5** |

Guarantees are mainly payment guarantees and contract guarantees. See also note 4. Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

## NOTE 41 | Collateral

### Collateral pledged and received

The subsidiary Hadrian Eiendom AS has an agreement concerning the pledging of security for customers via the Norwegian Association of Real Estate Agents and TrygVesta amounting to NOK 30 million with the limit of NOK 10 million per sale per claimant. Otherwise, the banking group has not received any collateral except securities pledged as collateral for F-loans in Norges Bank and securities pledged as collateral in connection with the scheme for swapping covered bonds for government papers (see table below).

### Collateral and security pledged

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Booked value of bonds pledged as collateral for the bank's lending from Norges Bank | 1 498.5 | 1 854.0 |
| Booked value of bonds pledged as collateral for swap scheme | | |
| Booked value of securities pledged as collateral in other financial institutions | | |
| **Total** | **1 498.5** | **1 854.0** |

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has not any F-loan in Norges Bank as per 31.12.2013.

In connection with the package of measures by the authorities concerning the banks, Storebrand Bank ASA has entered into an agreement involving the following amounts to conditions and terms for a swap scheme of covered bonds for treasury bills:

| *NOK million* | Amount | Issued | Maturity | Intrest rate |
|---|---|---|---|---|
| Borrowings under the Norwegian Government's Swap scheme | 499.2 | 06.05.2009 | 19.03.2014 | Treasury bills pluss 40 bp |
| Borrowings under the Norwegian Government's Swap scheme | 496.5 | 04.06.2009 | 19.03.2014 | Treasury bills pluss 40 bp |

### Loan security at Storebrand Boligkreditt AS

Out of total loans of NOK 33.7 billion at the Bank Group, NOK 14.7 billion are mortgaged in connection with the issuing of covered bonds at Storebrand Boligkreditt AS.
Loans at Storebrand Boligkreditt AS are security for covered bonds at the company, and these assets have thus been mortgaged through the bond owner's preference to the security holding at the company. Storebrand Boligkreditt AS has an over-collateralisation (OC) of 26 per cent, but the required OC is 9.5 per cent. Storebrand Boligkreditt AS therefore has security of NOK 2 billion more than required in the loan programme. Storebrand Bank ASA considers that the risk linked to the transfer level of home loans to Storebrand Boligkreditt AS is low.

## NOTE 42 | Capital adequacy

**NET PRIMARY CAPITAL**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Share capital | 960.6 | 960.6 |
| Other equity | 1 604.9 | 1 495.1 |
| **Total equity** | **2 565.5** | **2 455.7** |
| Deductions: | | |
| Goodwill | -5.2 | -16.1 |
| Intangible assets | -93.9 | -90.2 |
| Deferred tax asset | -13.0 | -7.3 |
| Provision for group contribution | -150.0 | -50.0 |
| **Core capital exc. Hybrid Tier 1 capital** | **2 303.4** | **2 292.0** |
| Addition: | | |
| Hybrid Tier 1 capital | 426.8 | 278.8 |
| **Core capital** | **2 730.1** | **2 570.8** |
| Supplementary capital | 158.8 | 158.6 |
| Deductions | | |
| **Net primary capital** | **2 888.9** | **2 729.4** |

**MINIMUM CAPITAL REQUIREMENT**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Credit risk | 1 613.4 | 1 758.1 |
| Of which: | | |
| Local and regional authorities | 8.6 | 9.2 |
| Institutions | 9.9 | 15.4 |
| Corporates | 773.9 | 938.9 |
| Loans secured on residential real estate | 687.4 | 693.6 |
| Retail market | 51.5 | 47.8 |
| Loans past-due | 40.1 | 12.9 |
| Covered bonds | 23.8 | 17.1 |
| Other | 18.3 | 23.2 |
| **Total minimum requirement for credit risk** | **1 613.4** | **1 758.1** |
| Settlement risk | | |
| **Total minimum requirement for market risk** | **0.0** | **0.0** |
| Operational risk | 89.5 | 89.5 |
| Deductions | | |
| Loan loss provisions on groups of loans | -2.4 | -3.1 |
| **Minimum requirement for net primary capital** | **1 700.5** | **1 844.5** |

**CAPITAL ADEQUACY**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Capital ratio | 13.6 % | 11.8 % |
| Core (tier 1) capital ratio | 12.8 % | 11.2 % |
| Core capital ratio excl. Hybrid Tier 1 capital | 10.8 % | 9.9 % |

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 Book Value | 2012 Book value |
|---|---|---|
| Credit risk | 20 168.1 | 21 976.2 |
| Of which: | | |
| Local and regional authorities | 106.9 | 115.3 |
| Institutions | 123.1 | 192.0 |
| Corporates | 9 674.1 | 11 735.9 |
| Loans secured on residential real estate | 8 593.0 | 8 670.1 |
| Retail market | 644.0 | 597.8 |
| Loans past-due | 501.0 | 160.8 |
| Covered bonds | 297.3 | 214.0 |
| Other | 228.6 | 290.3 |
| **Total basis of calculation credit risk** | **20 168.1** | **21 976.2** |
| | | |
| **Total basis of calculation market risk** | **0.0** | **0.0** |
| Operational risk | 1 118.8 | 1 119.1 |
| Deductions | -30.2 | -39.1 |
| **Total basis of calculation of minimum requirements for capital base** | **21 256.7** | **23 056.1** |

## Note 43 | Changes in the Group's composition

Storebrand Bank ASA decided to wind up ownership of Ring Eiendomsmegling AS and subsidiaries in December 2011. The result, assets and liabilities for Ring Eiendomsmegling AS have been classified as sold / wound up business in the bank's consolidated financial statements. See note 45 Businesses sold and discontinued operations. Subsidiaries Ullensaker Boligbygg AS, Ullensaker Boligbygg KS and Filipstad Invest AS were all wound up in 2013. The profit upon winding up was NOK 4.7 million in the bank group.

## Note 44 | Close associates

**TRANSACTIONS WITH GROUP COMPANIES**

| *NOK million* | 2013 Other group Companies 1) | 2012 Other group Companies 1) |
|---|---|---|
| Interest income | | |
| Interest expense | | |
| Services sold | 3.6 | 3.5 |
| Services purchased | 89.1 | 114.5 |
| Gain on sale of shares | | 4.5 |
| Due from | 0.8 | 2.6 |
| Liabilities to | 6.7 | 78.2 |

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

1) Other group companies are companies in other sub-groups within the Storebrand group.

**Transactions with other related parties**
Storebrand Bank ASA defines Storebrand Optimér ASA as a related party as the company's objective is to offer alternative savings products to the bank's customers. Storebrand Optimér ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Optimér ASA. The bank has booked NOK 9.7 million as revenue in the accounts for 2013 and the bank has a receivable due from the company of NOK 1.4 million as of 31.12.2013. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA also defines Storebrand Infrastruktur ASA as a related party based on the company's objective is to offer alternative savings products to the bank's customers. Storebrand Infrastruktur ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Infrastruktur ASA. The bank has booked NOK 0.6 million as revenue in the accounts for 2013. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA conducts transactions with other related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and close associates are stipulated in note 44 for Storebrand Bank ASA.

### LOANS TO EMPLOYEES:

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Loans to employees of Storebradn Bank ASA | 66.9 | 61.1 |
| Loans to employees of Storebrand group including Storebrand Bank ASA | 2 665.5 | 2 303.6 |

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to and individual of up to NOK 3.5 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance. Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

### NUMBER OF EMPLOYEES:

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Number of employees at 31 December [1)] | 112 | 134 |
| Number of employees expressed as full-time equivalent positions [1)] | 110 | 132 |

1) Includes employees and person-years in Storebrand Bank ASA and Hadrian Eiendom AS for 2013, and Storebrand Bank ASA, Hadrian Eiendom AS og Ring Eiendomegling AS for 2012.

## Note 45 | Sold operations or dicontinued operations

Storebrand Bank ASA has decided to withdraw from estate agency and Ring Eiendomsmegling AS and its subsidiaries will be wind-up. Due to the decision to discontinue operations, the accounts have been presented in accordance with IFRS 5 and the net income for Ring Eiendomsmegling AS has been presented as a separate line item in the financial statements for Storebrand Bank Group. Similarly, assets and liabilities have been presented separately on the balance sheet.

Effect of Ring Eiendomsmegling AS in Storebrand Bank Group:

### PROFIT AND LOSS ITEMS

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Net interest income | -0.1 | -0.5 |
| Other income | -0.3 | 1.2 |
| | | |
| Staff expenses | 0.2 | -2.5 |
| General administration expenses | -0.5 | -0.5 |
| Other operating costs | -3.0 | 1.7 |
| *Total operating costs* | *-3.3* | *-1.3* |
| **Profit before tax** | **-3.8** | **-0.5** |
| Tax | 0.0 | 3.2 |
| **Profit for the year** | **-3.8** | **2.7** |

### BALANCE SHEET ITEMS

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Other current assets | 0.3 | 0.2 |
| **Total assets** | **0.3** | **0.2** |
| | | |
| Other liabilities | 0.5 | 10.1 |
| **Total liabilities** | **0.5** | **10.1** |

Ring Eiendomsmegling AS has not any balances held for customers at 31.12.2013.

## CASH FLOW ANALYSIS

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Receipts of operating income from franchises and other | 0.6 | 1.2 |
| Payments of operating costs | -5.2 | -3.5 |
| Net receipts/payments on other operating activities | 3.6 | -13.6 |
| **Net cash flow from operating activities** | **-1.1** | **-15.9** |
| | | |
| Net payments on purchase/sale of fixed assets etc. | | 1.1 |
| **Net cash flow from investment activities** | **0.0** | **1.1** |
| | | |
| Netto receipts related to merger | 17.7 | |
| Payments of debt | -7.6 | -3.7 |
| Net receipts - minority interests | -0.9 | |
| **Net cash flow from financing activites** | **9.2** | **-3.7** |
| | | |
| **Net cash flow in the period** | **8.1** | **-18.5** |
| | | |
| Net cash flow in the period | 8.1 | -18.5 |
| Cash and bank deposits at the start of the period | -1.9 | 16.6 |
| **Cash and bank deposits at the end of the period** | **6.1** | **-1.9** |

# Accounts & Notes
# Storebrand Bank ASA

# Profit and loss account Storebrand Bank ASA

1 January - 31 December

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| Interest income | | 1 073.3 | 1 158.1 |
| Interest expense | | -782.6 | -818.2 |
| **Net interest income** | **10** | **290.7** | **339.8** |
| | | | |
| Fee and commission income from banking services | | 95.1 | 99.0 |
| Fee and commission expense for banking services | | -11.8 | -14.3 |
| **Net fee and commission income** | **11** | **83.3** | **84.7** |
| | | | |
| Net income and gains from associated companies | | | 1.2 |
| Net gains on financial instruments | 10 | -13.6 | 69.1 |
| Other income | 12 | 211.6 | 151.4 |
| **Total other operating income** | | **198.0** | **221.7** |
| | | | |
| Staff expenses | 14, 15 | -118.0 | -146.5 |
| General administration expenses | 14 | -54.8 | -64.5 |
| Other operating costs | 13, 14, 31, 32 | -168.4 | -184.9 |
| **Total operating costs** | | **-341.2** | **-395.9** |
| | | | |
| Operating profit before loan losses | | 230.8 | 250.4 |
| | | | |
| Loan losses for the period | 16 | -9.1 | 10.4 |
| **Profit before tax** | | **221.7** | **260.8** |
| Tax | 17 | -70.9 | -63.7 |
| **Profit for the year** | | **150.8** | **197.1** |
| | | | |
| Transfers and allocations: | | | |
| Transferred to/from other equity | | 30.6 | -125.3 |
| Provision for group contribution | | -181.4 | -71.8 |
| **Total transfers and allocations** | | **-150.8** | **-197.1** |

## Statement of comprehensive income

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| Profit for the year | | 150.8 | 197.1 |
| **Other result elements not to be classified to profit/loss** | | | |
| Pension experience adjustments | 15 | -5.7 | 34.9 |
| Tax on pension exeperience adjustments | 17 | 2.1 | -9.8 |
| **Total other result elements not to be classified to profit/loss** | | **-3.5** | **25.1** |
| | | | |
| **Total comprehensive income for the period** | | **147.2** | **222.2** |

# Statement of financial position - balance sheet Storebrand Bank ASA

31 December

**Assets**

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| Cash and deposits with central banks | 4, 18, 20 | 19.8 | 8.8 |
| Loans to and deposits with credit institutions | 4, 8, 18, 19, 21 | 2 198.9 | 4 763.3 |
| | | | |
| Financial assets designated at fair value through the profit and loss account: | | | |
| Equity instruments | 8, 18, 22 | 1.7 | 1.8 |
| Bonds and other fixed-income securities | 4, 8, 18, 24, 26 | 5 550.2 | 5 624.6 |
| Derivatives | 4, 5, 8, 18, 27, 36 | 445.5 | 660.0 |
| | | | |
| Bonds at amortised cost | 4, 18, 19, 25 | 1 541.8 | 990.0 |
| | | | |
| Other current assets | 18, 19, 34 | 1 223.3 | 1 086.2 |
| | | | |
| Gross lending, amortised cost | 4, 8, 18, 19, 29 | 17 643.3 | 16 910.3 |
| Gross lendnig, FVO | 8, 19 | 1 289.0 | 1 240.8 |
| Loan loss provisions | 4, 29 | -109.8 | -153.9 |
| Net lending to customers | 4, 18, 29 | 18 822.5 | 17 997.2 |
| | | | |
| Tangible assets | 32 | 6.2 | 8.1 |
| Intangible assets and goodwill | 31 | 75.4 | 65.7 |
| Deferred tax assets | 17 | 18.2 | 14.0 |
| | | | |
| **Total assets** | | **29 903.6** | **31 219.8** |

**Liabilities and equity**

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| Liabilities to credit institutions | 5, 8, 18, 19, 26 | 1 329.5 | 2 797.0 |
| Deposits from and due to customers | 5, 18, 19, 35 | 20 749.0 | 19 948.5 |
| | | | |
| Other financial liabilities: | | | |
| Derivatives | 8, 18, 27 | 411.0 | 601.1 |
| Commercial paper and bonds issued | 5, 18, 19, 36, 37 | 4 050.8 | 4 666.9 |
| Other liabilities | 5, 18, 19, 40 | 326.1 | 301.4 |
| | | | |
| Provision for accrued expenses and liabilities | 39 | 18.4 | 17.7 |
| Pension liabilities | 15 | 57.8 | 71.3 |
| | | | |
| Subordinated loan capital | 5, 18, 19, 38 | 589.7 | 441.4 |
| **Total liabilities** | | **27 532.4** | **28 845.2** |
| | | | |
| Share capital | | 960.6 | 960.6 |
| Share premium reserve | | 156.0 | 156.0 |
| Other paid-in share capital | | 571.8 | 540.4 |
| Retained earnings | | 682.8 | 717.6 |
| **Total equity** | | **2 371.2** | **2 374.6** |
| | | | |
| **Total liabilities and equity** | | **29 903.6** | **31 219.8** |

Lysaker, 11 February 2014
The Board of Directors of Storebrand Bank ASA

*Translation - not to be signed*

| | | | | | |
|---|---|---|---|---|---|
| Heidi Skaaret<br>Chairman | Geir Holmgren<br>Deputy Chairman | Leif Helmich Pedersen<br>Board member | Inger Roll-Matthiesen<br>Board member | Ranveig S. Ofstad<br>Board member | Truls Nergaard<br>CEO |

# Reconciliation of equity
# Storebrand Bank ASA

| | Paid-in equity | | | | Other equity | | | |
|---|---|---|---|---|---|---|---|---|
| *NOK million* | Share capital | Share premium reserve | Other paid-in equity | Total paid-in equity | Revenue and costs applied to equity | Other equity | Total other equity | Total equity |
| Equity at 31.12.2011 | 960.6 | 156.0 | 518.7 | 1 635.3 | 18.3 | 548.8 | 567.2 | 2 202.4 |
| Profit for the period | | | | | | 197.1 | 197.1 | 197.1 |
| Pension experience adjustments (see note 15) | | | | | 25.1 | | 25.1 | 25.1 |
| **Total other result elements not to be classified to profit/loss** | **0.0** | **0.0** | **0.0** | **0.0** | **25.1** | **0.0** | **25.1** | **25.1** |
| **Total comprehensive income for the period** | **0.0** | **0.0** | **0.0** | **0.0** | **25.1** | **197.1** | **222.2** | **222.2** |
| **Equity transactions with owners:** | | | | | | | | |
| Group contribution paid (see note 17) | | | | | | -71.8 | -71.8 | -71.8 |
| Receipts of group contribution | | | 21.8 | 21.8 | | | | 21.8 |
| **Equity at 31.12.2012** | **960.6** | **156.0** | **540.5** | **1 657.0** | **43.4** | **674.1** | **717.6** | **2 374.6** |
| Profit for the period | | | | | | 150.8 | 150.8 | 150.8 |
| Pension experience adjustments (see note 15) | | | | | -3.5 | | -3.5 | -3.5 |
| **Total other result elements not to be classified to profit/loss** | **0.0** | **0.0** | **0.0** | **0.0** | **-3.5** | **0.0** | **-3.5** | **-3.5** |
| **Total comprehensive income for the period** | **0.0** | **0.0** | **0.0** | **0.0** | **-3.5** | **150.8** | **147.2** | **147.2** |
| **Equity transactions with owners:** | | | | | | | | |
| Group contribution paid (see note 17) | | | | | | -181.4 | -181.4 | -181.4 |
| Receipts of group contribution | | | 31.4 | 31.4 | | | | 31.4 |
| Change in group contribution paid for 2012 | | | | | | -0.6 | -0.6 | -0.6 |
| **Equity at 31.12.2013** | **960.6** | **156.0** | **571.8** | **1 688.4** | **39.9** | **642.9** | **682.8** | **2 371.2** |

The entire share capital of NOK 960.6 million made up of 64,037,183 shares (of nominal value NOK 15) is owned by Storebrand ASA.

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 and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

Storebrand Bank actively manages the level of equity in the company and the group. 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 holding company Storebrand ASA.

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

For further information on the group's fulfilment of the capital requirements, see note 43.

# Cash flow statement Storebrand Bank ASA

1 January - 31 December

| *NOK million* | Note | 2013 | 2012 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Receipts of interest, commissions and fees from customers | | 1 029.0 | 1 039.1 |
| Payments of interest, commissions and fees to customers | | -556.1 | -534.4 |
| Net disbursement/payments on customer loans | | -798.7 | -1 176.2 |
| Net receipts/payments of deposits from banking customers | | 799.9 | 1 423.7 |
| Net receipts/payments - securities at fair value | | -396.9 | 3 286.9 |
| Payments - taxes | | | |
| Payments of operating costs | | -297.5 | -378.6 |
| Net receipts/payments on other operating activities | | | 5.0 |
| **Net cash flow from operating activities** | | **-220.3** | **3 665.6** |
| | | | |
| **Cash flow from investment activities** | | | |
| Net receipts on sale of subsidiaries and assoiated companies | 23 | 0.1 | 8.5 |
| Net payments on purchase/capitalisation of subsidiaries | 23 | -175.0 | -2.1 |
| Net payments on purchase/sale of fixed assets etc. | 31 | -42.8 | -29.4 |
| **Net cash flow from investment activities** | | **-217.6** | **-22.9** |
| | | | |
| **Cash flow from financing activities** | | | |
| Payments - repayments of loans and issuing of bond debt | | -1 106.5 | -1 600.5 |
| Receipts - new loans and issuing of bond debt | | 500.4 | 1 909.7 |
| Payments - interest on loans | | -183.1 | -266.2 |
| Receipts - subordinated loan capital | | 150.0 | 149.2 |
| Payments - repayments of subordinated loan capital | | | -400.4 |
| Payments - interest on subordinated loan capital | | -26.3 | -29.5 |
| Net receipts/payments of liabilities to credit institutions | | -1 466.4 | -3 518.6 |
| Receipts - group contribution | | 252.8 | 58.8 |
| Payments - group contribution / dividends | | -236.3 | -85.8 |
| **Net cash flow from financing activities** | | **-2 115.4** | **-3 783.3** |
| | | | |
| **Net cash flow in the period** | | **-2 553.3** | **-140.7** |
| | | | |
| Net cash flow in the period | | -2 553.3 | -140.7 |
| Cash and bank deposits at the start of the period | | 4 772.1 | 4 912.8 |
| **Cash and bank deposits at the end of the period** | | **2 218.7** | **4 772.1** |
| | | | |
| Cash and deposits with central banks | 20 | 19.8 | 8.8 |
| Loans to and deposits with credit institutions | 21 | 2 198.9 | 4 763.3 |
| **Total cash and bank deposits in the balance sheet** | | **2 218.7** | **4 772.1** |

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 financial company will be classified as operational.

**Investment activities**

Includes cash flows for holdings in group companies and tangible fixed assets.

**Financing activities**

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

**Cash/cash equivalents**

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

# Contents notes Storebrand Bank ASA

## **Note 1** | Company information and accounting policies

**1. COMPANY INFORMATION**

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on Oslo Børs. The financial statements for 2013 were approved by the Board of Directors on 11 February 2014.

Storebrand Bank provides traditional banking services such as accounts and loans in the retail market and project financing to selected corporate customers. Storebrand Bank ASA comprises the business areas of Corporate Market, Retail Market and Treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

**2. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

*USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS.*

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

**3. CHANGES IN ACCOUNTING POLICIES**

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 changed in 2013. The statement specifies the items:

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

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

IFRS 13 Fair value measurement took effect in 2013 and entails an expanded disclosure requirement in the notes associated with accounting information on fair values. Amendments have further been made to IAS 19R Pensions for own employees which entail additional requirements regarding the disclosure of gross revenue and cost items.

The changes described above have not had any significant effect on the financial statements.
Another key standard for Storebrand Bank's consolidated financial statements is IFRS 9 Financial instruments. The standard deals with 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 a date has not been set.

In 2014, IFRS 10 Consolidated financial statements may affect the financial accounts regarding loans taken over and any consolidation of these loans.

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 financial statements.

- Amendment in IAS 39: Amendment to the rules regarding swapping counterparty in accounting treatment of hedging
- Amendment in IAS 36: Requirement of information about recoverable amount – intangible assets / goodwill
- Amendment in IAS 32: Revised offsetting rules

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

The assets side of the Storebrand Bank´s statement of financial position primarily consists of financial instruments. The majority of the financial instruments fall under the category loans and receivables, and are stated at amortised cost. The statement of financial position also includes capitalised intangible assets. The liabilities side of the 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 profit or loss using the effective interest method.

Income from properties and financial assets

Income from properties and financial assets is described in section 8.

**OTHER OPERATING INCOME**

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

**6. INTANGIBLE ASSETS**

Intangible assets with limited useful economic lives are valued at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are reassessed each year. With initial recognition of intangible assets in the statement of financial position, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the Group. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

## 7. FINANCIAL INSTRUMENTS

### 7-1. GENERAL POLICIES AND DEFINITIONS

#### Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when Storebrand Bank becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are recorded 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/liability if it is not a financial asset/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, 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 of the 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 on another regulated market in which regular trading takes place is determined as the bid price on the last trading day up to and including the reporting date.

If a market for a financial instrument is not active, fair value is determined by using 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 on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

### 7-2. 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, is part of a portfolio of identified financial instruments that are mana ged together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

With the exception of derivatives, only a limited proportion of Storebrand Bank'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)

A significant proportion of Storebrand's financial instruments are classified in the category 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
- the financial assets form part of a portfolio that is managed and reported on a fair value basis

The accounting is the same for the group held for trading (the instruments are assessed at the fair value and changes in value are listed on the income statement).

#### Loans and receivables

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

Loans and receivables are carried at amortised cost using the effective interest method. The category is used in the Norwegian life insurance business linked to insurance contracts with a guaranteed interest rate, and in the banking business.

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

**7-3. 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.

**7-4. HEDGE ACCOUNTING**

Fair value hedging

Storebrand Bank uses fair value hedging, where the items hedged are financial assets and liabilities measured at amortised cost. Derivatives are recognised at fair value in profit or loss. Changes in the value of the hedged item that relate to the hedged risk are applied to the book value of the item and are recognised through profit or loss.

**7-5. FINANCIAL LIABILITIES**

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

## 8. PENSION LIABILITIES OWN EMPLOYEES

Storebrand Bank has offered a defined-contribution scheme to its employees since 01.01.2011. Storebrand Bank had a defined-benefit scheme for its Norwegian employees until 31.12.2010. The defined-benefit scheme was closed to new members on 01.01.2011, and members at the time could voluntarily elect to transfer to a defined-contribution pension plan. Storebrand jointed the Norwegian contractual pension scheme (AFP) in 2013. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs.

**8-1. BENEFIT SCHEME**

Pension costs and pension obligations for defined-benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains/losses and the effects of changes in assumptions are included in the total comprehensive income in the income statement for the period in which they occur. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements, in which case the benefit is apportioned on a straight line basis until the entitlement has been fully earned. The employer's National Insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in the total comprehensive income.
A discount rate derived from high quality corporate bonds has been used as the discount rate since 31.12.2012. Government bond rates were used earlier. See note 15 for further details. Storebrand Bank has both an insured and an uninsured pension scheme. The insured scheme in Norway is managed by Storebrand Livsforsikring AS.

**8-2. DEFINED CONTRIBUTION SCHEME**

The defined-contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The Group does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. defined-contribution pension schemes are recognised directly in the financial statements.

## 9. TANGIBLE FIXED ASSETS

The Group's tangible fixed assets consist of machines, inventory and IT systems. Equipment and fittings are valued at acquisition cost less accumulated depreciation and any write-downs.

The write-down period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any impairment losses are charged to the income statement as the difference between the carrying value and the recoverable amount. The recoverable amount is the greater of the fair value less costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets.

## 10. TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.
Deferred tax is calculated on the basis of the Group's tax loss carryforwards, deductible temporary differences and taxable temporary differences.

## 11. PROVISION FOR GROUP CONTRIBUTION

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

## 12. LEASING

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

### 13. 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.

### 14. SHARE-BASED REMUNERATION
Storebrand Bank Group has share-based remuneration agreements with key personnel. The fair value of the share options is determined on the date of the allocation. Valuation is made on the basis of recognised valuation models adjusted to the characteristics of the actual options. The value determined on the date of the allocation is periodised in the income statement over the option's vesting period with a corresponding increase in equity. The amount is recognised as an expense and is adjusted to reflect the actual number of share options earned. The vesting period is the period of time from when the scheme is established until the options are fully vested.

## **Note 2** | Critical accounting estimates and judgements

In preparing the Group'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.

### BONDS AT AMORTISED COST
See the description above concerning loans at amortised cost. The same assessments must be made to value bonds at amortised cost.

### FINANCIAL INSTRUMENTS AT FAIR VALUE
There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true of the types of securities priced on the basis of non-observable assumptions. Various valuation techniques are applied to these investments in order to fix fair value. They include fixed-rate loans and other financial instruments where theoretical models are used in pricing. Any changes to the assumptions could affect recognised amounts.

In 2013, there was growing uncertainty regarding the pricing of fixed-rate loans recorded at fair value, as there is a great variation in the interest rate terms offered by banks, while the demand for fixed-rate loans has decreased. As a result, it has been more difficult to find observable conditions. The bank reclassified fixed-rate loans from level 2 to level 3 in the first quarter of 2013 in terms of the valuation hierarchy.

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

### INTANGIBLE ASSETS
Intangible assets with undefined useful economic lives are tested annually for impairment. The test's valuation method involves estimating cash flows arising in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are assessed annually to ensure that the method and time period used correspond with economic realities.

### PENSIONS FOR OWN EMPLOYEES
The present value of pension obligations depends upon the financial and demographic assumptions used in the calculation. The assumptions must be realistic, mutually consistent and up to date as they should be based on a cohesive set of estimates about future financial performance. The Group has both secured and unsecured pension schemes (pension over operations). The operational schemes are mainly related to pension for wages above 12G and to early retirement pension. The pension liability calculations are undertaken by actuaries. Any changes to these estimates including expected salary growth, taking early retirement pension, leaving and the discount rate can have a major effect on the recognised pension liabilities relating to own employees. Estimates of future real interest rates, real salary growth, future adjustments to the National Insurance Basic Amount and future inflation, taking operational pension, etc. are subject to significant uncertainty. There will also be uncertainty associated with whether the defined-benefit scheme for the employees will exist in the future, or whether the schemes will be changed.

**CONTINGENT LIABILITIES**

Companies in the Storebrand Bank Group may become 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 Bank is to create value by assuming deliberate and acceptable risk. Continuous monitoring and active risk management are therefore key to the bank's activities and organisation. Storebrand Bank is exposed to credit and liquidity risk, business risk, market risk, operational risk, and compliance 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 3 lines of defence. The model takes responsibility for risk management on both the company and group level.

The first line of defence is the bank 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) and compliance officer at the bank are the second line of defence, and support the Board's and the management's responsibility through processes to identify, monitor, control and report risk, and to comply with acts, regulations and other relevant rules. These control functions are functionally affiliated with the Storebrand Group's CRO, and report directly to the bank's Board. 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 loss arising from the client lacking the capacity or intent to fulfil its obligations. This includes the risk that the security is les effective than expected (residual risk) and concentration risk. Credit risk encompasses counterparty risk.

**RISK MANAGEMENT**

The risk strategy reflects how much credit risk the bank is willing to assume. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy, profitability, liquidity and growth. Credit policies establish general principles for granting credit. The bank procedures for credit management are set out in credit manuals for the Corporate and Retail Markets. The credit manuals are primarily designed for account managers and others who are involved in case management processes. The credit manuals contain common guidelines (or regulations) for the bank group's credit activities, and shall safeguard uniform and consistent credit management practices. The procedures adopted and stated in the credit manuals provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio.
The credit compliance of the Retail Market and the Corporate Market takes place in accordance with a management-adopted authorisation structure.
Treasury has the credit risk for its counterparties in the investment portfolio. Permitted counterparties and the composition of the portfolio are set out in the bank's counterparty risk policy. Counterparty risk in connection with the trading of financial derivatives with customers as the counterparty is included in credit risk, and is governed following a dedicated policy, based on the rating and size of the management portfolio. Customer derivatives trades are hedged using derivatives. Financial derivatives permitted by the bank are outlined in the interest rate risk policy.

**RISK CONTROL**

Risk reporting entails ongoing reporting to the bank's management about developments in the bank's credit risk in relation to the target risk.
The most important control of credit risk is carried out and managed by the Credit Control unit which:

- Has ongoing responsibility for making sure that established procedures in the credit areas comply with the adopted risk profile and that they are adhered to on a day-to-day basis.
- Participates in the credit meetings with credit authorisation and carries out a formal check on all credit cases in the Corporate Market. This work includes credit authorisation, analyses, correct procedure use, complying with the strategy and the balance between risk and potential earnings.
- Ensures adequate risk classification systems in the credit areas and that they are being applied consistently.
- Identifies, monitors, and checks credit risk on an independent basis.
- Checks that loss assessments and loss reporting comply with procedures and ensures that non-performing loans are reported correctly and monitored.
- Evaluates whether there is a need to update the credit manual and procedure manual for the Corporate Market, and recommends changes to the head of Finance and Risk Management. Evaluates the Retail Market credit manual and recommends changes to the head of Finance and Risk Management. Ensures that the updates are in keeping with the risk profile, risk strategy and the business strategy for the two credit areas.

Customer exposure resulting from trading financial derivatives with customers is continually reported by Capital Market Products to the Corporate Market and the price development is monitored in respect of the customer's situation, cleared lines and breach clauses The Middle Office in Finance and Risk Management conducts running spot checks with regard to this. Trades with counterparties made by Treasury are checked by the Middle Office in Finance and Risk Management in accordance with dedicated procedures and work descriptions.

**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. Maximum credit exposure has increased from the end of 2012 due to na increase n in the amount of loans and an increase in the liquidity portfolio.

**Maximum credit exposure**

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Liquidity portfolio | 7 096.4 | 6 618.8 |
| Total commitments customers [1)] | 21 428.6 | 20 661.3 |
| Interest rate swaps | 445.4 | 654.0 |
| Forward foreign exchange contacts | 0.1 | 6.0 |
| **Total** | **28 970.6** | **27 946.0** |
| 1) Of which net loans to and amounts due from customers measured at fair value: | 1 289.0 | 1 240.8 |

The amounts stated for the various financial instruments constitute the value recognised in the balance shett, with the exception of net lending to and receivables from customers, which also includes unused drawing facility and guarantees.

## CREDIT RISK LIQUIDITY PORTFOLIO

### Interest-bearing securities at fair value

**Credit risk per counterparty**

Short-term holdings of interest-bearing securities

| Issuer category | **AAA** | **AA** | **A** | **BBB** | **NIG** | **Total 2013** | **Total 2012** |
|---|---|---|---|---|---|---|---|
| *NOK million* | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** |
| Sovereign and Government Guaranteed bonds | 100.3 | | | | | 100.3 | 492.7 |
| Credit bonds | | 534.6 | | | | 534.6 | 526.2 |
| Mortgage and asset backed bonds | 4 814.3 | 101.0 | | | | 4 915.3 | 4 605.7 |
| **Total** | **4 914.6** | **635.7** | **0.0** | **0.0** | **0.0** | **5 550.2** | **5 624.6** |

Rating classes are based on Standard & Poors.

| Change in value: | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total change in value on the balance sheet | 19.7 | 0.8 | | | | 20.6 | 33.8 |
| Change in vaule recognised in the profit and loss during period | -12.7 | -0.4 | | | | -13.2 | 42.1 |

### Interest-bearing securities at amortised cost

**Credit risk per counterparty**

Short-term holdings of interest-bearing securities

| Issuer category | **AAA** | **AA** | **A** | **BBB** | **NIG** | **Total 2013** | **Total 2012** |
|---|---|---|---|---|---|---|---|
| *NOK million* | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** |
| Public issuers and Government Guaranteed Bonds | 727.5 | | | | | 727.5 | 627.3 |
| Credit bonds | | | | | | 0.0 | 50.0 |
| Mortgage and asset backed bonds | 788.5 | 30.2 | | | | 818.7 | 316.8 |
| **Total** | **1 515.9** | **30.2** | **0.0** | **0.0** | **0.0** | **1 546.1** | **994.2** |

Rating classes are based on Standard & Poors.

## CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS AND CENTRAL BANK

**Credit risk per counterparty**

| | **AAA** | **AA** | **A** | **BBB** | **NIG** | **Total 2013** | **Total 2012** |
|---|---|---|---|---|---|---|---|
| *NOK million* | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** | **Fair value** |
| Norway | 19.8 | | | | | 19.8 | 8,8 |
| **Total deposits with central bank** | **19.8** | **0.0** | **0.0** | **0.0** | **0.0** | **19.8** | **8,8** |
| Norway | 2 148.5 | 6.7 | | | | 2 155.2 | 4 763,3 |
| Denmark | | | 43.7 | | | 43.7 | |
| **Total loans to and deposits with credit institutions** | **2 148.5** | **6.7** | **43.7** | **0.0** | **0.0** | **2 198.9** | **4 763,3** |
| **Total loans to and deposits with credit institutions and central bank** | **2 168.3** | **6.7** | **43.7** | **0.0** | **0.0** | **2 218.7** | **4 772,1** |

## CREDIT EXPOSURE FOR LENDING ACTIVITIES

**CORPORATE MARKET**

Gross lending in the Corporate Market represents about NOK 9.8 billion. There is also about NOK 435 million in unused credit facilities and about NOK 277 million in guarantees. In addition, loans of nearly NOK 3.5 billion are under management, which are syndicated to Storebrand Livsforsikring AS.

As a result of group prioritizations regarding use of capital at Storebrand and a strategic assessment of the future direction of the Group, the Corporate Market segment at the bank is no longer prioritised as a core activity, and will be dismantled and eventually wound up.

In 2013, Storebrand Bank adopted an internal model for classification of the bank's Corporate Market loans. The model estimates the probability of default (PD) of the loans. The portfolio of income-generating properties (IGE) and development properties consists of few customers and few defaults, and there is comprehensive and complex risk assessment of debtors. The PD model for the Corporate Market has accordingly been developed as an expert model, unlike the statistical model for the Retail Market.

The PD is set in two steps. First a PD score is calculated based on a risk assessment of the debtor and affiliated project that Storebrand Bank finances for each debtor. The PD score is a number between 0 and 100. The PD score is then mapped over to the risk class and associated PD, where the bank's master scale is applied. The master scale consists of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans.

A scorecard has been drawn up for projects in both IGE and development properties. Development properties are further split into three scorecards to identify different characteristics in this type of project. The scorecard for IGE and construction loans for rental includes the property's location, tenant risk, development and zoning risk in the property assessment, at the same time that the downside risk is assessed, as well as the strength of the cash flow. The scorecard for construction loans for rental assesses cost risk, conversion risk and execution risk in the risk dimension project risk, but tenant risk and location are part of the property assessment. Downside risk and the strength of the cash flow are also assessed. The scorecard for construction loans for sale assesses cost risk and execution risk in the risk dimension project risk and the sales buffer residual risk, quality of advance sales and location in the risk dimension sales risk. The scorecard for loans for plots assesses liquidity risk, loan-to-value ratio and sensitivity of construction costs in the risk dimension financial risk, and the project complexity and the builder's experience/competence in the risk dimension execution risk. Political risk is another dimension that is assessed. A simple debtor scorecard has also been developed, where qualitative assessments are made in the risk dimensions business risk, financial risk, and ownership. The cash flow assessment is given greatest emphasis for IGE. The most important risk dimension for construction loans is project risk. Accordingly, financial risk is the most important risk dimension for loans for plots.

When assessing the quality of the security of the loans, numerical grades of 1 to 5 are applied, with 1 being the best.

Based on the Corporate Market expert model, about 66 per cent of loans are for IGE. About 19 per cent are for development properties. 15 per cent are outside the area of validity of the model, and represent loans for different purposes. The Corporate Market portfolio is generally secured on commercial property. A bare 4 per cent of the portfolio has other security than commercial property or is unsecured (credit card and credit accounts).

A construction loan of just over NOK 77 million kroner was granted at the end of 2013, but the funds have not been disbursed or accepted by the customers.

About 32 per cent of the portfolio relates to Group debtors with total loans of over NOK 200 million. The definition of a Group debtor is given in the regulations relating to large loans. 20 per cent of the portfolio relates to Group debtors with total loans below NOK 50 million. 48 per cent of the loans have been made to customers with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 9 Group debtors which have total loans exceeding NOK 200 million, and 53 Group debtors with total borrowings of between NOK 50 million and NOK 200 million.

The bank's exposure is secured by pledged assets in Oslo, equivalent to almost 47 per cent. A further 39 per cent of the bank's exposure is secured by assets pledged in the area surrounding Oslo and the rest of Eastern Norway. The remaining loans are secured primarily in and around Bergen and Stavanger. Assets pledged are valued at their realisable values in addition to separate assessments based on return considerations.

At the end of 2013, about 67 per cent of the amount granted was linked to loans in risk classes A to D, while about 8 per cent was in risk classes G to J.  The loans must be classified both on establishment and when there are changes in the loans. In addition, Corporate Market customers must be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times. The bank measures the Corporate Market portfolio's distribution into risk classes on a quarterly basis.

Of loans that are not non-performing or in arrears, about 83 per cent of the loans have a loan-to-value ratio of below 80 per cent. Approximately 87 per cent of the loans have a loan-to-value ratio within 90 per cent. The remaining healthy loans have a loan-to-value ratio of below 100 per cent for the most part.

For Corporate Market loans in arrears, the loan-to-value ratio is below 80 per cent for 98 per cent of the volume of the loans.

The volume of non-performing loans without impairment at the end of 2013 covers two loans, and represents just under NOK 0.4 million. The risk of loss linked to these loans is considered very low.

For impaired non-performing loans, the write downs that have been made have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The losses that have been recorded are considered to be sufficient. The bank does not believe that new losses will be forthcoming from these customers at this time.

In the event of non-performance the bank will sell the securities or take over the assets if that is most appropriate. In the current portfolio, no properties have been taken over.

**RETAIL MARKET**

In the Retail Market, most of the loans are secured by means of home mortgages. There are housing loans amounting to about NOK 23.6 billion with near NOK 2.5 billion in unused credit facilities. Total exposure in housing loans is therefore about NOK 26.1 billion.

Retail market customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, customers are checked regarding policy regulations, and customers are scored using a scoring model. For other Retail Market customers the overall loan-to-value ratio and debt servicing capability (as determined by the bank's credit policy for the segment) are applied to the portfolio. The securities for the portfolio are principally in properties for the Retail Market portfolio.

Storebrand Bank has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Home loans are classified according to the bank's master scale. The classification of home loans is automatically updated on a monthly basis. At the end of 2013, about 70 per cent of the EAD was linked to home loans in risk class A, while less than 3 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes.

When arranging home loans Storebrand Bank gathers information of significance to the value of the property. Each quarter the bank obtains an updated, independent valuation of residential properties from Eiendomsverdi. For properties for which Eiendomsverdi has not updated a valuation (for example, housing cooperative flats, shared ownership flats and individual holiday homes), the last updated market value will be used until the next update. To the extent that Eiendomsverdi cannot state with a high degree of certainty the market value of a residential property, a 'haircut' is employed to ensure that the risk of quoting an estimated market value that is too high is reduced. If Eiendomsverdi has never received information regarding the property's market value, the value recorded at the time of entering into the contract (the deposit value) will be used. Loans like those mentioned here constitute just less than 1 per cent of the total portfolio exposure. The bank regularly checks the list of mortgaged properties that have not been given an updated value in the last three years, and then implements measures to reduce the number of properties on the list.

The average weighted loan-to-value ratio in the Bank Group is about 55 per cent, and 94 per cent of housing loans are within a loan-to-value ratio of 80 per cent and about 98 per cent are within a 90 per cent loan-to-value ratio. Approximately 55 per cent of housing loans have a loan-to-value ratio of less than 60 per cent in the Bank Group. The portfolio is considered to have a low credit risk. There is largely good security on non-performing loans that are not impaired for Retail Market customers. The average loan-to-value ratio for these loans is 65 per cent. Housing loans that are part of the volume of non-performing loans total just below NOK 97 million. About NOK 83 million in loans are within a loan-to-value ratio of 80 per cent, and about NOK 95 million are within a loan-to-value ratio of 90 per cent. The security is also good on home mortgages which are between 1 and 90 days past due. Assets pledged as collateral are sold in the Retail Market. They are not taken over by the bank.

In the credit card portfolio about NOK 175 million has been drawn, and approximately NOK 777 million is available as unused credit facilities. For credit accounts about NOK 93 million has been drawn, and approximately NOK 300 million is available as unused credit facilities.

**Engagement per customer group**

| *NOK million* | Loans to and due from customers | Guarantees [1] | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Development of building projects | 1 378.8 | 32.8 | 61.7 | 1 473.3 |
| Sale and operation of real estate | 5 817.9 | 181.1 | 237.0 | 6 236.0 |
| Service providers | 2 006.7 | 32.0 | 89.2 | 2 127.9 |
| Wage-earners | 9 460.2 | 0.1 | 1 924.0 | 11 384.3 |
| Other | 268.8 | 31.4 | 16.7 | 316.9 |
| Total | 18 932.4 | 277.4 | 2 328.7 | 21 538.4 |
| | | | | |
| Loan loss provisions on individual loans | -80.3 | | | -80.3 |
| Loan loss provisions on groups of loans | -29.5 | | | -29.5 |
| **Total loans to and due from customers** | **18 822.5** | **277.4** | **2 328.7** | **21 428.6** |

1) Guarantees include NOK 50 million in undrawn credit limits.

**2012**

| *NOK million* | Loans to and due from customers | Guarantees [1] | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Development of building projects | 1 496.1 | 45.0 | 486.6 | 2 027.7 |
| Sale and operation of real estate | 7 580.8 | 195.1 | 224.2 | 8 000.1 |
| Service providers | 1 932.5 | 2.8 | 4.0 | 1 939.3 |
| Wage-earners | 6 828.3 | 0.3 | 1 659.9 | 8 488.5 |
| Other | 313.5 | 32.8 | 13.4 | 359.6 |
| Total | 18 151.1 | 275.9 | 2 388.2 | 20 815.2 |
| | | | | |
| Loan loss provisions on individual loans | -115.2 | | | -115.2 |
| Loan loss provisions on groups of loans | -38.6 | | | -38.6 |
| **Total loans to and due from customers** | **17 997.2** | **275.9** | **2 388.2** | **20 661.3** |

1) Guarantees include NOK 53 million in undrawn credit limits.

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 | 2013<br>Average volume loans to and deposits from customers | Average volume guarantees | Average volume undrawn credit limits | Total average engagement |
|---|---|---|---|---|
| Development of building projects | 1 437.4 | 38.9 | 274.2 | 1 750.5 |
| Sale and operation of real estate | 6 699.4 | 188.1 | 230.6 | 7 118.1 |
| Service providers | 1 969.6 | 17.4 | 46.6 | 2 033.6 |
| Wage-earners | 8 144.2 | 0.2 | 1 791.9 | 9 936.4 |
| Other | 291.1 | 32.1 | 15.1 | 338.3 |
| **Total** | **18 151.1** | **276.6** | **2 358.4** | **21 176.9** |

| NOK million | 2012<br>Average volume loans to and deposits from customers | Average volume guarantees | Average volume undrawn credit limits | Total average engagement |
|---|---|---|---|---|
| Development of building projects | 1 366.2 | 42.7 | 252.4 | 1 661.2 |
| Sale and operation of real estate | 7 773.0 | 247.3 | 364.5 | 8 384.8 |
| Service providers | 1 657.0 | 4.0 | 3.0 | 1 664.0 |
| Wage-earners | 6 506.5 | 0.2 | 1 572.2 | 8 078.9 |
| Other | 253.9 | 17.6 | 15.5 | 287.0 |
| **Total** | **17 556.5** | **311.8** | **2 207.6** | **20 075.9** |

**Commitments per geographical area**

**2013**

| NOK million | Loans to and due from customers | Guarantees | Undrawn credit limits | Total commit-ments | Non-performing loans without evidence of impairment | Non-performing and loss-exposed loans with evidence of impairment | Gross defaulted and loss-exposed loans | Provisions for individual loan losses | Net defaulted and loss-exposed loans |
|---|---|---|---|---|---|---|---|---|---|
| Eastern Norway | 16 337.1 | 269.8 | 1 873.6 | 18 480.5 | 38.2 | 338.6 | 376.8 | 64.4 | 312.4 |
| Western Norway | 1 642.0 | 7.3 | 313.6 | 1 962.9 | 13.7 | 3.1 | 16.8 | 2.3 | 14.5 |
| Southern Norway | 105.3 | | 30.6 | 135.9 | 0.2 | 1.9 | 2.1 | 0.2 | 1.8 |
| Mid-Norway | 574.2 | | 55.6 | 629.8 | 1.3 | | 1.3 | | 1.3 |
| Northern Norway | 173.3 | 0.3 | 40.0 | 213.6 | 0.5 | 1.8 | 2.3 | 1.0 | 1.4 |
| Rest of world | 100.5 | | 15.3 | 115.7 | 0.2 | | 0.2 | | 0.1 |
| **Total** | **18 932.4** | **277.4** | **2 328.7** | **21 538.4** | **54.0** | **345.4** | **399.4** | **67.8** | **331.6** |

**2012**

| NOK million | Loans to and due from customers | Guarantees | Undrawn credit limits | Total commit-ments | Non-performing loans without evidence of impairment | Non-performing and loss-exposed loans with evidence of impairment | Gross defaulted and loss-exposed loans | Provisions for individual loan losses | Net defaulted and loss-exposed loans |
|---|---|---|---|---|---|---|---|---|---|
| Eastern Norway | 16 098.6 | 275.6 | 1 915.4 | 18 289.6 | 86.0 | 92.7 | 178.7 | 89.0 | 89.8 |
| Western Norway | 1 298.3 | | 339.1 | 1 637.4 | 18.9 | 5.0 | 23.9 | 3.9 | 20.0 |
| Southern Norway | 149.4 | | 29.6 | 179.0 | 4.9 | 0.2 | 5.1 | 0.1 | 5.0 |
| Mid-Norway | 305.2 | | 51.7 | 356.9 | 0.4 | 0.2 | 0.7 | 0.3 | 0.4 |
| Northern Norway | 147.9 | 0.3 | 41.0 | 189.2 | 3.7 | 4.3 | 8.0 | 3.2 | 4.8 |
| Rest of world | 151.7 | | 11.5 | 163.2 | 0.3 | 19.2 | 19.6 | 18.8 | 0.7 |
| **Total** | **18 151.1** | **275.9** | **2 388.2** | **20 815.2** | **114.3** | **121.7** | **236.0** | **115.2** | **120.7** |

### Total engagement amount by remaining term to maturity

**2013**

| NOK million | Loans to and due fromcustomers | Guarantees | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Up to 1 month | 4.5 | | 4.0 | 8.5 |
| 1 - 3 months | 534.7 | | 15.3 | 550.0 |
| 3 months - 1 year | 862.9 | 29.6 | 203.2 | 1 095.6 |
| 1 - 5 years | 6 180.2 | 182.5 | 960.0 | 7 322.7 |
| More than 5 years | 11 350.1 | 65.3 | 1 146.2 | 12 561.7 |
| **Total** | **18 932.4** | **277.4** | **2 328.7** | **21 538.4** |

**2012**

| NOK million | Loans to and due fromcustomers | Guarantees | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Up to 1 month | 78.0 | | 2.7 | 80.7 |
| 1 - 3 months | 171.8 | 0.2 | 14.8 | 186.8 |
| 3 months - 1 year | 1 256.4 | 9.2 | 132.1 | 1 397.7 |
| 1 - 5 years | 6 172.0 | 243.8 | 1 187.8 | 7 603.6 |
| More than 5 years | 10 472.9 | 22.7 | 1 050.8 | 11 546.4 |
| **Total** | **18 151.1** | **275.9** | **2 388.2** | **20 815.2** |

### Age distribution of overdue engagements without impairment

**2013**

| NOK million | Loans to and due fromcustomers | Guarantees | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Overdue 1 - 30 days | 644.4 | 21.9 | 1.8 | 668.1 |
| Overdue 31 - 60 days | 131.1 | | 0.2 | 131.3 |
| Ovedue 61 - 90 days | 20.9 | | 0.6 | 21.4 |
| Overdue more than 90 days | 53.5 | | 0.5 | 54.0 |
| **Total** | **849.9** | **21.9** | **3.1** | **874.9** |
| **Engagements overdue more than 90 days by geographical area:** | | | | |
| Eastern Norway | 37.8 | | 0.4 | 38.2 |
| Western Norway | 13.7 | | 0.1 | 13.7 |
| Southern Norway | 0.1 | | | 0.2 |
| Mid-Norway | 1.3 | | | 1.3 |
| Northern Norway | 0.5 | | | 0.5 |
| Rest of world | 0.2 | | | 0.2 |
| **Total** | **53.5** | **0.0** | **0.5** | **54.0** |

**2012**

| NOK million | Loans to and due fromcustomers | Guarantees | Undrawn credit limits | Total commitments |
|---|---|---|---|---|
| Overdue 1 - 30 days | 737.4 | 31.8 | 2.1 | 771.3 |
| Overdue 31 - 60 days | 43.4 | | 0.4 | 43.8 |
| Ovedue 61 - 90 days | 25.7 | | 0.1 | 25.8 |
| Overdue more than 90 days | 105.0 | | 0.9 | 105.9 |
| **Total** | **911.5** | **31.8** | **3.6** | **946.8** |
| **Engagements overdue more than 90 days by geographical area:** | | | | |
| Eastern Norway | 79.0 | | 0.7 | 79.7 |
| Western Norway | 17.3 | | 0.2 | 17.5 |
| Southern Norway | 4.6 | | | 4.6 |
| Mid-Norway | 0.4 | | | 0.4 |
| Northern Norway | 3.4 | | | 3.4 |
| Rest of world | 0.3 | | 0.1 | 0.3 |
| **Total** | **105.0** | **0.0** | **0.9** | **105.9** |

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

Commitments are regarded as non-performing and loss-exposed:
- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage 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 as a non-performing loan.

When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing. 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 per 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** |
| Development of building projects | | | | | | | |
| Sale and operation of real estate | 287.3 | | 287.3 | 38.5 | 248.8 | | -6.9 |
| Service providers | | 0.1 | 0.1 | | 0.1 | | |
| Wage-earners | 55.6 | 53.4 | 109.0 | 27.8 | 81.2 | | -10.8 |
| Other | 2.5 | 0.5 | 3.1 | 1.6 | 1.5 | | -17.3 |
| **Total** | **345.4** | **54.0** | **399.4** | **67.8** | **331.6** | **0.0** | **-35.0** |

| | | | 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** |
| Development of building projects | 12.2 | | 12.2 | 12.4 | -0.2 | | -4.4 |
| Sale and operation of real estate | 40.7 | | 40.7 | 45.4 | -4.7 | | 1.1 |
| Service providers | | 7.7 | 7.7 | | 7.7 | | |
| Wage-earners | 49.5 | 106.3 | 155.8 | 38.6 | 117.2 | | 2.0 |
| Other | 19.2 | 0.3 | 19.5 | 18.8 | 0.7 | | -0.7 |
| **Total** | **121.7** | **114.3** | **236.0** | **115.2** | **120.7** | **0.0** | **-2.0** |

**Repossessed assets**

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has not any repossessed assets at the end of 2013.

**Fiancial assets at fair value through profit and loss (FVO)**

| | **Lending to customers** | | **Liquidity portfolio** | |
|---|---|---|---|---|
| *NOK million* | **2013** | **2012** | **2013** | **2012** |
| Book value maximum exposure for credit risk | 1 289.0 | 1 240.8 | 5 550.2 | 5 624.6 |
| Book value of related credit derivatives that reduce credit risk | | | | |
| Collateral | | | | |
| Net credit risk | 1 289.0 | 1 240.8 | 5 550.2 | 5 624.6 |
| This year's change in fair value of financial assets due to change in credi risk | -14.9 | | -13.3 | 42.1 |
| Accumulated change in fair value of financial assets due to change in credit risk | -14.9 | | 20.6 | 33.8 |
| This year's change in value of related credit derivatives | | | | |
| Accumulated change in value of related credit derivatives | | | | |

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

Financial assets are designated at fair value through the profit and loss account (FVO) the first time they are recognised where another measurement would result in an inconsistency in the profit and loss account. Objective market prices are used for papers where these exist. Valuation techniques involving the use of interest rate curves from Reuters and credit spreads from external providers are used for the remaining papers.

**Financial liabilities at fair value through profit and loss (FVO)**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| The year's change in fair value of liabilities due to changes in credit risk | 1.0 | 2.4 |
| Difference between book value of liabilities and contractual amount due at maturity | 0.4 | 1.4 |
| Accumulated change in fair value of liabilities due to changes in credit risk | 0.4 | 1.4 |
| Difference between book value of liabilities and contractual amount due at maturity | 0.4 | 1.4 |

## 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 bank's risk strategies and policies establish limits for how much credit risk the bank group is willing to accept. Storebrand Bank hedges all customer derivative trades by opposite derivatives to minimise foreign exchange and interest rate exposure.

The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies. Net credit exposure for 2013 is NOK 63.1 million.

**Credit risk per counterparty**

| | AAA | AA | A | BBB | NIG | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|---|
| *NOK million* | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value |
| Norway | | 32.7 | 18.8 | 382.4 | | 433.9 | 645.0 |
| Sweden | | | 10.5 | | | 10.5 | 13.7 |
| Denmark | | | 1.1 | | | 1.1 | 1.3 |
| **Total** | **0.0** | **32.7** | **30.4** | **382.4** | **0.0** | **445.5** | **660.0** |
| Rating classes are based on Standard & Poors. | | | | | | | |
| Change in value: | | | | | | | |
| Total change in value on the balance sheet | | 43.2 | 43.3 | 573.5 | | 660.0 | 606.1 |
| Change in value recognised in the profit and loss during period | | 6.9 | -57.7 | 573.5 | -468.8 | 53.9 | 136.1 |

**Equity options, interest rate swaps, basis swaps and forward foreign exchange contracts**

Equity options, interest rate swaps, basis swaps and forward foreign exchange contracts

## NOTE 5 | Liquidity risk

The risk that the Bank Group , the parent bank and the subsidiaries are unable to fulfil their obligations without incurring substantial additional expense in the form of low price for assets that must be realised, or in the form of especially expensive financing.

**Risk management**

The risk strategy establishes overall limits for how much liquidity risk the bank is willing to accept. The liquidity risk policy builds on the strategy and describes the principles for liquidity management and specifies stress testing, minimum liquidity reserves and indicators for measuring liquidity risk. In addition, the Treasury department draws up an annual funding strategy and funding plan that set out the overall limits for the bank's funding activities.

Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position and cash flows. The results of the stress tests are applied when assessing the frames for liquidity risk. A contingency plan is drawn up annually to safeguard proper management of the liquidity situation during stressful periods.

The Treasury function is responsible for the bank's liquidity management, and the Middle Office in Finance and Risk Management monitors and reports on the utilisation of limits pursuant to the liquidity strategy and policy.

**Risk control**

The means of controlling liquidity risk include monthly reports of liquidity indicators and monitoring developments in the bank's maturity profile. Both of these activities are included in the administration's ongoing reporting to the Board through the risk reports and the CEO's business briefings. The risk strategy and liquidity policy specify which liquidity indicators are followed. The Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

### Non-discounted cash flows - financial liabilties

| NOK million | 0 - 6 months | 6 -12 months | 1 - 3 years | 3 - 5 years | More than 5 years | Total | Book value |
|---|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 1 333.5 | | | | | 1 333.5 | 1 329.5 |
| Deposits from and due to customers | 20 744.9 | 2.9 | 1.2 | | | 20 749.0 | 20 749.0 |
| Commercial papers and bonds issued | 598.5 | 206.7 | 2 043.0 | 1 141.6 | 313.4 | 4 303.2 | 4 050.8 |
| Other liabilities | 326.1 | | | | | 326.1 | 326.1 |
| Subordinated loan capital | | 294.7 | 13.8 | 310.7 | 13.3 | 632.4 | 589.7 |
| Undrawn credit limits | 9 390.4 | | | | | 9 390.4 | |
| Lending commitments | 77.4 | | | | | 77.4 | |
| **Total financial liabilities 2013** | **32 470.9** | **504.2** | **2 058.0** | **1 452.3** | **326.6** | **36 812.1** | **27 045.3** |
| **Derivatives related to funding 31.12.2013** | **-29.7** | **-10.2** | **-62.4** | **-13.0** | **-5.4** | **-120.7** | **34.5** |
| Total financial liabilities 2012 | 25 217.0 | 957.6 | 3 564.3 | 1 648.1 | 340.0 | 31 727.0 | 28 155.2 |

The amounts includes accrued interests.

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 costs for lending with FRN conditions. The call date is used as the maturity date on borrowing which has a call date. Undrawn credit limits includes NOK 7 051. millions related to Storebrand Boligkreditt AS.

## Specification of subordinated loan capital

*NOK million*

| ISIN code | Issuer | Net nominal value | Currency | Interest | Call-date | Book value |
|---|---|---|---|---|---|---|
| **Dated subordinated loan capital** | | | | | | |
| NO001064165 | Storebrand Bank ASA | 150.0 | NOK | Floating | 12.04.2017 | 151.3 |
| | | | | | | |
| **Other subordinated loan capital** | | | | | | |
| NO00177116 | Storebrand Bank ASA | 9.3 | NOK | Fixed | perpetual | 9.3 |
| | | | | | | |
| **Tier 1 hybrid capital** | | | | | | |
| NO001024206 | Storebrand Bank ASA | 107.0 | NOK | Fixed | 29.10.2014 | 110.1 |
| NO001024207 | Storebrand Bank ASA | 168.0 | NOK | Floating | 29.10.2014 | 168.8 |
| NO001068355 | Storebrand Bank ASA | 150.0 | NOK | Floating | 20.06.2018 | 150.3 |
| **Total subordinated loan capital 2013** | | | | | | **589.7** |
| **Total subordinated loan capital 2012** | | | | | | **441.4** |

### Specification of liabilites to credit institutions

| *NOK million* | 2013 | 2012 |
|---|---|---|
| **Total liabilites to credit institutions without fixed maturity at amortised cost** | **332.9** | **309.9** |
| | | |
| **F-loan:** | | |
| Maturity 2013 | | 500.3 |
| | | |
| **Loan with floating interest rate:** | | |
| Accrued expenses | | 0.8 |
| **Total liabilities to credit institutions with fixed maturity at amortised cost** | **0.0** | **501.0** |
| | | |
| **Borrowings under the Norwegian Government's Swap scheme:** | | |
| Maturity 2013 | | 990.3 |
| Maturity 2014 | 996.6 | 995.7 |
| **Total liabilities to credit institutions with fixed maturity at fair value (FVO)** | **996.6** | **1 986.0** |
| **Total liabilities to credit institutions** | **1 329.5** | **2 797.0** |

### Specification of commercial paper and bonds issued

| *NOK million*<br>ISIN code | Issuer | Net nominal value | Currency | Interest | Maturity | Book value |
|---|---|---|---|---|---|---|
| **Bond loans** | | | | | | |
| NO0010439821 | Storebrand Bank ASA | 310.0 | NOK | Fixed | 04.06.2015 | 335.1 |
| NO0010513237 | Storebrand Bank ASA | 300.0 | NOK | Fixed | 25.05.2016 | 325.7 |
| NO0010660806 | Storebrand Bank ASA | 300.0 | NOK | Fixed | 08.10.2019 | 304.2 |
| NO0010507775 | Storebrand Bank ASA | 511.0 | NOK | Floating | 30.04.2014 | 515.1 |
| NO0010599822 | Storebrand Bank ASA | 178.0 | NOK | Floating | 11.08.2014 | 178.5 |
| NO0010635626 | Storebrand Bank ASA | 332.0 | NOK | Floating | 26.01.2015 | 334.0 |
| NO0010654510 | Storebrand Bank ASA | 450.0 | NOK | Floating | 06.07.2015 | 453.4 |
| NO0010641079 | Storebrand Bank ASA | 800.0 | NOK | Floating | 27.03.2017 | 801.7 |
| NO0010662752 | Storebrand Bank ASA | 300.0 | NOK | Floating | 13.11.2017 | 301.0 |
| NO0010670979 | Storebrand Bank ASA | 500.0 | NOK | Floating | 29.01.2016 | 502.2 |
| **Total commercial papers and bonds issued 2013** | | | | | | **4 050.8** |
| Total commercial papers and bonds issued 2012 | | | | | | 4 666.9 |

The loan agreements contain standard covenants. Storebrand Bank ASA was in compliance with all relevants covenants in 2013.

## 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 counter-party risk in financial instruments trading, as well as stock market risk, interest rate risk and exchange rate risk.

### Risk management

The risk strategy sets general limits for the management and control of market risk which primarily relates to the bank's long term investments in equity instruments and fixed income securities. The bank is also exposed to currency risk to a lesser degree.

Market risk policies specify limits for market risk that the bank is willing to accept. Storebrand Bank ASA'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 annually. The sizes of these limits are set on the basis of stress tests and analyses of market movements, as well as risk capacity and willingness.

### Risk management

Middle Office in the Risk Management unit is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. The market risk indicators that are followed are specified in the risk strategy, interest rate risk policy and currency risk policy. Monthly reports for the individual portfolios are produced for the bank's balance sheet management committee and the bank'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 at 31 December 2013:

### Effect on accounting income

| *NOK million* | Amount |
|---|---|
| Interest rate -1,0% | -18.6 |
| Interest rate +1,0% | 18.6 |

### Effect on accounting result/equity [1)]

| *NOK million* | Amount |
|---|---|
| Interest rate -1,0% | -18.6 |
| Interest rate +1,0% | 18.6 |

### Financial interest rate risk

| *NOK million* | Amount |
|---|---|
| Interest rate -1,0% | -0,1 |
| Interest rate +1,0% | 0,1 |

1) Before tax.

The note presents the accounting effect over a 12 month period and the immediate financial effect of an immediate parallel change in interest rates of +1.5 percentage points and -1.5 percentage points respectively. When the accounting risk is calculated, account is taken of the non-recurring effect that such an immediate change in interest rates would have on the items recognised at fair value and the value of hedging, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses.

Items that would be affected by the non-recurring effect and are recorded at fair value are the investment portfolio, fixed interest rate loans, borrowing via the swap scheme with the government, deposits with returns linked to the stock market and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are borrowings with fixed interest rate. The change in market value that such an immediate change in interest rates would have is looked at for all items on the statement of financial position when calculating the financial effect.

See also note 28 regarding foreign exchange risk.

## **Note 7** | Operational risk

**Operational risk:** The risk of financial loss due to ineffective, inadequate or failing internal processes or systems, human error, external events or faliure to comply with internal guidelines. Breach of laws and regulations can ubstruct the Group from achieving its objectives and this part of compliance risk is included in operational risk.

**RISK MANAGEMENT**

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 continually recorded and documented in Easy Risk Manager (ERM, a risk management system supplied by Det Norske Veritas).

Operational risk in the bank group is governed through an operational risk policy

**RISK CONTROL**

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 continually recorded and documented in Easy Risk Manager (ERM, a risk management system supplied by Det Norske Veritas).

Operational risk in the bank group is governed through an operational risk policy

**COMPLIANCE RISIKO**

The risk that the bank incurs public sanctions or financial losses due to faliures to comply with external and internal regulations.

**RISK MANAGEMENT**

- The compliance risk at Storebrand Bank is governed through a set of instructions for the compliance function that defines the main responsibility of the function:
- ● Secure general information to the management and the line on internal and external rules that must be complied with.
- ● Monitor that the company complies with its commitments under the Securities Trading Act and accompanying regulations and other requirements.
- ● Regularly assess the company's procedures and guidelines, in regard to the company's risk profile.
- ● Regularly assess whether the guidelines and procedures mentioned are effective enough.
- ● Evaluate necessary measures to remedy any lack of compliance.
- ● Function as an internal adviser to employees on questions relating to compliance.

**RISK CONTROL**

The compliance function is responsible for keeping a compliance log and conducting running spot tests regarding compliance with the Personal Data Act, the rules against money laundering, the rules regarding own account trading, MiFID, etc. In order to be able to identify internal problem areas, the bank has implemented procedures for continuously reporting incidents to the compliance function, which is responsible for logging the reported incidents in a dedicated incident journal.  The event journal provides the line with a good basis for evaluating/implementing measures to reduce the unit's operational risk.

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

Storebrand Bank Group 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 well recognised brokerage houses.

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 Bank Group 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 that gather information from a wide range of well-informed sources with reference to minimize uncertainty related to the valuation.

Fixed-rate loans to customers, which are valued at fair value (FVO) for accounting purposes, have been moved from level 2 to level 3 in Q1 2013 as uncertainty related to the stipulation of the market's margin requirements for such loans is considered to have increased. The value of fixed-rate loans is determined by agreed cash flows discounted over the remaining fixed-rate period at a discount rate that is adjusted for an estimate of the market's margin requirements. No negative development in the borrower's ability to repay, or negative development in underlying collateral securities has been observed.

**Sensitivity analysis of fixed-rate loans to customers:**

| | Change in market spread | |
|---|---|---|
| Increase/reduction in fair value | + 10 BP | - 10 BP |
| Change in fair value per 31.12.2013 (NOK Million) | -3.9 | 3.9 |

**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. When it comes to derivatives, standardised stock index futures and interest rate futures they will also be included at this level.

**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 in directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified in 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 bank group did not have any investments that were classified at this level at year-end.

**Specification of financial instruments at amortised cost**

| | Level 1 | Level 2 | Level 3 | | | | |
|---|---|---|---|---|---|---|---|
| *NOK million* | **Quoted prices** | **Observable assumptions** | **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** | | | | | | | |
| Bonds classified as Loans and receivables | 100.4 | 1 445.8 | | 1 546.1 | 994.2 | 1 541.8 | 990.0 |
| Loans to and deposits with credit institutions. amortised cost | | 2 198.9 | | 2 198.9 | 4 763.3 | 2 198.9 | 4 763.3 |
| Lending to customers. amortised cost | | 17 470.4 | | 17 470.4 | 16 662.7 | 17 533.5 | 16 756.4 |
| Total fair value 31.12.2012 | 101.0 | 22 319.2 | | | | | |
| **Financial liabilities** | | | | | | | |
| Deposits from and due to credit institutions. amortised cost | | 332.9 | | 332.9 | 810.9 | 332.9 | 810.9 |
| Deposits from and due to customers. amortised cost | | 20 749.0 | | 20 749.0 | 19 948.5 | 20 749.0 | 19 948.5 |
| Commercial papers and bonds issued. amortised cost | | 4 128.4 | | 4 128.4 | 4 744.5 | 4 050.8 | 4 666.9 |
| Subordinated loan capital. amortised cost | | 596.9 | | 596.9 | 443.8 | 589.7 | 441.4 |
| Total fair value at 31.12.2012 | | 25 947.7 | | | | | |

| **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** |
| Equities and units | | 1.7 | | 1.7 | 1.8 |
| Total Equities and units 31.12.2012 | | 1.8 | | | |
| Lending to customers | | | 1 289.0 | 1 289.0 | 1 240.8 |
| Total lending to customes 31.12.2012 | | 1 240.8 | 0.0 | | |
| Sovereign and Government Guaranteed bonds | 100.3 | | | 100.3 | 492.7 |
| Credit bonds | | 534.6 | | 534.6 | 526.2 |
| Mortage and asset backed bonds | | 4 915.3 | | 4 915.3 | 4 605.7 |
| Total bonds | 100.3 | 5 450.0 | 0.0 | 5 550.2 | 5 624.6 |
| Total bonds 31.12.2012 | 557.4 | 5 067.2 | | | |
| Interest rate derivatives | | 34.9 | | 34.9 | 58.9 |
| Currency derivatives | | -0.4 | | -0.4 | 0.0 |
| Total derivatives | 0.0 | 34.5 | 0.0 | 34.5 | 58.9 |
| Derivatives with a positive fair value | | 445.5 | | 445.5 | 660.0 |
| Derivatives with a negative fair value | | -411.0 | | -411.0 | -601.1 |
| Total derivatives 31.12.2012 | | 58.9 | | | |
| **Specification of financial liabilities at fair value** | | | | | |
| Liabilities to credit institutions | | 996.6 | | 996.6 | 1 986.0 |
| Total liabilities to credit institutions 31.12.2012 | | 1 986.0 | | | |

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

**Spesification of securities pursuant to valuation techniques (non-observable assumptions)**

| *NOK million* | **Lending to customers** |
|---|---|
| Book value 01.01.2013 | |
| Net gains/losses on financial instruments | -7.1 |
| Supply / disposal | 41.8 |
| Sales / due settlements | -122.9 |
| Transferred from observable assumptions to non-observable assumptions | 1 377.3 |
| Translation differences | |
| Other | |
| **Book value 31.12.2013** | **1 289.0** |

## Note 9 | Segment reporting

The management's segment reporting for Storebrand Bank is only done at a group level.

See note 9 under the Storebrand Bank Group.

## NOTE 10 | Net income from financial instruments

**Net interest income**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Interest and other income on loans to and deposits with credit institutions | 113.9 | 139.6 |
| Interest and other income on loans to and due from customers | 808.0 | 802.0 |
| Interest on commercial paper, bonds and other interest-bearing securities | 143.9 | 209.6 |
| Other interest income and related income | 7.5 | 6.8 |
| **Total interest income *)** | **1 073.3** | **1 158.1** |
| Interest and other expenses on debt to credit institutions | -39.2 | -109.8 |
| Interest and other expenses on deposits from and due to customers | -553.1 | -520.1 |
| Interest and other expenses on securities issued | -147.4 | -156.9 |
| Interest and expenses on subordinated loan capital | -26.3 | -29.5 |
| Other interest expenses and related expenses | -16.7 | -2.0 |
| **Total interest expenses **)** | **-782.6** | **-818.2** |
| **Net interest income** | **290.7** | **339.8** |
| *) Of which total interest income on financial assets that are not at fair value through the profit and loss account | 878.1 | 906.6 |
| **) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account | -754.3 | -751.3 |

| **Interest expense and changes in value of issued funding at FVO:** | 2013 | 2012 |
|---|---|---|
| Interest expense issued funding at FVO | -28.3 | -66.9 |
| Changes in value of issued funding at FVO | 1.0 | 2.4 |
| **Net expense issued funding at FVO** | **-27.2** | **-64.5** |

| *NOK million* | 2013 | 2012 |
|---|---|---|
| **Net income and gains from financial assets and liabilities at fair value:** | | |
| **Equity instruments** | | |
| Dividends received from equity investments | | |
| Net gains/losses on realisation of equity investments | | |
| Net change in fair value of equity investments | -0.1 | 0.1 |
| *Total equity instruments* | -0.1 | 0.2 |
| **Commercial paper and bonds** | | |
| Realised gain/loss on commercial papers and bonds | 5.8 | 10.4 |
| Unrealised gain/loss on lending to customers, FVO | -13.2 | 42.1 |
| *Total gain/loss on lending to customers, FVO* | -7.4 | 52.5 |
| **Lending to customers** | | |
| Unrealised gain/loss on lending to customers, FVO | -18.6 | 22.4 |
| *Total gain/loss on lending to customers, FVO* | -18.6 | 22.4 |
| **Liabilities to credit institutions and other funding** | | |
| Realised gain/loss on liabilities to credit institutions and other funding, FVO | -1.0 | -8.8 |
| Unrealised gain/loss on liabilities to credit institutions and other funding, FVO | 1.0 | 2.4 |
| *Total gain/loss on liabilities to credit institutions and other funding, FVO* | 0.0 | -6.4 |
| **Financial derivatives and foreign exchange** | | |
| Realised gain/loss on financial derivatives, held for trading | 10.5 | 18.3 |
| Unrealised gain/loss on financial derivatives, held for trading | -3.2 | -39.4 |
| *Total financial derivatives and foreign exchange, held for trading* | 7.3 | -21.1 |
| **Net income and gains from financial assets and liabilities at fair value** | **-18.8** | **47.6** |
| | | |
| **Fair vaule hedging** | | |
| Realised gain/loss on derivatives and bonds issued, fair value hedging | 7.1 | -4.6 |
| Unrealised gain/loss on derivatives and bonds issued, fair value hedging | -0.7 | 3.4 |
| **Net gain/loss on fair value hedging** | **6.4** | **-1.1** |
| | | |
| **Net income and gains from financial assets and liabilities at amortised cost** | | |
| Commercial papers and bonds | | |
| Realised gain/loss on commercial papers and bonds at amortised cost | 2.7 | 2.6 |
| *Total gain/loss on commercial papers and bonds at amortised cost* | 2.7 | 2.6 |
| **Bonds issued** | | |
| Realised gain/loss on bonds issued at amortised cost | -4.0 | 20.0 |
| *Total gain/loss on bonds issued at amortised cost* | -4.0 | 20.0 |
| **Net income and gains from financial assets and liabilities at amortised cost** | **-1.2** | **22.6** |
| | | |
| **Net income and gains from financial assets and liabilities** | **-13.6** | **69.1** |
| | | |
| Net gain/loss on financial assets at fair value through the profit and loss account: | | |
| Financial assets designated at fair value upon initial recognition | -26.1 | 74.7 |
| Financial assets classified as held for trading | -10.6 | -19.2 |
| Changes in fair value of assets due to changes in credit risk | 5.7 | 33.8 |
| | | |
| Net gain/loss on financial liabilities at fair value through the profit and loss account: | | |
| Financial liabilities designated at fair value upon initial recognition | | -6.4 |
| Financial liabilities classified as held for trading | | |

The note includes gain and loss on investments in bonds and commercial papers, all of the financial derivatives, lending at FVO, other funding at FVO, net gain and loss on fair vaule hedging and total bonds and commercial papers issued. Other financial assets and liabilities are not included in the note.

## NOTE 11 | Net commission income

| NOK million | 2013 | 2012 |
|---|---|---|
| Fees related to banking operations | 53.1 | 52.6 |
| Commissions from saving products | 23.9 | 25.1 |
| Commissions from stockbroking | | 2.3 |
| Fees from loans | 18.0 | 19.1 |
| **Total fees and commissions receivable *)** | **95.1** | **99.1** |
| | | |
| Fees and commssisions payable relating to banking operations | -9.1 | -10.9 |
| Commissions payable on saving products | -2.6 | -3.2 |
| Commissions payable on stockbroking | | -0.1 |
| Other fees and commissions payable | -0.1 | -0.2 |
| **Total fees and commissions payable **)** | **-11.8** | **-14.3** |
| **Net commission income** | **83.3** | **84.7** |
| | | |
| **) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account* | *71.1* | *71.7* |
| ***) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account* | *-9.1* | *-10.9* |

Other fees and comissions receivable and payable relates to purchased and sold services.

## NOTE 12 | Other income

| NOK million | 2013 | 2012 |
|---|---|---|
| Gain on sale of subsidiaries and associated companies | -0.1 | 6.2 |
| Write-downs/reversal of write-downs of shares in subsidiaries | -25.6 | 23.0 |
| Receipts of group contribution from subsidiaries | 237.2 | 122.3 |
| Other income | 0.1 | 0.0 |
| **Total other income** | **211.6** | **151.4** |

## NOTE 13 | Remuneration paid to auditor

**Remuneration excluding value added tax**

| NOK 1000 | 2013 | 2012 |
|---|---|---|
| Statutory audit | 717 | 860 |
| Other reporting duties | 54 | |
| Taxation advice | | |
| Other non-audit services | | |
| **Total** | **771** | **860** |

All remuneration for statutory auditing concerns Deloitte AS.

## NOTE 14 | Operating expenses

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Ordinary wages and salaries | -87.9 | -88.6 |
| Employer's social security contributions | -11.3 | -13.4 |
| Other staff expenses | -22.1 | -24.2 |
| Pension cost (see note 15) 1) | 3.3 | -20.4 |
| **Total staff expenses** | **-118.0** | **-146.5** |
| | | |
| IT costs | -49.9 | -58.1 |
| Printing, postage etc. | -2.2 | -2.5 |
| Travel, entertainment, courses, meetings | -1.5 | -2.1 |
| Other sales and marketing costs | -1.2 | -1.7 |
| **Total general administration expenses** | **-54.8** | **-64.5** |
| **Total staff expenses and general administration expenses** | **-172.8** | **-210.9** |
| | | |
| Depreciation fixed assets and intangible assets | -35.0 | -30.6 |
| Contract personnel (see note 13) | -10.0 | -5.9 |
| Operating expenses on rented premises (see note 33) | -11.4 | -11.9 |
| Inter-company charges for services 2) | -89.1 | -114.5 |
| Other operating expenses | -22.8 | -22.0 |
| **Total other operating expenses** | **-168.4** | **-184.9** |
| **Total operating expenses** | **-341.2** | **-395.9** |

1) Pension cost is positive due to recognition of an income related to the change in pension scheme of NOK 19 million (see note 15)

2) Services purchased from the group contain costs relating to bank production, IT services, joint administrative functions, financial and legal services, marketing activities, HR and skills development, purchasing, information services and savings advice.

## NOTE 15 | Pensions

The Storebrand Group has country-specific pension schemes.

The employees of Storebrand in Norway have both defined-contribution and defined-benefit pension schemes from Storebrand Livsforsikring AS. The defined-benefit scheme was closed to new members on 1 January 2011. On the same date, a defined-contribution pension scheme was established. The contribution-based scheme covered all new employees starting on 1 January 2011, and to those who chose to transfer from a defined-benefit to a defined-contribution pension scheme. In the case of the defined-contribution scheme, the cost is equal to the period's contribution to the employees' pension savings, which amounts to 5 per cent of the contribution basis between 1G and 6G (G = National Insurance Scheme Basic Amount as at 31.12.2013, amounting to NOK 85,245), 8 per cent of the contribution basis between 6G and 12G, as well as a defined-contribution scheme that is funded from operations that annually comprises 20 per cent of the contribution basis for salaries over 12G. The contributions are deposited in the employees' pension accounts each month. The future pension depends upon the amount of the contributions and the return on pension savings.

Employees that are members of the defined-benefit pension scheme are entitled to 70 per cent of the pension basis on the leaving date, once a National Insurance benefit has been included in the calculation. Full pension entitlement is reached after 30 years of membership in the pension scheme. The cost for the period shows the employees' accrued future pension entitlements during the financial year.

Storebrand was included in the AFP contractual pension scheme on 1 January 2013. The private AFP contractual pension scheme shall be recognised in the accounts as a defined-benefit multi-purpose scheme and is financed through annual premiums that are determined to be one per cent of salary between 1 and 7.1G. There is no information available regarding recognition of the new liability in the statement of financial position. Storebrand employees in Norway also have an existing right to retire at the age of 65 and receive a direct pension from the company until they reach the age of 67. Provisions have been made in the accounts for direct pension

The pension for employees aged between 65 and 67 years old and pensions linked to salaries over 12G are paid directly by the companies and apply to both members of the defined-contribution and the defined-benefit schemes. A guarantee has been granted for earned pensions on salaries over 12G for employees retiring before the age of 65. The pension conditions are determined by the pension regulations. Storebrand is under an obligation to have an occupational pension scheme pursuant to the Act relating to mandatory occupational pensions. The company's pension scheme satisfies the requirements of the Act.

All of the members of the pension schemes have an associated survivor's and disability cover.

**Reconciliation of pension assets and liabilities in the balance sheet**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Present value of insured pension liabilities | 119.2 | 127.8 |
| Pension assets at fair value | -109.3 | -103.5 |
| Net pension liabilities/surplus for the insured schemes | 9.9 | 24.3 |
| Present value of uninsured pension liabilities | 47.8 | 46.9 |
| **Net pension liabilities in the balance sheet** | **57.8** | **71.3** |

Includes employer's NI contributions on net underfunded liabilities.

**Recognised in the balance sheet**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Pension assets | | |
| Pensions liabilities | 57.8 | 71.3 |

**Experience adjustments applied to equity**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Year's change in experience adjustments included in equity after tax | -3.5 | 25.1 |
| Accumulated experience adjustments included in equity | 39.9 | 43.4 |

**Changes in the net defined benefits pension liabilities in the period**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Net pension liability at 01.01. incl. provision for employer's NI contribution | 174.7 | 196.2 |
| Net pension cost recognised in the period incl. provision for employer's NI contribution | 11.5 | 18.0 |
| Interest on pension liabilities | 6.9 | 5.9 |
| Experience adjustments | 0.8 | -40.0 |
| Pensions paid | -6.6 | -3.3 |
| Reversed employer's NI contribution | -1.2 | -2.0 |
| Change to pension scheme | -19.0 | 0.0 |
| **Net pension liabilities at 31.12.** | **167.1** | **174.7** |

**Change in the fair value of pension assets**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Pension assets at fair value at 01.01. | 103.5 | 92.4 |
| Expected return | | 3.8 |
| Interest income pension assets | 4.0 | 0.0 |
| Experience adjustments | -4.9 | -5.2 |
| Premium paid | 8.6 | 14.0 |
| Pensions paid | -1.9 | -1.7 |
| **Net pension assets at 31.12.** | **109.3** | **103.5** |
| Expected premium payments (benefit) in 2014: | 12.5 | |
| Expected premium payments (contribution) in 2014: | 0.9 | |
| Expected payments AFP in 2014: | 1.2 | |
| Expected payments over operations (unsecured scheme) in 2014: | 3.1 | |

**Pension assets are based on the financial assets held by Storebrand Livsforsikring composed as of 31.12.**

| | 2013 | 2012 |
|---|---|---|
| Real estate | 12 % | 17 % |
| Bonds at amortised cost | 48 % | 35 % |
| Mortgage loans and other loans | 2 % | 2 % |
| Equities and units | 16 % | 14 % |
| Bonds | 20 % | 18 % |
| Commercial papers | 2 % | 14 % |
| Other short-term financial assets | 0 % | 0 % |
| **Total** | **100 %** | **100 %** |
| The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring. The book (realised) return on the assets | 3.3 % | 5.8 % |

**Net pension cost booked to the profit and loss account specified as follows:**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Current service cost including employer's NI contributions | 11.5 | 18.0 |
| Interest on pension liabilities | 2.8 | 5.9 |
| Expected return on pension assets | | -3.8 |
| Change to pension scheme | -19.0 | |
| **Total defined benefit pension schemes** | **-4.7** | **20.0** |
| Payment to defined contribution pension scheme in the period | 1.4 | 0.4 |
| **Net pension cost booked to profit and loss account in the period** | **-3.3** | **20.4** |

Net pension cost includes national insurance contributions and is included in operating expenses. See note 14.

**Analysis of actuarial loss (profit) during the period**

| *NOK million* | 2013 |
|---|---|
| Loss (profit) – change to the discount rate | |
| Loss (profit) – change to other financial assumptions | -2.4 |
| Loss (profit) – change to the mortality table | 11.6 |
| Loss (profit) – change to other demographical assumptions | |
| Loss (profit) – experienced DBO | -8.4 |
| Loss (profit) – experienced pension funds | 3.8 |
| Investment/administration costs | 1.1 |
| Upper limit pension funds | |
| **Actuarial loss (profit) during the period** | **5.7** |

| **Main assumptions used when calculating net pension liability** | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Discount rate | 4.0 % | 4.0 % |
| Expected return on pension assets during the accounting period | 4.0 % | 4.0 % |
| Expected wage growth | 3.3 % | 3.3 % |
| Expected annual adjustment to National Insurance | 3.5 % | 3.3 % |
| Expected annual adjustment to pension payments | 0.1 % | 1.5 % |
| Disability table | KU | KU |
| Mortality table | K2013BE | K2005 |

**Financial assumptions:**

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are particularly subject to a high degree of uncertainty.

IAS 19.78 states that high quality corporate bond rates shall be used as the discount rate. In countries where there is no deep market for such bonds, the government bond rates shall be used.

Storebrand has applied the covered bond rate as at 31.12.2013 as the discount rate. Based on the market and volume development observed, the Norwegian covered bond market must be perceived as a deep market in relation to the provisions in IAS 19 in the opinion of Storebrand. This conclusion is based on the regular activity that takes place in both the primary and secondary markets, as well as the transparency that exists due to the fact that the trades observed on the exchange are close to the indicative levels quoted by the banks. Broad participation by all of the largest bond brokers in the reporting system of the Norwegian Mutual Fund Association (VFF) supports the reliability of the available data. Reference is made to the guide of January 2014 from the Norwegian Accounting Standards Board, which discusses the use of covered bonds as the discount rate.

In 2013 Storebrand (Norway) amended the pension rules in the collective schemes for employees and former employees of the company. The change entails that pensions in payment are no longer annually adjusted by a minimum of 80 per cent of the change in the consumer price index. This means that pensions will only be recorded if there is an adequate surplus of the premium reserve for pensioners, pursuant to the general rule in the Occupational Pensions Act. This gives a positive non-recurring effect in the profit or loss in 2013 which is shown in the pension costs as a change to the scheme.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

**Actuarial assumptions:**

In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. In a letter dated 8 March, the Financial Supervisory Authority of Norway determined that a new mortality basis, K2013, would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. Based on life expectancies, the new mortality basis will entail an increase in pension obligations pursuant to IAS 19. The pension funds will not increase accordingly, due to the escalation period granted to the life insurance companies. Storebrand applied mortality table K2013BE to the actuarial calculations as at 31.12.2013, while K2005 was used last year. The effect of the increased pension obligations pursuant to K2013BE is included in the actuarial gains/losses charged to the total comprehensive income.

The average employee turnover rate is 2–3 per cent for the entire work force as a whole, and falling turnover with increasing age is assumed. The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

### Sensitivity analysis and pension calculation

Sensitivity analyses are based on facts and circumstances as at 31 December 2013, as long as all other prerequisites are constant.

| | Discount rate | | Expected wage growth / regulation of the National Insurance Basic Amount | | Mortality – changes life expectancy | |
|---|---|---|---|---|---|---|
| | 1.0 % | -1.0 % | 1.0 % | -1.0 % | +1 YEAR | -1 YEAR |
| Change to pension in per cent: | | | | | | |
| Pension liabilities | -15 % | 20 % | 9 % | -8 % | 4-5 % | -4-5% |
| The period's net pension costs | -18 % | 26 % | 14 % | 11 % | 4-5 % | -4-5% |

The risk to Storebrand associated with the pension scheme is linked to the changes to the financial and actuarial assumptions that must be applied to the calculations, and the actual return on the pension funds. Pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities.

## NOTE 16 | Loan losses

| *NOK million* | 2013 | 2012 |
|---|---|---|
| **Change in loan loss provisions on individual loans for the period** | | |
| Change in loan loss provisions on groups of loans for the period | 34.9 | 9.8 |
| Other corrections to loan loss provisions | 9.1 | 13.3 |
| Realised losses in period on commitments specifically provided for previously | 4.8 | -3.6 |
| Realised losses on commitments not specifically provided for previously | -76.8 | -9.1 |
| Recoveries on previously realised losses | -2.4 | -5.8 |
| Loan losses for the period | 21.2 | 5.8 |
| **Loan losses for the period** | **-9.1** | **10.4** |
| | | |
| Interest recognised to the profit and loss account on loans subject to loan loss provisions | 4.8 | 9.7 |

## NOTE 17 | Tax

### Tax basis for the year

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Profit before taxes | 221.7 | 260.8 |
| | | |
| + Group contribution received, difference between the carrying amount and the tax base | | -2.6 |
| +/- Share of results from associated companies | | -1.2 |
| +/- Realised gains/losses on shares within EEA | 0.1 | -6.2 |
| +/- Taxable realised gains on shares within EEA | | 0.2 |
| Other permanent differences | 27.3 | -23.0 |
| Changes in temporary differences | 11.6 | 8.3 |
| **Tax basis for the year** | **260.6** | **236.3** |
| Reduction for tax deductible loss | | |
| - Application of tax loss carryforward | | |
| Tax basis for the year for current taxes1) | **260.6** | **236.3** |
| Tax rate | 28 % | 28 % |
| | | |
| 1) Allocated group contribution with tax effect | 260.6 | 236.3 |

### Tax charge for the year

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Tax payable for the period | -73.0 | -66.2 |
| Change in deferred tax assets | 2.0 | 2.4 |
| **Total tax charge for the year** | **-70.9** | **-63.7** |

**Reconciliation of expected and actual tax charge**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Ordinary pre-tax profit | 221.7 | 260.8 |
| Expected tax on income at nominal rate | -62.1 | -73.0 |
| Tax effect of: | | |
| Realised shares | | 2.0 |
| Permanent differences | -7.6 | 6.4 |
| Group contribution received | | 0.7 |
| Change in taxrules | -1.2 | |
| Change of tax assessment earlier years | | 0.1 |
| **Tax charge** | **-70.9** | **-63.7** |
| | | |
| Tax payable | -73.0 | -66.2 |
| - tax effect of group contribution paid | 73.0 | 66.2 |
| **Tax payable in the balance sheet** | **0.0** | **0.0** |

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

| *NOK million* | 2013 | 2012 |
|---|---|---|
| *Tax increasing timing differences* | | |
| Fixed assets | | |
| Financial instruments | 18.3 | 15.9 |
| **Total tax increasing timing differences** | **18.3** | **15.9** |
| | | |
| *Tax reducing timing differences* | | |
| Fixed assets | -7.7 | -9.7 |
| Pensions | -57.8 | -71.3 |
| Provisions | -20.1 | -18.1 |
| Financial instruments | | 33.0 |
| **Total tax reducing timing differences** | **-85.6** | **-66.0** |
| | | |
| Losses/allowances carried forward | | |
| **Net base for deferred tax/tax assets** | **-67.3** | **-50.1** |
| **Net deferred tax/tax asset in the balance sheet** | **18.2** | **14.0** |

| **Analysis of tax payable and deferred tax applied to equity** | 2013 | 2012 |
|---|---|---|
| Pension experience adjustments | 2.1 | -9.8 |
| **Total** | **2.1** | **-9.8** |

Deferred tax assets principally relate to tax reducing temporary differences on fixed assets, pension liabilities and financial instruments. The bank produces an annual profit, and is expected to continue to produce a profit in future years. Deferred tax assets in respect of Storebrand Bank ASA are capitalised to the extent that it is considered likely that it will be possible to make use of the assets.

## **Note 18** | Classification of financial instruments

| *NOK million* | Loans and receivables | Fair value, trading | Fair value, FVO | Liabilities at amortised cost | Total bok value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and deposits with central banks | 19.8 | | | | 19.8 |
| Loans to and deposits with credit institutions | 2 198.9 | | | | 2 198.9 |
| Equity instruments | | | 1.7 | | 1.7 |
| Bonds and other fixed-income securities | 1 541.8 | | 5 550.2 | | 7 092.1 |
| Derivatives | | 445.5 | | | 445.5 |
| Lending to customers | 17 533.5 | | 1 289.0 | | 18 822.5 |
| Other current assets | 1 223.3 | | | | 1 223.3 |
| **Total financial assets 2013** | **22 517.4** | **445.5** | **6 841.0** | **0.0** | **29 803.9** |
| Total financial assets 2012 | 23 604.7 | 660.0 | 6 867.2 | 0.0 | 31 131.9 |
| **Financial liabilities** | | | | | |
| Deposits from and due to credit institutions | | | 996.6 | 332.9 | 1 329.5 |
| Deposits from and due to customers | | | | 20 749.0 | 20 749.0 |
| Commercial papers and bonds issued | | | | 4 050.8 | 4 050.8 |
| Derivatives | | 411.0 | | | 411.0 |
| Other liabilities | | | | 326.1 | 326.1 |
| Subordinated loan capital | | | | 589.7 | 589.7 |
| **Total financial liabilities 2013** | **0.0** | **411.0** | **996.6** | **26 048.6** | **27 456.3** |
| Total financial liabilities 2012 | 0.0 | 601.1 | 1 986.0 | 26 169.1 | 28 756.3 |

## **Note 19** | Fair value of financial assets and liabilities at amortised cost

The fair value of lending to customers subject to variable interest rates is stated as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had had they been taken out at year-end 2013. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| *NOK million* | **Book value** | **Fair value** | **Book value** | **Fair value** |
| **Assets** | | | | |
| Loans and receivables: | | | | |
| Bonds, amortised cost | 1 541.8 | 1 546.1 | 990.0 | 994.2 |
| Loans to and deposits with credit institutions, amortised cost | 2 198.9 | 2 198.9 | 4 763.3 | 4 763.3 |
| Lending to customers, amortised cost | 17 533.5 | 17 470.4 | 16 756.4 | 16 662.7 |
| Other current assets | 1 223.3 | 1 223.3 | 1 086.2 | 1 086.2 |
| **Liabilities** | | | | |
| Deposits from and due to credit institutions, amortised cost | 332.9 | 332.9 | 811.0 | 811.0 |
| Deposits from and due to customers, amortised cost | 20 749.0 | 20 749.0 | 19 948.5 | 19 948.5 |
| Commercial papers and bonds issued, amortised cost | 4 050.8 | 4 128.4 | 4 666.9 | 4 744.5 |
| Other liabilities | 326.1 | 326.1 | 301.4 | 301.4 |
| Subordinated loan capital, amortised cost | 589.7 | 596.9 | 441.4 | 443.8 |

## **Note 20** | Cash and deposits with central banks

| | 2013 | 2012 |
|---|---|---|
| *NOK million* | **Book value** | **Book value** |
| Cash | 2.0 | 8.8 |
| Deposits with central banks at amortised cost, loans and receivables | 17.8 | |
| **Total cash and deposits with central banks** | **19.8** | **8.8** |

## Note 21 | Loans to and deposits with credit institutions

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| Total loans to and deposits with credit institutions without fixed maturity at amortised cost | 2 198.9 | 4 763.3 |
| **Total loans to and deposits with credit institutions at amortised cost** | **2 198.9** | **4 763.3** |

## Note 22 | Shares and other equity instruments

| NOK million | Ownership interest | 2013 Book value | 2012 Book value |
|---|---|---|---|
| Storebrand Institusjonelle Investor ASA | 5.15% | 0.8 | 1.0 |
| Visa Inc. A-shares | | 0.8 | 0.7 |
| Other | | 0.2 | 0.2 |
| **Total** | | **1.7** | **1.8** |
| Of which | | | |
| Listed shares | | | |
| Unlisted shares | | 1.7 | 1.8 |

Shares and other equity instruments are classified as financial assets at fair value through the profit and loss account.

## Note 23 | Investments in subsidiaries

| NOK million | Business registration number | Registered office | Ownership interest | Share of votes | Share capital | Acquisition cost | Book value 31.12.2013 | Book value 31.12.2012 |
|---|---|---|---|---|---|---|---|---|
| Storebrand Boligkreditt AS | 990645515 | Lysaker | 100.0% | 100.0% | 455.0 | 836.2 | 836.2 | 661.2 |
| Ring Eiendomsmegling AS 1) | 987227575 | Lysaker | 100.0% | 100.0% | 2.0 | 140.4 | 5.2 | 7.1 |
| Hadrian Eiendom AS | 976145364 | Oslo | 100.0% | 100.0% | 0.1 | 59.6 | 25.0 | 48.2 |
| Filipstad Tomteselskap AS | 984133561 | Lysaker | 100.0% | 100.0% | 0.5 | 2.1 | 1.1 | 2.1 |
| Bjørndalen Panorama AS | 991742565 | Lysaker | 100.0% | 100.0% | 2.7 | 72.5 | 6.0 | 6.0 |
| Ullensaker Boligbygg AS 2) | 983658628 | Ullensaker | 89.0% | 89.0% | 0.0 | 0.0 | 0.0 | 0.0 |
| Ullensaker Boligbygg KS 2) | 983775578 | Ullensaker | 89.0% | 89.0% | 0.0 | 0.0 | 0.0 | 0.0 |
| Filipstad Invest AS 2) | 995215918 | Lysaker | 100.0% | 100.0% | 0.0 | 0.0 | 0.0 | 0.2 |
| **Total investments in subsidiaries** | | | | | | **1 110.8** | **873.5** | **724.8** |

1) The ownership in Ring Eiendomsmegling AS is being discontinued.
2) The company has been wound up in 2013.

## Note 24 | Bonds and other fixed-income securities at fair value through the profit and loss account

| | 2013 | | 2012 |
|---|---|---|---|
| NOK million | Acquisition cost | Fair value | Fair value |
| Sovereign and Government Guaranteed bonds | 100.0 | 100.3 | 492.7 |
| Credit bonds | 534.2 | 534.6 | 526.2 |
| Mortgage and asset backed bonds | 4 880.3 | 4 915.3 | 4 605.7 |
| **Total bonds and other fixed-income securities at fair value through the profit and loss account** | **5 514.4** | **5 550.2** | **5 624.6** |
| | | | |
| Modified duration | | 0.14 | 0.16 |
| Average effective yield per 31.12. | | 1.81 % | 1.93 % |

The portfolio is mainly denominated in NOK, as per 31 December 2012 the bank had only one covered bond in EUR. The effective yield for each asset is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

## NOTE 25 | Bonds at amortised cost - Loans and receivables

| | 2013 | | | | 2012 | |
|---|---|---|---|---|---|---|
| *NOK million* | **Nominal value** | **Acquisition cost** | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Public issuers and Government Guaranteed Bonds | 725.0 | 724.9 | 727.1 | 727.5 | 626.9 | 627.3 |
| Credit bonds | | | | | 50.1 | 50.0 |
| Mortgage and asset backed bonds | 812.0 | 812.1 | 814.8 | 818.7 | 313.1 | 316.8 |
| **Total bonds at amortised cost** | **1 537.0** | **1 537.1** | **1 541.8** | **1 546.1** | **990.0** | **994.2** |
| | | | | | | |
| Modified duration | | | | 0.13 | | 0.12 |
| Average effective yield per 31.12. | | | | 1.89 % | | 2.05 % |

All securities are denominated in NOK. The effective yield for each asset is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

## NOTE 26 | Transferred financial assets (swap scheme)

| *NOK million* | **2013 Book value** | **2012 Book value** |
|---|---|---|
| **Covered bonds:** | | |
| Covered bonds (see note 24) | 2 759.5 | 2 762.9 |
| Swap scheme (see note 18) | 996.6 | 1 986.0 |

Transferred financial assets consist of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 43). The swap agreements were entered into through auctions that are administrated by Norges Bank. In the swap agreement, the state sells treasury bills to the bank through a timerestricted swap for covered bonds. The bank can either keep the treasury bills and receive payment from the state when the swap agreement falls due for repayment, or it may sell the treasury bills in the market. When the bills become due within the term of the swap agreement, the bank must purchase new bills from the state at the price that is determined by the market price for treasury bills. This rollover will be ongoing throughout the entire term of the agreement. Upon expiry of the swap agreement, the bank is obliged to purchase the covered bonds back from the state at the same price that the state purchased them for. Storebrand Bank ASA will receive the interest on the transferred covered bonds. All risk concerning the covered bonds continues to lie with Storebrand Bank ASA.

## NOTE 27 | Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to such underlying amounts as underlying principal, nominal volume and the like. Different calculation methods are applied to nominal volume for different types of financial derivatives, and this figure expresses the scope of risk and positions of financial derivatives.

Gross nominal volume primarily provides information on 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.

| | | | | | Amounts that can be, but are not presented net in the balance sheet | | |
|---|---|---|---|---|---|---|---|
| *NOK million* | **Gross nom. volume 1)** | **Gross recognised financial assets** | **Gross recognised debt** | **Net financial assets / debt in the balance sheet** | **Fin. assets** | **Fin. debt** | **Net amount Net amount** |
| Share derivatives | | | | | | | 0.0 |
| Interest derivatives 2) | 16 548.6 | 445.4 | -410.5 | | | | 34.9 |
| Currency derivatives | 53.0 | 0.1 | -0.6 | | | | -0.4 |
| **Total derivatives 31.12.2013** | **16 601.6** | **445.5** | **-411.0** | **0.0** | **0.0** | **0.0** | **34.5** |
| Total derivatives 31.12.2013 | 23 670.7 | 660.0 | -601.1 | | | | 58.9 |

1) Values as at 31.12:
2) Interest derivatives include accrued, not due, interest.

**Investments subject to netting agreements /CSA**

| *NOK million* | Recognised assets | Recognised liabilities | Net assets | Security Cash (+/-) | Security Securities (+/-) | Net exposure |
|---|---|---|---|---|---|---|
| **Motparter:** | | | | | | |
| CHASE MANHATTAN BANK | | -0.4 | -0.4 | | | -0.4 |
| DEN DANSKE BANK AS | 1.1 | -1.1 | -0.0 | | | 0.0 |
| DNB NOR BANK ASA | 18.8 | -179.8 | -161.0 | | | -161.0 |
| NORDEA BANK NORGE ASA | 32.7 | -227.3 | -194.6 | | 381.5 | 186.9 |
| SWEDBANK | 1.8 | | 1.8 | | | 1.8 |
| Customers | 391.1 | -2.4 | 388.7 | | | 388.7 |
| **Total counter-parties** | **445.5** | **-411.0** | **34.5** | **0.0** | **381.5** | **416.0** |

## **Note 28** | Foreign exchange risk

| **Financial assets and liabilities in foreign currency** | **Statement of financial position items** | | **Currency forwards** | **Net position** | |
|---|---|---|---|---|---|
| *NOK million* | **Assets** | **Liabilities** | **Net sale** | **in currency** | **in NOK** |
| CHF | 6.6 | 3.4 | -3.4 | | -0.2 |
| DKK | 1.4 | 1.4 | 0.0 | | 0.0 |
| EUR | 32.5 | 39.9 | 7.1 | | -0.4 |
| GBP | 4.6 | 4.7 | | | -0.1 |
| JPY | | | | 0.1 | 0.0 |
| SEK | 53.5 | 6.8 | -47.4 | -0.2 | -0.7 |
| USD | 64.8 | 59.1 | -5.8 | | -0.1 |
| Andre | 0.1 | 0.5 | | -0.3 | -0.4 |
| **Total net currency positions 2013** | | | | | **-1.9** |
| Total net currency positions 2012 | | | | | -0.9 |

Storebrand Bank ASA hedges the net currency position on its balance sheet with forward contracts, accordingly forward sales and forward purchases are not shown separately in respect of assets and liabilities.

## **Note 29** | Loan portfolio and guarantees

| *NOK million* | **2013 Book value** | **2012 Book value** |
|---|---|---|
| Lending to customers at amortised cost | 17 643.3 | 16 910.3 |
| Lending to customers at fair value | 1 289.0 | 1 240.8 |
| **Total gross lending to customers** | **18 932.4** | **18 151.1** |
| Loan loss provisions on individual loans (see note 30) | -80.3 | -115.2 |
| Loan loss provisions on groups of loans (see note 30) | -29.5 | -38.6 |
| **Net lending to customers** | **18 822.5** | **17 997.2** |

See note 4 for analysis of loan portfolio and guarantees per customer group.

## Note 30 | Loan loss provisions

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| Loan loss provisions on individual loans 01.01 | 115.2 | 117.2 |
| Losses realised in the period on individual loans previously written down | -76.8 | -9.1 |
| Loan loss provisions on individual loans for the period | 51.0 | 16.8 |
| Reversals of loan loss provisions on individual loans for the period | -9.2 | -10.4 |
| Other corrections to loan loss provisions 1) | | 0.6 |
| **Loan loss provisions on individual loans at 31.12** | **80.3** | **115.2** |
| | | |
| Loan loss provisions on groups of loans and guarantees etc. 01.01 | 38.6 | 51.9 |
| Grouped loan loss provisions for the period | -9.1 | -13.3 |
| **Loan loss provisions on groups of loans and guarantees etc. 31.12** | **29.5** | **38.6** |
| **Total loan loss provisions (see note 29)** | **109.8** | **153.9** |

The bank has NOK 0,1 million in individual loss provision for guarantees as of 31.12.2013. Per 31.12.2012 the bank had no provisions for guarantees. See also note 39.

## Note 31 | Intangible assets and goodwill

| | 2013 | | 2012 | |
|---|---|---|---|---|
| NOK million | IT-systems | Total book value | IT-systems | Total book value |
| Acquistion cost at 01.01 | 153.2 | 153.2 | 127.2 | 127.2 |
| Additions in the period: | | | | |
| Purchased separately | 42.8 | 42.8 | 29.4 | 29.4 |
| Disposals in the period | | 0.0 | -3.4 | -3.4 |
| **Acquisition cost at 31.12** | **196.0** | **196.0** | **153.2** | **153.2** |
| | | | | |
| Accumulated depreciation and write-downs at 01.01 | 87.5 | 87.5 | 62.9 | 62.9 |
| Depreciation in the period (see note 14) | 33.0 | 33.0 | 27.1 | 27.1 |
| Disposals in the period | | 0.0 | -3.4 | -3.4 |
| Write-downs in the period (se note 14) | | 0.0 | 0.9 | 0.9 |
| | | | | |
| **Accumulated depreciation and write-downs at 31.12** | **120.6** | **120.6** | **87.5** | **87.5** |
| **Book value at 31.12** | **75.4** | **75.4** | **65.7** | **65.7** |
| | | | | |
| **For each class of intangible assets:** | | | | |
| Depreciation method | linear method | | linear method | |
| Economic life | 3 - 8 years | | 3 - 8 years | |
| Rate of depreciation | 12.5% -33.33% | | 12.5% -33.33% | |

IT systems in this note refers to the development of systems, data warehouses, user licenses to systems, etc. All capitalised expenses in respect of systems development relate to work carried out by external resources. The estimate of economic liftetime are reviewed annually.

## Note 32 | Fixed assets

| *NOK million* | Fixture and fittings | IT | Fast Real estate [1)] | 2013 Total book value | 2012 Total book value |
|---|---|---|---|---|---|
| Book value at 01.01 | 5.8 | 0.0 | 2.3 | 8.1 | 10.7 |
| Additions | | | | 0.0 | |
| Disposals | | | | 0.0 | |
| Depreciation (see note 14) | -1.6 | | -0.4 | -1.9 | -2.5 |
| Write-downs in the period (see note 14) | | | | 0.0 | |
| **Book value at 31.12.** | **4.2** | **0.0** | **2.0** | **6.2** | **8.1** |
| Opening acquisition cost | 10.2 | 6.8 | 5.7 | 22.7 | 22.7 |
| Closing acquisition cost | 10.2 | 6.8 | 5.7 | 22.7 | 22.7 |
| Opening accumulated depreciation and write-downs | 4.3 | 6.8 | 3.4 | 14.6 | 12.0 |
| Closing accumulated depreciation and write-downs | 5.9 | 6.8 | 3.8 | 16.5 | 14.6 |

**For each class of fixed assets:**

| Method for measuring cost price | Acquisition cost | Acquisition cost | Acquisition cost |
|---|---|---|---|
| Depreciation method | linear | linear | linear |
| Depreciation period and economic life | 3 - 10 Years | 4 Yeas | 15 Years |

There are no restrictions on rights to fixed assets. No fixed assets have been pledged as collateral for liabilities.

1) Holiday cabins valued using the cost method.

## Note 33 | Operational leasing

**Minimum future payments on operational leases for fixed assets are as follows:**

| *NOK million* | Minimum lease less than 1 year | Minimum lease between 1 - 5 years | Minimum lease more than 5 years |
|---|---|---|---|
| Lease agreements less than 1 year | 0.1 | | |
| Lease agreements between 1 -5 years | 0.2 | 0.4 | |
| Lease agreements more than 5 years | 9.7 | 38.8 | 8.1 |
| **Total** | **9.9** | **39.2** | **8.1** |

Of which future lease income

**Amount through the profit and loss account**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Lease payments through the profit and loss account (se note 14) | 10.1 | 10.4 |

Operational leases are primarily lease for Storebrand's head office in Lysaker.
Costs are included in the item "General adminstration expenses" and the item "Other operating costs".

## Note 34 | Other current assets

| *NOK million* | 2013 Book value | 2012 Book value |
|---|---|---|
| Interest accrued | 64.2 | 76.8 |
| Other accrued income | 9.3 | 8.8 |
| Shares in subsidiaries [1)] | 873.5 | 724.8 |
| Due from group companies | 276.2 | 267.7 |
| Due from customers stockbrokerage | | 3.7 |
| Other assets | | 4.4 |
| **Total other assets** | **1 223.3** | **1 086.2** |

1) See note 23.

## NOTE 35 | Deposits from customers

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| Deposits from customers | 20 380.7 | 18 984.7 |
| Term loans and deposits from customers | 368.3 | 963.8 |
| **Total deposits from customers** | **20 749.0** | **19 948.5** |

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| **Sector and industry classification** | | |
| Development of building projects | 230.5 | 291.4 |
| Sale and operation of real estate | 2 793.9 | 2 942.3 |
| Professional and financial services | 2 255.2 | 1 965.2 |
| Wage-earners | 12 391.3 | 11 648.9 |
| Other | 3 078.1 | 3 100.8 |
| **Total** | **20 749.0** | **19 948.5** |
| **Geographic distribution** | | |
| Eastern Norway | 15 888.4 | 15 860.7 |
| Western Norway | 2 761.8 | 2 229.1 |
| Southern Norway | 353.8 | 309.2 |
| Mid-Norway | 557.5 | 496.0 |
| Northern Norway | 700.7 | 624.5 |
| Rest of world | 486.7 | 429.0 |
| **Total** | **20 749.0** | **19 948.5** |

## NOTE 36 | 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. Hedging effectiveness is monitored at the individual item level. Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock. Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations. Hedging is expected to be highly efficient in the period.

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | | Fair value 1) | | | Fair value 1) | |
| NOK million | Contract/ nominal value | Assets | Liabilities | Contract/ nominal value | Assets | Liabilities |
| Interest rate swaps | 1 017.0 | 52.9 | | 1 017.0 | 67.5 | |
| Total interest rate derivatives | 1 017.0 | 52.9 | | 1 017.0 | 67.5 | |
| Total derivatives | 1 017.0 | 52.9 | | 1 017.0 | 67.5 | |
| | | Sikringsverdi 1) | | | Sikringsverdi 1) | |
| | Contract/ nominal value | Assets | Liabilities | Contract/ nominal value | Assets | Liabilities |
| Total underlying items | 1 017.0 | | 1 075.1 | 1 017.0 | | 1 089.9 |
| Hedging effectiveness - prospective | | | 100 % | | | 107 % |
| Hedging effectiveness - retrospective | | | 98 % | | | 96 % |

**Gain/loss on fair value hedging: 2)**

| NOK million | Gain/loss | Gain/loss |
|---|---|---|
| On hedging instruments | -15,0 | 0,4 |
| On items hedged | 14,3 | -2,6 |

1) Book value at 31.12.

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

## NOTE 37 | Bonds and commercial papers issued

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| Commercial papers | | |
| Bond loans | 4 050.8 | 4 666.9 |
| **Total bonds and commercial papers issued** | **4 050.8** | **4 666.9** |

See also note 5 for analysis of bonds and commercial papers issued.

## NOTE 38 | Subordinated loan capital

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| Dated subordinated loan capital | 151.3 | 151.2 |
| Other subordinated loan capital | 9.3 | 9.3 |
| Tier 1 hybrid capital | 429.2 | 280.9 |
| **Total subordinated loan capital** | **589.7** | **441.4** |

| NOK million | 2013 | 2012 |
|---|---|---|
| Subordinated loan capital included in capital adequacy calculation | 589.7 | 441.4 |
| | | |
| **Interest expense** | | |
| Interest expense booked in respect of subordinated loan capital | 26.3 | 29.5 |

All subordinated loans are denominated in NOK.

## NOTE 39 | Provisions

| | Provisions for restructuring | |
|---|---|---|
| NOK million | 2013 | 2012 |
| Provisions 1 January | 17.7 | 0.8 |
| Provisions during the period | 12.9 | 17.6 |
| Provisions used during the period | -12.3 | -0.8 |
| **Total provisions 31 December** | **18.3** | **17.7** |
| | | |
| Classified as: | | |
| Provision for accrued expenses and liabilities | 18.3 | 17.7 |

The line "Allocations for costs accrued and liabilities" in the statement of financial position also includes an individual write-down of guarantees of NOK 0.1 million (see also note 30).

In 2012, Storebrand decided to implement a major cost reduction programme and the programme is continued in 2013. In the financial statements for Storebrand Bank Group NOK 12.9 million has been reserved to cover costs associated with the restructuring. These costs relate to headcount reductions, and chiefly apply to early retirees, ant to IT costs. This provision has been considered in accordance with IAS 37, and the restructuring plan has been announced to all parties affected by the changes.

## NOTE 40 | Other liabilities

| NOK million | 2013 Book value | 2012 Book value |
|---|---|---|
| Payable to Storebrand group companies | 13.4 | 7.1 |
| Money transfers | 8.0 | 7.9 |
| Group contribution payable to group companies | 260.6 | 236.3 |
| Accounts payable | 5.6 | 3.5 |
| Payable to stockbrokers | | 3.7 |
| Accrued interest expenses financial debt | 1.3 | 13.1 |
| Accrued expenses and prepaid income | 32.8 | 25.8 |
| Other debt | 4.4 | 4.1 |
| **Total other liabilities** | **326.1** | **301.4** |

## Note 41 | Off balance sheet liabilities and contingent liabilities

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Guarantees | 241.6 | 226.0 |
| Undrawn credit limits | 6 179.2 | 4 268.6 |
| Lending commitments | 77.4 | 796.1 |
| **Total contingent liabilities** | **6 498.1** | **5 290.7** |

Guarantees are mainly payment guarantees and contract guarantees. See also note 4. Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

## Note 42 | Collateral

**Received and pledged collateral**

Storebrand Bank ASA has not received or pledged any collateral except securities pledged as collateral for F-loans in Norges Bank and securities pledged as collateral in connection with the scheme for swapping covered bonds for government papers (see table below).

**Collateral and security pledged**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Booked value of bonds pledged as collateral for the bank's lending from Norges Bank | 1 498.5 | 1 854.0 |
| Booked value of bonds pledged as collateral for swap scheme | 1 024.6 | 2 043.1 |
| Booked value of securities pledged as collateral in other financial institutions | 384.4 | 384.3 |
| **Total** | **2 907.5** | **4 281.5** |

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has not any F-loan in Norges Bank as per 31.12.2013.

In connection with the package of measures by the authorities concerning the banks, Storebrand Bank ASA has entered into an agreement involving the following amounts to conditions and terms for a swap scheme of covered bonds for treasury bills:

| *NOK million* | Amount | Issued | Maturity | Interest rate |
|---|---|---|---|---|
| Borrowings under the Norwegian Government's Swap scheme | 499.2 | 06.05.2009 | 19.03.2014 | Treasury bills plus 40 bp |
| Borrowings under the Norwegian Government's Swap scheme | 496.5 | 04.06.2009 | 19.03.2014 | Treasury bills plus 40 bp |

## Note 43 | Capital adequacy

**Net primary capital**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Share capital | 960.6 | 960.6 |
| Other equity | 1 410.6 | 1 414.0 |
| **Total equity** | **2 371.2** | **2 374.6** |
| Deductions: | | |
| Intangible assets | -75.4 | -65.7 |
| Deferred tax asset | -18.2 | -14.0 |
| **Core capital exc. Hybrid Tier 1 capital** | **2 277.6** | **2 294.9** |
| Addition: | | |
| Hybrid Tier 1 capital | 426.8 | 278.8 |
| **Core capital** | **2 704.4** | **2 573.6** |
| Supplementary capital | 158.8 | 158.6 |
| Deductions | | |
| **Net primary capital** | **2 863.2** | **2 732.2** |

**Minimum capital requirement**

| *NOK million* | 2013 | 2012 |
|---|---|---|
| Credit risk | 1 350.5 | 1 433.6 |
| Of which: | | |
| Local and regional authorities | 8.6 | 9.2 |
| Offentlig eide foretak | 109.6 | 167.6 |
| Institutions | 773.9 | 947.6 |
| Corporates | 256.5 | 189.9 |
| Loans secured on residential real estate | 51.5 | 47.8 |
| Retail market | 37.2 | 10.6 |
| Loans past-due | 102.3 | 39.1 |
| Covered bonds | 11.0 | 21.8 |
| **Other** | **1 350.5** | **1 433.6** |
| **Total minimum requirement for credit risk** | | |
| **Total minimum requirement for market risk** | **0.0** | **0.0** |
| Operational risk | 79.7 | 69.4 |
| Deductions | | |
| Loan loss provisions on groups of loans | -2.4 | -3.1 |
| **Minimum requirement for net primary capital** | **1 427.8** | **1 499.9** |

| **Capital adequacy** | 2013 | 2012 |
|---|---|---|
| Capital ratio | 16.0 % | 14.6 % |
| Core (tier 1) capital ratio | 15.2 % | 13.7 % |
| Core capital ratio excl. Hybrid Tier 1 capital | 12.8 % | 12.2 % |

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 | 16 881.6 | 17 920.0 |
| Of which: | | |
| Local and regional authorities | 106.9 | 115.3 |
| Offentlig eide foretak | 1 370.0 | 2 095.1 |
| Institutions | 9 674.1 | 11 844.6 |
| Corporates | 3 205.9 | 2 373.3 |
| Loans secured on residential real estate | 644.0 | 597.8 |
| Retail market | 465.3 | 132.4 |
| Loans past-due | 1 278.2 | 488.6 |
| Covered bonds | 137.3 | 272.9 |
| **Other** | **16 881.6** | **17 920.0** |
| **Total basis of calculation credit risk** | | |
| **Total basis of calculation market risk** | **0.0** | **0.0** |
| Operational risk | 995.7 | 867.8 |
| Deductions | -29.5 | -38.6 |
| **Total basis of calculation of minimum requirements for capital base** | **17 847.8** | **18 749.2** |

## **NOTE 44** | Remuneration of senior employees and elected officers of the company

| *NOK 1000* | Ordinary salary | Bonus paid in 2013 1) | Other benefits 2) | Salary guarantee (months) | Pension accrued for the year 9) | Present value of pension 9) |
|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | |
| Truls Nergaard (CEO) | 3 320 | 359 | 177 | 18 | 768 | 3 528 |
| Bernt Uppstad | 1 146 | 67 | 106 | | 228 | 1 824 |
| Anne Grete T. Wardeberg | 1 313 | | 145 | | 341 | 3 873 |
| Monica K. Hellekleiv | 1 261 | 51 | 136 | | 271 | 3 566 |
| Robert Fjelli | 1 391 | 222 | 140 | | 380 | 2 340 |
| Torstein Hagen | 2 059 | 190 | 139 | | 379 | 596 |
| **Total 2013** | **10 490** | **888** | **843** | | **2 366** | **15 726** |
| Total 2012 | 8 626 | 465 | 814 | | 2 182 | 13 592 |

| *NOK 1000* | Loans 4) | Interest rate at 31.12.2013 | Repayment period 5) | No. of shares owed 3) | Bonus earned in 2013 1) | Bonus to be paid in 2014 1) | Bonus transferred to share bank per 31.12.2013 |
|---|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | | |
| Truls Nergaard (CEO) | 3 900 | 2.25-4.15% | 2022-2042 | 16 295 | 1 086 | 543 | 1 142 |
| Bernt Uppstad | 1 320 | 2.25 % | 2027 | 425 | 232 | 116 | 116 |
| Anne Grete T. Wardeberg | | | | 4 128 | | | |
| Monica K. Hellekleiv | 3 343 | 2.25-3.8% | 2021-2041 | 3 300 | 540 | 270 | 358 |
| Robert Fjelli | 3 620 | 2.25-4.00% | 2019-2041 | 1 100 | 772 | 386 | 741 |
| Torstein Hagen | 2 820 | 2.25 % | 2041 | 2 960 | 618 | 309 | 553 |
| **Total 2013** | **15 002** | | | **28 208** | **3 247** | **1 623** | **2 910** |
| Total 2012 | 15 057 | | | 24 509 | 1 852 | 959 | 1 358 |

| *NOK 1000* | Remuneration | Number of shares 3) | Loans 4) | Interest rate at 31.12.2013 | Repayment period 5) |
|---|---|---|---|---|---|
| **Board of Directors 6)** | | | | | |
| Heidi Skaaret 7) | | 1 637 | 7 206 | 2.25-3.8% | 2022-2042 |
| Geir Holmgren 7) | | 6 097 | | | |
| Inger Roll-Matthiesen | 159 | | 5 055 | 3.75-3.8% | 2020-2041 |
| Leif Helmich Pedersen | 120 | | | | |
| Kari Birkeland | 60 | 5 176 | 1 379 | 2.25 % | 2017-2037 |
| **Total 2013** | **339** | **12 910** | **13 640** | | |
| Total 2012 | 367 | 5 688 | 20 934 | | |
| **Control Committee 8)** | | | | | |
| 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** | **1 549** | **4 292** | **4 111** | | |
| Total 2012 | 1 520 | 4 292 | 5 864 | | |

1) Earned bonus at 31.12.2013. Senior executives are contractually entitled to performance related bonuses . 50% of the earned bonus is paid in cash. The remaining amount is converted to synthetic shares based on the market priice. These are registered in a share bank with a lock-in period of three years. At the end of three years, the value of the synthetic share is calculated at a new market price. Half of the amount paid from the share bank shall, after tax, be used to purchase shares in Storebrand ASA at market price, with a new three-year lock -in period.

2) Comprises company car, telephone, insurance, concressionary interest rate and other contractual benefits.

3) The summary shows the number of shares owned in Storebrand ASA by the individual, as well as his or her close family and companies where the individual exercises significant (cf. Accounting Act 7-26) influence.

4) Loans to senior employees and members of the Board of Directors are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 3.5 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Minstry of Finance.

5) Loan payment due but not yet paid.

6) Remuneration paid represents remuneration paid in connection with the individual's appointment to the Board of Directors of Storebrand Bank ASA.

7) Neither Geir Holmgren nor Heidi Skaaret receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board. The remuneration shown

8) Remuneration to the Control Committee covers all the Norwegian companies in the group which are required to have a control committee.

9) All employees are members of Storebrand's pension scheme. From 1 January 2011 the defined benefit scheme was closed to new members. At the same date a defined contribution pension scheme was established which applies to new employees from 1 January 2011 and to those who chose to transfer from contribution pension arrangement. a defined benefit to a defined. For further information about the pension schemes refer to note 15.

For the 2014 AGM, the Board of Storebrand Bank ASA will present the following statement on the determination of salaries and other compensation for executive employees pursuant to Section 6-16a of the Public Limited Liability Companies Act, based on the Group's previously adopted guidelines for compensation for executive employees in Storebrand.

## THE BOARD'S DECLARATION CONCERNING THE FIXING OF SALARIES AND OTHER REMUNERATION OF EXECUTIVE EMPLOYEES

The Board of Directors of Storebrand ASA has had a dedicated Compensation Committee since 2000. The Compensation Committee is tasked with making a recommendation to the Board of Directors concerning all matters regarding the Company's remuneration of its Chief Executive Officer. The Committee is responsible for keeping itself informed and proposing guidelines for the determination of remuneration of executive employees in the Group. The Committee is also an advisory body for the CEO with respect to remuneration regimes that cover all employees in the Storebrand Group, including Storebrand's bonus system and pension scheme. The Compensation Committee meets the follow-up requirements set forth in the Compensation Regulations.

### 1. ADVISORY GUIDELINES FOR THE COMING FINANCIAL YEAR

Storebrand aims to base remuneration on competitive and stimulating principles that help attract, develop and retain highly qualified staff. Optimised financial remuneration helps create a performance culture with clear goals for all employees, and correct assessments by managers, who differentiate between performance that is good and poor.

Financial remuneration should be designed to:
1. Support continuous improvement, stimulate internal cooperation and create a value-based performance culture
2. Focus the efforts of employees
3. Ensure that the Group's strategy and plans provide the basis for the goals and requirements set for the employees' performance
4. Ensure that remuneration is based on long-term thinking, balanced goal-oriented management and real value creation
5. Ensure that remuneration is based on an assessment of the individual's results and compliance with the core principles
6. Facilitate a clear, transparent and team-based process for setting goals and goal structures.
7. Ensure that both the development of financial remuneration and job requirements are embedded in the employee's role, responsibilities and influence in the Group. Ensure that the composition and level of the components of the financial remuneration are balanced and in line with the market

The salaries of executive employees are determined based on the position's responsibilities and level of complexity. Regular comparisons are made with corresponding positions in the market in order to adjust the pay level to the market. Storebrand does not wish to be a pay leader in relation to the sector.

In addition to their fixed salary, executive employees at Storebrand may receive remuneration in the form of an annual bonus, participation in the Group's group pension scheme, as well as other personal benefits. Executive employees may also be entitled to a termination pay arrangement, which guarantees that they will receive their salary less other income for a specified period of up to 24 months upon conclusion of their employment.

### 2. BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS, ETC. FOR THE COMING 2014 FINANCIAL YEAR

**2.1 The bonus system**

Executive employees and employees who influence the Company's risk are divided into two categories with regard to financial remuneration. Executive employees for whom accounting and control functions make up a large part of their duties only receive fixed salaries. The other executive employees have a bonus scheme linked to value creation in the Group, the unit and through the performance of individual employees.

The Storebrand Group's bonus scheme for the 2014 financial year complies with the regulations laid down by the Ministry of Finance on 01.12.2010 relating to remuneration schemes in financial institutions. The bonus scheme is robust with regard to ensuring the overall goals of increasing the correspondence between the owners' and executives' incentives, and helping to ensure that management does not take inappropriately large risks.

Main structure of the bonus scheme

The main structure of the bonus scheme consists of the following elements:
- Funding
- Allotment
- Payment

The bonus is funded by the value created in the Group, while the allocation of the bonus is dependent upon the value created in the unit and the employee's own performance.

Funding

Specific quantitative goals for how value creation in the Company will fund bonuses are set each year. The value creation target is based on the risk-adjusted result, which excludes market dependent-results and profit sharing. Significant one-time effects must also be eliminated by adjustment. Funding is calculated on the basis of value creation during the past two years. For 2014 the value creation will be an average of the percentage of goals achieved in 2013 and 2014. The overall Group result must also be in excess of a predetermined level to prevent curtailment of bonus earnings based on the risk-adjusted result. Negative Group profit before tax gives a full deduction and zero bonus. In addition, an RoE (before tax) greater than 5 per cent and satisfactory financial strength are required.
The Board of Storebrand ASA sets the target that determines how the risk-adjusted value creation will fund the bonus.

Allocation
The allocation result depends on both the unit's result and individual target attainment.
A unit's value creation is measured using a scorecard that is based on the unit's strategic, financial and operational targets. The scorecard incorporates both quantitative and qualitative targets. Specific targets are also set each year with respect to the executive employees' performance, which is documented using a special monitoring system. The unit's result and individual target attainment are weighted equally. Over time the target bonus for executive employees should be between 20 and 40 per cent of their fixed salary. The maximum target attainment for funding and allocation is 150 per cent, respectively. Executive employees' bonus entitlements are calculated using the following formula: Target bonus level x Funding result x Allocation result

The maximum possible bonus entitlement is 90 per cent of the annual fixed salary. For executive employees in STB Bank, the maximum is 50 per cent.

Payment of the bonus
Of the variable remuneration of the CEO and executive employees, 50 per cent of the allocated bonus will be paid in cash, and 50 per cent will be converted to a number of synthetic shares. The number of shares will be registered in a share bank and will remain there for three years. At the end of the three-year period, an amount corresponding to the market price of the allotted shares will be paid. Half of the amount paid, after tax, from the share bank shall be used to purchase actual shares in Storebrand ASA at the market price with a new lock-in period of 3 years. No payments shall be made from the share bank until the end of the 3-year period, even if the employee withdraws from the scheme or leaves the company, but the payment will be made on the date that was specified at the time the allocation was made. In special circumstances, the Board of Directors may decide to completely eliminate or partially reduce the number of shares in the share bank. Such circumstances may include when it is subsequently proven that the employee or entity did not fulfil the result criteria, or when the entity's or Group's financial position has drastically weakened.

**2.2. Pension scheme**
The Company shall arrange and pay for an ordinary group pension insurance for all employees from the date of employment and in accordance with the applicable pension rules at any given time.

**2.3 Termination pay**
The Chief Executive Officer and the executive vice presidents are entitled to termination pay if their contracts are terminated by the Company. Entitlement to termination pay is also triggered by resignation if this is due to substantial organisational changes or equivalent situations that make it unreasonable for the employee to remain in his or her position. If the employment is brought to an end due to a gross breach of duty or other material non-performance of the employment contract, the provisions in this section will not apply. Deductions are made to the termination pay for all work-related income, including fees from the provision of services, offices held, etc. The termination pay corresponds to the pensionable salary at the end of the employment, excluding any bonus schemes. The CEO is entitled to 24 months of termination pay. Other executive vice presidents are entitled to 18 months of termination pay.

Deductions are made to the severance pay for all work-related income, including fees from the provision of services, offices held etc. Severance pay corresponds to the pensio-nable salary at the end of the employment relationship, excluding any bonus schemes. The Chief Executive Officer is entitled to 24 months' severance pay. Other executive vice presidents are entitled to a maximum 18 months' severance pay.

**2.4 Employee share programme**
Like other employees in Storebrand, executive employees have an opportunity to purchase a limited number of shares in Storebrand ASA at a discount in accordance with the share programme for employees.

**3. STATEMENT ON THE EXECUTIVE EMPLOYEE REMUNERATION POLICY DURING THE PREVIOUS FINANCIAL YEAR**
The executive employee remuneration policy established for 2013 has been observed. The annual independent assessment of the guidelines and their practise in connection with bonuses for the 2013 qualifying year, with disbursement in 2014, will be conducted during the first half of 2014.

**4. STATEMENT CONCERNING THE EFFECTS OF SHARE-BASED REMUNERATION AGREEMENTS ON THE COMPANY AND THE SHAREHOLDERS**
In accordance with the guidelines above, half of the amount paid from the share bank shall be used to purchase shares in Storebrand ASA at the market price with a new 3-year lock-in period.
Executive employees thereby have up to 6 years of withheld bonus and substantial exposure to the company's share price. In the opinion of the Board, this does not have any negative effect on the company and the shareholders, given the structure of the scheme and the size of each Group director's portfolio of shares in Storebrand ASA.

## NOTE 45 | Close associates

**TRANSACTIONS WITH GROUP COMPANIES**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| *NOK million* | **Subsidiaries** | **Other group companies** | **Subsidiaries** | **Other group companies** |
| Interest income | 165.3 | | 245.7 | |
| Interest expense | 5.0 | | 5.9 | |
| Services sold | 13.1 | 3.6 | 13.6 | 3.5 |
| Services purchased | | 89.1 | | 114.5 |
| Gain on sale of shares | | | | 5.9 |
| Due from | 2 319.8 | 32.2 | 4 876.7 | 74.4 |
| Liabilities to | 322.7 | 258.6 | 450.8 | 150.0 |

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

**Loans transferred to Storebrand Boligkreditt AS**

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt that receives all the cash flows from the loan customer. The bank and Storebrand Boligkreditt have not signed any agreements concerning guarantees, options "or similar in relation to the loan portfolio in Storebrand Boligkreditt AS. Storebrand Bank ASA will ensure the transfer and return of loans as needs" change, i.e. when there is a need to increase borrowing, switches from fixed to variable interest rates, switches to employee loans and switches to home equity loans. The costs form part of the contractual management fees.

Loans in Storebrand Boligkreditt AS that do not perform remain in the company. According to the service agreement with Storebrand Bank ASA, these loans will be treated in the same way as non-performing loans in the bank. A special report on non-performing loans in Storebrand Boligkreditt AS is prepared. These loans are not included in the mortgage company's total collateral.

Loan to employees can be transferred to Storebrand Boligkreditt AS. The difference between the market interest rate and the subsidised interest rate is covered monthly by the company in which the debtor is employed.

Overview of transferred lending:

| *NOK million* | **2013** | **2012** |
|---|---|---|
| To Storebrand Boligkreditt AS - accumulated transfer | 14 808.7 | 17 301.6 |
| Fra Storebrand Boligkreditt AS - this year's transfer | 171.3 | 396.4 |

Storebrand Bank AS has not pledged any guarantees in connection with loans to Storebrand Boligkreditt AS.

**Credit facilities with Storebrand Boligkreditt AS**

The bank has two credit facilities with Storebrand Boligkreditt AS. The first agreement is used for general operations, such as the acquisition of home mortgages from Storebrand Bank. The second agreement may be used for repayment of interest and principal on covered bonds and related derivatives. At all times, the size of the available credit facility should cover the interest and repayment of covered bonds for the coming 12 months.

**Transactions with other related parties**

Storebrand Bank ASA defines Storebrand Optimér ASA as a related party as the company's objective is to offer alternative savings products to the bank's customers. Storebrand Optimér ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Optimér ASA. The bank has booked NOK 9.7 million as revenue in the accounts for 2013 and the bank has a receivable due from the company of NOK 1.4 million as of 31.12.2013. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA also defines Storebrand Infrastruktur ASA as a related party since the company's objective is to offer alternative savings products to the bank's customers. Storebrand Infrastruktur ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Infrastruktur ASA. The bank has booked NOK 0.6 million as revenue in the accounts for 2013. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA conducts transactions with close associates as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and close associates are stipulated in note 44.

## LOANS TO EMPLOYEES

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Loans to employees of Storebrand Bank ASA | 66.9 | 61.1 |
| Loans to employees of Storebrand group including Storebrand Bank ASA | 805.7 | 443.8 |

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to and individual of up to NOK 3.5 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance. Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

## NUMBER OF EMPLOYEES:

| *NOK million* | **2013** | **2012** |
|---|---|---|
| Number of employees at 31 December | 104 | 128 |
| Number of employees expressed as full-time equivalent positions | 103 | 126 |

Storebrand Bank ASA and Storebrand Bank Group

# - 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 consolidated financial statements 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 accounts for the parent bank have been prepared in accordance with the Norwegian Accounting Act, the regulations relating to annual accounts of banks and finance companies etc. and simplified IFRS as of 31 December 2013, as well as the additional requirements in the Norwegian Securities Trading Act. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as of 31 December 2013.

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 the parent company's and group'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 Bank ASA. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 11 February 2014
The Board of Directors of Storebrand Bank ASA

*Translation – not to be signed*

| | | |
|---|---|---|
| Heidi Skaaret<br>Chairman of the Board | Geir Holmgren<br>Deputy Chairman | Inger Roll-Matthiesen<br>Board member |
| Leif Helmich Pedersen<br>Board member | Ranveig S. Ofstad<br>Board member | Truls Nergaard<br>CEO |

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Bank ASA

INDEPENDENT AUDITOR'S REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of Storebrand Bank ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company 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 cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group 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 cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9 for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, 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 on the financial statements for the parent company*
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Bank ASA as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

*Opinion on the financial statements for the group*
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Storebrand Bank ASA 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.

**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 Bank ASA - Control Committee's Statement for 2013**

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

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 Bank ASA and the Storebrand Bank Group for 2013.

Lysaker, 25 February 2014

*Translation – not to be signed*

Elisabeth Wille
Chair of the Control Committee

**Storebrand Bank ASA - 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 Bank ASA and the Storebrand Bank Group.

The Board of Representatives raises no objections to the Board's proposal regarding the allocation of the profit for the year of Storebrand Bank ASA.

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