



Interim report 2016

Storebrand Bank ASA (unaudited)

Contents

Quarterly report for 4th quarter of 2016 Storebrand Bank Group	3
Income statement Storebrand Bank Group	5
Statement of comprehensive income Storebrand Bank Group.	5
Statement of financial position Storebrand Bank Group	6
Income statement Storebrand Bank ASA	7
Statement of comprehensive income Storebrand Bank ASA	7
Statement of financial position Storebrand Bank ASA	8
Statement of changes in equity.	9
Statement of cash flow	11

NOTES

Note 1 Accounting principles	12
Note 2 Estimates	12
Note 3 Pension scheme	12
Note 4 Tax	13
Note 5 Related parties	13
Note 6 Financial risk	14
Note 7 Valuation of financial instruments	15
Note 8 Segment information	18
Note 9 Securities issued and subordinated loan capital	20
Note 10 Capital adequacy.	21
Note 11 Key figures.	24
Note 12 Net interest income	25
Note 13 Off balance sheet liabilities and contingent liabilities.	26
Note 14 Non-performing loans and loan losses.	26
Note 15 Quarterly income statement	27

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

Storebrand Bank Group

- Quarterly report for 4th quarter of 2016

(Profit figures for the corresponding period in 2015 are shown in parentheses. Balance sheet figures in parentheses are for the end of 2015.)

- Strong growth in the retail market
- Reduction in corporate market as planned
- Low volume of non-performing loans

The lending balance in the retail market portfolio increased by NOK 8.5 billion in 2016. Parts of the retail market portfolio were sold to Storebrand Livsforsikring AS which means that at year-end the bank manages a total of NOK 9.7 billion in mortgages for Storebrand Livsforsikring AS. During the first quarter, the bank entered into a cooperative agreement with UNIO that gives members the offer of mortgages at one of the best interest rates in the market. The agreement is Norway's largest association agreement for banking services and applies for 230,000 members.

The bank's corporate market is being wound up. The market is being wound up in a controlled manner over time.

FINANCIAL PERFORMANCE

The bank group achieved a pre-tax profit of NOK 30 million (NOK 15 million) for the fourth quarter and a pre-tax profit of NOK 203 million (NOK 86 million) for the year.

Net interest income was NOK 94 million (NOK 96 million) for the fourth quarter and NOK 373 million (NOK 377 million) for the year. The fee to the Norwegian Banks' Guarantee Fund of NOK 14 million was expensed in its entirety in the first quarter of 2016. In previous years this was accrued by NOK 16 million for 12 months in 2015. Net interest income as a percentage of average total assets was 1.13 per cent (1.14 per cent) for the fourth quarter and 1.11 per cent (1.13 per cent) for the year. The interest margin contracted due to more competitive pricing in the retail market and a reduced proportion of loans in the corporate market. Net interest income as a percentage of average total assets related to the retail market of the bank group was 1.03 per cent (1.21 per cent) for the quarter and 1.12 per cent (1.24 per cent) for the year.

Net commission income represented NOK 12 million (NOK 10 million) in the fourth quarter and NOK 48 million (NOK 41 million) for the year. There was a positive effect on the bank's commission income due to the increase in loans that the bank manages on behalf of Storebrand Livsforsikring AS.

Other income amounted to NOK 1 million (NOK 0.2 million) for the fourth quarter and NOK 83 million (minus NOK 20 million) for the year. The increase in 2016 principally applies to a dividend recognised as income from the membership in Visa Norge FLI of NOK 25 million in the second quarter in connection with the sale of Visa Europe. During the fourth quarter of 2016, other income was principally influenced by changes in unrealised losses on fixed-rate loans of NOK 21 million, and changes in realised and unrealised gains on derivatives and currency totalling NOK 29 million. The change in value of the membership share in VISA Norge FLI was included through total comprehensive income and shows a decrease of NOK 3 million for the year. In 2015, other income was negatively influenced by changes in unrealised losses in the liquidity portfolio in the

fourth quarter of NOK 15 million and changes in unrealised losses on fixed-rate loans of NOK 3 million in the fourth quarter of 2015.

Operating costs totalled NOK 69 million (NOK 71 million) in the fourth quarter and NOK 285 million (NOK 267 million) for the year. This increase was primarily due to increased marketing and sales costs.

NOK 9 million (NOK 21 million) was charged on a net basis as loan write-downs in the fourth quarter, and NOK 17 million (NOK 45 million) was charged on a net basis for the year. The write-downs were primarily associated with the bank's corporate market portfolio. Group write-downs have increased by NOK 10 million during the quarter and NOK 7 million for the year. The bank has particularly assessed commitments that are directly or indirectly associated with the oil sector.

BALANCE SHEET PERFORMANCE

The loan portfolio in the retail market, including loans managed on behalf of Storebrand Livsforsikring AS, increased in 2016 by NOK 8.5 billion to NOK 35.4 billion at the end of the year. Retail market loans in the bank group amounted to NOK 25.7 billion. The corporate market portfolio continues to shrink as planned and amounted to NOK 1.5 billion at the end of the year. The volume of corporate market loans syndicated to Storebrand Livsforsikring AS amounted to NOK 1.3 billion (NOK 2.1 billion) at the end of the year. Gross lending to customers in the bank group totalled NOK 27.3 billion (NOK 29.4 billion) at the end of the year.

The bank group's retail market portfolio represents 94 per cent of the bank's total loans, and mainly consists of low risk home mortgages. The weighted average loan-to-value ratio in the bank group for the retail market portfolio is approximately 56 per cent for home mortgage loans, compared with 58 per cent at the end of 2015. Corporate market lending accounts for 6 per cent of the portfolio.

The volume of non-performing loans increased by NOK 8 million in 2016 and accounts for 0.7 per cent (0.6 per cent) of gross lending at the end of the year. The bank considers the portfolio quality to be good. Non-performing loans without impairment amounted to NOK 107 million (NOK 87 million) at the end of the year. Non-performing impaired loans amounted to NOK 88 million (NOK 100 million) at the end of the year, where impairment gives individual write-downs of NOK 27 million (NOK 58 million).

LIQUIDITY RISK AND FUNDING

The bank has established good liquidity buffers and attaches great importance to having a balanced funding structure with varying terms to maturity and issuances in various markets. The volume of deposits from customers was NOK 15.2 billion (17.8 billion) at the end of the year, which represents a deposit-to-loan ratio of 55.7 per cent (60.7 per cent).

Storebrand Bank ASA issued a senior bond of NOK 500 million (maturity 2019) in the first quarter. During the second quarter, the parent bank issued a senior bond of NOK 500 million (maturity 2021). In addition,

Storebrand Boligkreditt AS issued a covered bond of NOK 2.5 billion (maturity 2021) during the first quarter of 2016. Total amount maturing in 2016 was NOK 1.4 billion.

Due to the cost programme, Storebrand has ended its involvement with Moody's Investors Service. In the future, the Storebrand companies will only pay for credit ratings from Standard & Poor's Rating Services.

The liquidity coverage requirement (LCR) measures the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future given a stress situation in the money and capital markets. A minimum LCR with escalation has been introduced. From and including 31 December 2016, the bank group must satisfy an LCR of 80 per cent. The requirement will be increased to 100 per cent from 31 December 2017. The bank group's LCR was 183 per cent at the end of the year.

CAPITAL ADEQUACY

The bank had a decrease in the risk-weighted balance sheet of NOK 1.6 billion in 2016. The Storebrand Bank Group had net primary capital of NOK 2.4 billion at the end of the year. The capital adequacy ratio was 17.7 per cent and the pure core capital ratio was 14.0 per cent at the end of 2016, compared with 17.1 per cent and 13.8 per cent, respectively, at the end of 2015. The combined requirements for pure core capital and primary capital were 13.3 per cent and 16.8 per cent respectively as at 31 December 2016.

The bank group has adapted to the new capital requirements and aims to comply with the applicable buffer capital requirements at any given time. The bank group has satisfactory financial strength and liquidity based on its operations. The bank group, parent bank and Storebrand Boligkreditt AS satisfied the combined capital and capital buffer requirements by a good margin as of 31 December 2016.

PERFORMANCE OF STOREBRAND BANK ASA

Storebrand Bank ASA achieved a pre-tax profit of NOK 81 million (NOK 104 million) for the fourth quarter, and a pre-tax profit of NOK 221 million (NOK 32 million) for the year.

Net interest income for Storebrand Bank ASA was NOK 69 million (NOK 61 million) for the fourth quarter and NOK 255 million (NOK 208 million) for the year.

NOK 9 million (recognised expense of NOK 20 million) was charged as loan write-downs in the fourth quarter and NOK 17 million was charged (recognised expense of NOK 44 million) for the year.

STRATEGY AND FUTURE PROSPECTS

In 2017, the Storebrand Bank group will continue to work on improving the business' profitability, combined with growth within strategic segments in the retail market. The development in the housing market in different parts of the country will be closely monitored. The bank will also prioritise maintaining a moderate to low risk profile with a good balance sheet and good funding composition.

In the retail market, the bank will continue to work on developing attractive products and digital services that support Storebrand's focus on sustainability. Improving competitiveness through better efficiency is a priority and the bank shall continue to reduce costs and increase the degree of automation in customer and work processes. The cooperative agreement that was entered into with Cognizant in 2015 will also be of key importance to the improvement efforts in 2017.

Due to the discontinuation of the corporate market, the bank will not enter into new projects, grant new loans or otherwise acquire new corporate market customers.

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 2017. 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, particularly in Oslo, are regarded as the key risk factors that can affect the results of the Storebrand Bank group in 2017.

The Board of Directors are not aware of any events of material importance to the preparation of the interim financial statements that have occurred since the balance sheet date.

Storebrand Bank Group

Income statement

(NOK million)	Note	Q4		Full Year	
		2016	2015	2016	2015
Interest income		186.9	208.1	765.9	948.8
Interest expense		-93.0	-111.7	-393.3	-571.6
Net interest income	12	93.9	96.4	372.7	377.3
Fee and commission income from banking services		18.5	12.8	63.6	52.0
Fee and commission expenses for banking services		-6.1	-2.9	-15.2	-11.4
Net fee and commission income		12.4	9.9	48.5	40.6
Net gains on financial instruments		4.7	0.4	86.9	-26.0
Other income		-3.5	-0.2	-3.5	5.6
Total other operating income		1.2	0.2	83.4	-20.4
Staff expenses		-20.8	-31.5	-96.8	-117.2
General administration expenses		-15.8	-15.5	-52.7	-50.7
Other operating costs		-32.1	-23.9	-135.2	-98.7
Total operating costs		-68.7	-70.9	-284.7	-266.6
Operating profit before loan losses		38.8	35.6	219.8	130.9
Loan losses for the period	14	-8.7	-21.0	-17.2	-45.4
Profit before tax		30.0	14.6	202.7	85.5
Tax	4	-5.2	-7.0	-45.0	-26.0
Result after tax sold/discontinued operations		0.5		0.5	-0.5
Profit for the period		25.3	7.6	158.1	59.0
Profit for the period is attributable to:					
Portion attributable to shareholders		22.5	4.7	147.2	50.4
Portion attributable to additional Tier 1 capital holders		2.8	2.9	11.0	8.6
Profit for the period		25.3	7.6	158.1	59.0

Statement of comprehensive income

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Profit for the period	25.3	7.6	158.1	59.0
Pension experience adjustments	-6.6	-10.1	-6.6	-10.1
Tax on pension experience adjustments	1.7	2.9	1.7	2.9
Total other result elements not to be classified to profit/loss	-5.0	-7.2	-5.0	-7.2
Unrealised gain/loss financial instruments available for sale		9.0	-2.8	9.0
Total other result elements that may be classified to profit/loss	0.0	9.0	-2.8	9.0
Total comprehensive income for the period	20.4	9.3	150.4	60.7
Total comprehensive income for the period is attributable to:				
Portion attributable to shareholders	17.6	6.4	139.4	52.1
Portion attributable to additional Tier 1 capital holders	2.8	2.9	11.0	8.6
Total comprehensive income for the period	20.4	9.3	150.4	60.7

Storebrand Bank Group

Statement of financial position

(NOK million)	Note	31.12.2016	31.12.2015
Cash and deposits with central banks		464.5	188.6
Loans to and deposits with credit institutions	7	272.0	122.9
Financial assets designated at fair value through profit and loss:			
Equity instruments	7	15.5	10.6
Bonds and other fixed-income securities	7, 13	3 431.9	2 653.5
Derivatives	7	254.1	423.0
Bonds at amortised cost	7, 13	530.6	780.7
Other current assets	7	30.5	48.3
Gross lending, amortised cost	7	25 375.0	28 135.9
Gross lending, FVO	7	1 958.5	1 214.8
Gross lending		27 333.5	29 350.8
- Loan loss provisions on individual loans	14	-27.5	-57.9
- Loan loss provisions on groups of loans	14	-38.2	-30.7
Net lending to customers		27 267.8	29 262.1
Tangible assets		1.0	2.0
Intangible assets and goodwill		80.1	88.5
Deferred tax assets	4	24.0	33.3
Assets sold/discontinued operations		0.8	
Total assets		32 373.0	33 613.7
Liabilities to credit institutions	7	407.2	415.7
Deposits from and due to customers	7	15 238.4	17 824.7
Other financial liabilities:			
Derivatives	7	208.3	331.3
Commercial papers and bonds issued	7, 9	13 521.0	12 214.2
Other liabilities	7	153.7	113.4
Liabilities sold/discontinued operations			
Provision for accrued expenses and liabilities		7.3	8.2
Pension liabilities		13.6	25.3
Subordinated loan capital	7, 9	277.2	277.0
Total liabilities		29 826.6	31 209.6
Paid in capital		1 590.9	1 516.8
Retained earnings		729.4	661.3
Additional Tier 1 capital		226.0	226.0
Total equity		2 546.3	2 404.2
Total equity and liabilities		32 373.0	33 613.7

Lysaker, 7 February 2017
The Board of Directors of Storebrand Bank ASA

Storebrand Bank ASA

Income statement

(NOK million)	Note	Q4		Full Year	
		2016	2015	2016	2015
Interest income		117.4	136.7	481.4	622.3
Interest expense		-48.2	-75.6	-226.6	-414.2
Net interest income	12	69.2	61.1	254.8	208.1
Fee and commission income from banking services		32.5	26.8	122.0	74.4
Fee and commission expenses for banking services		-6.1	-2.9	-15.1	-11.4
Net fee and commission income		26.4	23.9	106.8	63.0
Net gains on financial instruments		1.8	7.7	95.4	-35.9
Other income		58.6	101.8	58.6	103.2
Total other operating income		60.4	109.5	154.0	67.3
Staff expenses		-20.8	-31.5	-96.6	-117.0
General administration expenses		-15.8	-15.4	-48.3	-50.5
Other operating costs		-29.2	-23.2	-132.3	-95.9
Total operating costs		-65.7	-70.2	-277.2	-263.3
Operating profit before loan losses		90.3	124.3	238.4	75.0
Loan losses for the period	14	-8.8	-20.2	-17.1	-43.5
Profit before tax		81.5	104.2	221.4	31.5
Tax	4	-15.9	-43.3	-47.5	-23.7
Profit for the period		65.5	60.9	173.8	7.8
Profit for the period is attributable to:					
Portion attributable to shareholders		62.8	58.0	162.9	-0.8
Portion attributable to additional Tier 1 capital holders		2.8	2.9	11.0	8.6
Profit for the period		65.5	60.9	173.8	7.8

Statement of comprehensive income

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Profit for the period	65,5	60,9	173,8	7,8
Pension experience adjustments	-6,6	-10,1	-6,6	-10,1
Tax on pension experience adjustments	1,7	2,9	1,7	2,9
Total other result elements not to be classified to profit/loss	-5,0	-7,2	-5,0	-7,2
Unrealised gain/loss financial instruments available for sale	0,0	9,0	-2,8	9,0
Total other result elements that may be classified to profit/loss	0,0	9,0	-2,8	9,0
Total comprehensive income for the period	60,6	62,7	166,1	9,5
Total comprehensive income for the period is attributable to:				
Portion attributable to shareholders	57,8	59,8	155,1	0,9
Portion attributable to additional Tier 1 capital holders	2,8	2,9	11,0	8,6
Total comprehensive income for the period	60,6	62,7	166,1	9,5

Storebrand Bank ASA

Statement of financial position

(NOK million)	Note	31.12.2016	31.12.2015
Cash and deposits with central banks		464.5	188.6
Loans to and deposits with credit institutions	7	1 221.8	2 094.8
Financial assets designated at fair value through profit and loss:			
Equity instruments	7	15.5	10.6
Bonds and other fixed-income securities	7. 13	4 070.1	4 922.6
Derivatives	7	131.1	249.8
Bonds at amortised cost	7. 13	530.6	780.7
Other current assets		1 127.2	1 176.1
Gross lending, amortised cost	7	11 999.5	13 844.3
Gross lending, fair value through profit and loss	7	1 958.5	1 214.8
Gross lending		13 958.0	15 059.2
- Loan loss provisions on individual loans	14	-24.6	-55.7
- Loan loss provisions on groups of loans	14	-37.0	-28.9
Net lending to customers		13 896.4	14 974.5
Tangible assets		1.0	2.0
Intangible assets		80.1	88.5
Deferred tax assets	4	22.4	34.2
Total assets		21 560.8	24 522.5
Liabilities to credit institutions	7	407.2	726.3
Deposits from and due to customers	7	15 248.0	17 835.0
Other financial liabilities:			
Derivatives	7	208.3	331.3
Commercial papers and bonds issued	7. 9	2 625.2	2 704.3
Other liabilities	7	632.7	292.8
Provision for accrued expenses and liabilities		7.3	8.2
Pension liabilities		13.6	25.3
Subordinated loan capital	7. 9	277.2	277.0
Total liabilities		19 419.4	22 200.0
Paid in capital		1 762.4	1 762.4
Retained earnings		152.9	334.1
Additional Tier 1 capital		226.0	226.0
Total equity		2 141.4	2 322.5
Total equity and liabilities		21 560.8	24 522.5

Lysaker, 7 February 2017
The Board of Directors of Storebrand Bank ASA

Storebrand Bank Group

Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
Equity at 31.12.2014	960.6	156.0	400.3	1 516.8	1 009.9	1 009.9	0.0	2 526.7
Profit for the period					50.4	50.4	8.6	59.0
Total other result elements not to be classified to profit/loss					-7.2	-7.2		-7.2
Total other result elements that may be classified to profit/loss					9.0	9.0		9.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	52.1	52.1	8.6	60.7
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					1.5	1.5	226.0	227.5
Payment to additional Tier 1 holders							-8.6	-8.6
Provision for group contribution					-402.2	-402.2		-402.2
Equity at 31.12.2015	960.6	156.0	400.3	1 516.8	661.3	661.3	226.0	2 404.2
Profit for the period					147.2	147.2	11.0	158.1
Total other result elements not to be classified to profit/loss					-5.0	-5.0		-5.0
Total other result elements that may be classified to profit/loss					-2.8	-2.8		-2.8
Total comprehensive income for the period	0.0	0.0	0.0	0.0	139.4	139.4	11.0	150.4
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.7	2.7		2.7
Payment to additional Tier 1 holders							-11.0	-11.0
Group contribution received			74.1	74.1				74.1
Group contribution paid					-74.1	-74.1		-74.1
Equity at 31.12.2016	960.6	156.0	474.4	1 590.9	729.4	729.4	226.0	2 546.4

Storebrand Bank ASA

Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
Equity at 31.12.2014	960.6	156.0	571.8	1 688.3	405.8	405.8	0.0	2 094.1
Profit for the period					-0.8	-0.8	8.6	7.8
Total other result elements not to be classified to profit/loss					-7.2	-7.2		-7.2
Total other result elements that may be classified to profit/loss					9.0	9.0		9.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.9	0.9	8.6	9.5
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					1.5	1.5	226.0	227.5
Payment to additional Tier 1 holders							-8.6	-8.6
Group contribution received			74.1	74.1				74.1
Provision for group contribution					-74.1	-74.1		-74.1
Equity at 31.12.2015	960.6	156.0	645.9	1 762.4	334.1	334.1	226.0	2 322.5
Profit for the period				0.0	162.9	162.9	11.0	173.8
Total other result elements not to be classified to profit/loss					-5.0	-5.0		-5.0
Total other result elements that may be classified to profit/loss					-2.8	-2.8		-2.8
Total comprehensive income for the period	0.0	0.0	0.0	0.0	155.1	155.1	11.0	166.1
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.7	2.7		2.7
Payment to additional Tier 1 holders							-11.0	-11.0
Provision for group contribution					-339.0	-339.0		-339.0
Equity at 31.12.2016	960.6	156.0	645.9	1 762.4	153.0	153.0	226.0	2 141.4

Statement of cash flow

Storebrand Bank ASA			Storbrand Bank Group	
31.12.2015	31.12.2016	NOK mill.	31.12.2016	31.12.2015
		Cash flow from operations		
592.1	525.6	Receipts of interest, commissions and fees from customers	835.5	972.1
-314.9	-135.5	Payments of interest, commissions and fees to customers	-135.5	-314.9
-885.0	1 100.3	Net disbursements/payments on customer loans	1 986.8	-853.6
-1 531.2	-2 586.9	Net receipts/payments of deposits from banking customers	-2 586.3	-1 533.4
1 592.5	1 270.7	Net receipts/payments - securities at fair value	1 205.9	1 544.5
		Net receipts/payments - real estate at fair value		6.6
-261.7	-276.3	Payments of operating costs	-331.6	-302.7
		Net receipts/payments on other operating activities	-0.2	0.5
-808.2	-102.3	Net cash flow from operating activities	974.6	-481.0
		Cash flow from investment activities		
-0.1	-0.1	Net payments on purchase/capitalisation of subsidiaries		
-4.6	-15.7	Net payments on purchase/sale of fixed assets etc.	-15.7	-4.6
-4.7	-15.8	Net cash flow from investment activities	-15.7	-4.6
		Cash flow from financing activities		
-848.4	-1 255.9	Payments - repayments of loans and issuing of bond debt	-3 902.5	-2 091.8
900.0	1 198.6	Receipts - new loans and issuing of bond debt	3 698.6	2 900.0
-97.1	-92.3	Payments - interest on loans	-272.1	-280.4
-14.0	-10.8	Payments - interest on subordinated loan capital	-10.8	-13.9
-8.6	-11.0	Payments - interest on additional Tier 1 capital	-11.0	-8.6
400.4	-319.2	Net receipts/payments of liabilities to credit institutions	-8.6	396.5
224.4	218.5	Receipts - group contribution	74.1	
-457.1	-206.9	Payments - group contribution / dividends	-101.5	-460.0
67.1	-479.0	Net cash flow from financing activities	-533.8	409.0
-745.9	-597.1	Net cash flow in the period	425.1	-76.6
3 029.2	2 283.4	Cash and bank deposits at the start of the period	311.5	388.1
2 283.4	1 686.3	Cash and bank deposits at the end of the period	736.6	311.5
		Cash and bank deposits consist of:		
188.6	464.5	Cash and deposits with central banks	464.5	188.6
2 094.8	1 221.8	Loans to and deposits with credit institutions	272.0	122.9
2 283.4	1 686.3	Total cash and bank deposits in the balance sheet	736.6	311.5

Notes

Storebrand Bank Group

Note 01 | Accounting principles

The Group's financial statements include Storebrand Bank ASA together with subsidiaries. The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information required in the annual report.

The interim accounts of Storebrand Bank ASA are prepared in accordance with Section 1-5 of the Norwegian regulations for the annual accounts of banks and finance companies etc. that provides for simplified application of international accounting standards, (hereinafter termed simplified IFRS), and with IAS 34 Interim Financial Reporting. Simplified IFRS permits recognition to profit and loss of provisions for dividend and group contribution, and allows the Board of Director's proposal for dividend and group contribution to be recognized as a liability on the balance sheet date. The full application of IFRS stipulates that dividend and group contribution must remain part of equity until approved by the company's general meeting. Other than this, simplified IFRS requires the use of the same accounting principles as the full application of IFRS.

Financial tax

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

- Financial tax on salaries. This is set at 5 per cent and will follow the rules for employer's National Insurance contributions.
- The tax rate on the ordinary income for companies subject to the financial tax will be continued at the 2016 level (25 per cent), while it will otherwise be reduced to 24 per cent.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2015 annual report, and the interim financial statements are prepared with respect to these accounting policies. There are none new nor amended accounting standards that entered into effect as at 1 January 2016 that have caused significant effects on Storebrand Bank ASA's and Storebrand Bank Group's interim financial statements.

Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2015 annual financial statements in note 2 and valuation of financial instruments at fair value are described in note 6.

In preparing the Group's financial statements the management are requiring 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 judgment at the time the financial statements were prepared.

Actual results may differ from these estimates.

The bank group's critical estimates and assessments that could result in material adjustment of recognised amounts apply for financial assets carried at amortised cost, whereby an assessment is made on each balance sheet date of whether there are any objective indications that a financial asset or group of financial assets is/are impaired.

Note 03 | Pension scheme

In 2014, the defined benefit pension scheme for employees at Storebrand in Norway was changed after the decision was made to transition to a defined contribution pension scheme. These pension liabilities were largely derecognised in 2014. Reference is made to the specific information regarding this in the notes to the financial statements for 2014 and 2015.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand has altered the disability pension scheme for own employees in Norway in 2016. In 4th quarter 2016, NOK 2.3 million (NOK 11.3 million for the whole year) was recognised as income before tax relating to allocated liabilities for previous coverage, which is recognised in the income statement as reduced costs.

Note 04

Tax

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 per cent to 24 per cent effective from 1 January 2017. It was also agreed that a financial tax would be introduced that would come into effect from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25 per cent). Since Storebrand Bank ASA has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets.

The Storebrand Bank Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalizing deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate is used that is applicable for the individual companies (24 or 25 per cent).

Note 05

Related parties

COVERED BONDS ISSUED BY STOREBRAND BOLIGKREDITT AS

Storebrand Bank ASA has invested a total of NOK 0.7 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2016. The investments are included in the liquidity portfolio in the parent company and are classified at fair value option. The investment has been eliminated in the consolidated accounts against bonds issued by Storebrand Boligkreditt AS.

LOANS SOLD TO STOREBRAND BOLIGKREDITT AS

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. The mortgages are transferred on commercial terms. Once the loans are sold, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio.

It is Storebrand Boligkreditt AS that receives all the cash flows from the loan customer.

Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made, i.e. if there is a request to increase the loan amount, change from variable to fixed interest, conversion to employee loan or conversion to a flexible mortgage. The costs are included in the contractual administration fee.

Non-performing loans in Storebrand Boligkreditt AS remain in the company. These loans will, pursuant to the service agreement with Storebrand Bank ASA, be treated in the same way as non-performing loans in the bank. Specific reports are prepared for non-performing loans in Storebrand Boligkreditt AS.

These loans are not included in the cover pool.

Loans 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.

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

Storebrand Bank ASA and Storebrand Boligkreditt AS have signed a management agreement pursuant to which Storebrand Boligkreditt AS will purchase administrative services from the bank. Storebrand Boligkreditt AS also purchases administrative services from Storebrand Livsforsikring AS.

LOANS SOLD TO STOREBRAND LIVSFORSIKRING AS

Storebrand Bank ASA has sold mortgages to sister company Storebrand Livsforsikring AS. The mortgages were sold on commercial terms. The portfolio of loans that was sold as of 31 December 2016 totalled NOK 6.8 billion. As the buyer, Storebrand Livsforsikring AS has acquired both cash flows and most of the risk and control. The loans were therefore derecognised in the bank's balance sheet in accordance with IAS 39. Storebrand Bank ASA receives management fees for the work being done with the sold portfolio. The bank has recognised NOK 15.4 million as revenue in the accounts for 2016. The fees paid to the bank are based on the arm's length principle.

CREDIT FACILITIES WITH STOREBRAND BOLIGKREDITT AS

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

OTHER RELATED PARTIES

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in notes 39 and 40 in the 2015 annual report for Storebrand Bank ASA.

Note
06

Financial risk

Storebrand Bank's financial assets and liabilities fluctuate in value due to the risk in the financial markets. Notes 3 to 7 in the 2015 annual report provide a more detailed overview of the bank group's financial risk which is also applicable for the financial risk as at 31 December 2016.

The bank's core activities are linked to creating value through exposure to acceptable risk. The bank group is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. The risk profile is considered low.

The risk in the bank group is closely monitored in accordance with guidelines for risk management and internal control approved by the Board that are based on the appetite for risk and risk frameworks stipulated by the Board. Policy documents stating the measurement parameters are prepared for each of the forms of risk defined in the guidelines. The development of these parameters is monitored through risk reports to the Board.

Credit risk and liquidity risk are the most significant forms of risk for the bank group, which is also exposed to operational risk, including IT risk, compliance risk and, to a lesser extent, market risk.

CREDIT RISK

The bank group has lending to customers totalling NOK 27.3 billion, in addition to unused credit facilities of NOK 3.6 billion as at 31 December 2016.

Lending to the corporate market segment will be wound up and the portfolio is being reduced. The lending volume, including unused credit facilities and guarantees on the bank's own balance sheet, has declined from NOK 2.4 billion to NOK 1.6 billion. Correspondingly, the lending volume, including unused credit facilities and guarantees, to the retail market amounted to NOK 29.3 billion.

The corporate market portfolio consists almost exclusively of loans to commercial property and mortgage-backed commitments in which the ongoing cash flows cover the commitment's interest expenses.

Of loans that are not non-performing or in arrears in the corporate market portfolio, about 52 per cent have a loan-to-value ratio of within 80 per cent compared with 85 per cent at the end of 2015. About 73 per cent of the loans are within a 90 per cent loan-to-value ratio. The development in the probability of default indicates that the credit risk for the remaining portfolio is, in relative terms, increasing in line with the portfolio being reduced. There were no loans in default without impairment in value as of 31 December 2016. 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 write-downs that have been made are considered to be sufficient. However, on the whole the risk level is considered moderate.

The credit quality of the retail market portfolio is considered good. Almost the entire portfolio is secured on real estate. The portfolio's high collateral coverage indicates a limited risk of loss. New loans are granted in accordance with the regulations relating to new loans secured by a mortgage on residential property.

The weighted average loan-to-value ratio in the bank group for the Retail Market portfolio is approximately 56 per cent for home loans. The portfolio is regarded as having a low to moderate credit risk in accordance with the bank's risk appetite. The retail market portfolio has historically had low losses and the proportion of loans in the retail market as a percentage of the bank's total lending was 94 per cent at the end of 2016.

LIQUIDITY RISK

The proportion of long-term funding (more than 1 year) was over 100 per cent throughout 2016. The deposit-to-loan ratio showed a downward trend throughout 2016, and was 56 per cent at the end of the year. The bank attaches great importance to having a balanced funding structure in relation to the different maturities and issuing in different markets.

The liquidity coverage requirement (LCR) measures the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future given a stress situation in the money and capital markets. A minimum LCR with escalation has been introduced. From and including 31 December 2016, the bank group must comply with an LCR of 80 per cent. The requirement will be increased to 100 per cent from 31 December 2017. The bank has measured and reported its monthly LCR figures to the Financial Supervisory Authority of Norway over the past

year and is within the applicable requirement. The bank group's LCR was 183 per cent at the end of the year.

Valuation of financial instruments

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 obtained from Nordic Bond Pricing, Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

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

The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

Under equities, the investment in VISA Norge FLI has been primarily valued based on information on the completion of a transaction between VISA Europe Ltd and VISA Inc.

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 on three different levels, for further information see description below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with reference to minimising the uncertainty of valuations.

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

Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1. 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 is 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 primarily includes fixed-rate loans and shares in VISA Norge FLI.

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

Storebrand Bank Group

(NOK million)	Fair value 31.12.2016	Fair value 31.12.2015	Book value 31.12.2016	Book value 31.12.2015
Financial assets				
Loans to and deposits with credit institutions	272.0	122.9	272.0	122.9
Net lending to customers - Corporate market	1 477.3	2 282.9	1 513.6	2 314.2
Net lending to customers - Retail market	23 795.8	25 733.1	23 795.7	25 733.1
Bonds classified as loans and receivables	532.7	781.7	530.6	780.7
Total financial assets 2016	26 077.8		26 111.9	
Total financial assets 2015		28 920.6		28 950.9
Financial liabilities				
Liabilities to credit institutions	5.0	11.6	5.0	11.6
Deposits from and due to customers	15 238.4	17 824.7	15 238.4	17 824.7
Commercial papers and bonds issued	13 584.5	12 183.9	13 521.0	12 214.2
Subordinated loan capital	277.6	277.0	277.2	277.0
Total financial liabilities 2016	29 105.4		29 041.6	
Total financial liabilities 2015		30 297.1		30 327.5

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Storebrand Bank Group

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2016	Book value 31.12.2015
Assets:					
Equities		9.3	6.2	15.5	10.6
Total equities 31.12.2016		9.3	6.2	15.5	
Total equities 31.12.2015		1.6	9.0		
Lending to customers - Corporate Market					
Lending to customers - Retail Market			1 958.5	1 958.5	1 214.8
Total lending to customers 31.12.2016			1 958.5	1 958.5	
Total lending to customers 31.12.2015			1 214.8		
Government and government guaranteed bonds		524.2		524.2	219.2
Mortgage and asset backed bonds		2 907.7		2 907.7	2 434.3
Total bonds 31.12.2016	0.0	3 431.9	0.0	3 431.9	
Total bonds 31.12.2015		2 653.5			
Interest derivatives		45.8		45.8	91.6
Currency derivatives				0.0	0.2
Total derivatives 31.12.2016	0.0	45.8	0.0	45.8	
Derivatives with a positive fair value		254.1		254.1	423.0
Derivatives with a negative fair value		-208.3		-208.3	-331.3
Total derivatives 31.12.2015		91.8			
Liabilities:					
Liabilities to credit institutions		402.2		402.2	404.1
Liabilities to credit institutions 31.12.2016		402.2		402.2	
Total liabilities to credit institutions 31.12.2015		404.1			

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

SPECIFICATION OF SECURITIES PURSUANT TO VALUATION TECHNIQUES (NON-OBSERVABLE ASSUMPTIONS)

(NOK million)	Equities	Lending to customers
Book value 01.01.2016	9.0	1 214.8
Net gains/losses on financial instruments	-2.8	-26.2
Supply / disposal		1 045.7
Sales / due settlements		-275.8
Transferred from observable assumptions to non-observable assumptions		
Translation differences		
Other		
Book value 31.12.2016	6.2	1 958.5

SENSITIVITY ANALYSIS

LENDING TO CUSTOMERS

The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

EQUITIES

This item is included the membership in VISA Norge FLI which has been valued based on information on the completion of a transaction between VISA Europe Ltd and VISA Inc. The transaction was implemented in the second quarter of 2016 and in June 2016 the bank received a dividend of NOK 24.6 million based on the bank's share. At the end of the quarter, the membership was valued at what the bank expects to receive in deferred settlement, adjusted for uncertainty. The change in value is included through Total comprehensive income.

(NOK million)	Fixed-rate loans to customers		Equities	
	Change in market spread		Change in value	
	+ 10 BP	- 10 BP	+ 25 BP	- 25 BP
Increase/reduction in fair value at 31.12.2016	-8.4	7.8	0.4	-0.4
Increase/reduction in fair value at 31.12.2015	-3.9	3.9	0.2	-0.2

Segment information

PROFIT AND LOSS BY SEGMENT FOR STOREBRAND BANK GROUP

(NOK million)	Corporate				Retail			
	Q4		Full Year		Q4		Full Year	
	2016	2015	2016	2015	2016	2015	2016	2015
Profit and loss items:								
Net interest income	10.5	8.8	42.2	37.7	77.5	92.2	353.8	365.9
Net fee and commission income	0.5	-1.7	5.8	7.8	10.9	12.3	41.7	39.6
Other income		0.4		1.8		0.5		-6.8
Total operating costs	-4.3	-7.5	-20.5	-42.1	-64.4	-56.7	-264.2	-217.8
Operating profit before loan losses	6.7	0.0	27.4	5.2	24.1	48.3	131.3	180.8
Loan losses	-8.6	-16.4	-12.7	-40.3	-0.3	-2.5	-4.4	-5.2
Ordinary profit from continuing operations	-1.9	-16.5	14.7	-35.1	23.7	45.8	126.9	175.6
Ordinary profit from discontinued businesses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance sheet items:								
Gross lending to customers			1 549.8	2 371.8			25 685.9	26 860.8
Deposits from and due to customers			227.7	400.0			14 872.2	17 434.9
Key figures:								
Net interest income as % of total assets	2.01 %	1.07 %	1.69 %	1.05 %	1.03 %	1.21 %	1.12 %	1.24 %
Cost/income ratio	39 %	100 %	43 %	89 %	73 %	54 %	67 %	55 %
Deposits from customers as % of gross lending			15 %	17 %			58 %	65 %
Total level of provisioning			71 %	132 %			21 %	22 %

(NOK million)	Treasury/Other				Total			
	Q4		Full year		Q4		Full year	
	2016	2015	2016	2015	2016	2015	2016	2015
Profit and loss items:								
Net interest income	5.9	-4.5	-23.3	-26.3	93.9	96.4	372.7	377.3
Net fee and commission income	1.0	-0.7	1.0	-6.8	12.4	9.9	48.5	40.6
Other income	1.2	-0.7	83.4	-15.4	1.2	0.2	83.4	-20.4
Total operating costs		-6.6		-6.6	-68.7	-70.9	-284.7	-266.6
Operating profit before loan losses	8.0	-12.7	61.0	-55.1	38.8	35.6	219.8	130.9
Loan losses	0.2	-2.0		0.2	-8.7	-21.0	-17.2	-45.4
Ordinary profit from continuing operations	8.2	-14.7	61.0	-54.9	30.0	14.6	202.7	85.5
Ordinary profit from sold/discontinued businesses	0.5	-0.1	0.5	-0.5	0.5	-0.1	0.5	-0.5
Balance sheet items:								
Gross lending to customers			97.8	118.2			27 333.5	29 350.8
Deposits from and due to customers			138.4	-10.3			15 238.4	17 824.7
Key figures:								
Net interest income as % of total assets					1.13 %	1.11 %	1.10 %	1.13 %
Cost/income ratio					54 %	93 %	54 %	67 %
Deposits from customers as % of gross lending							55 %	61 %
Total level of provisioning							29 %	48 %

Business segments are the Group' primary reporting segments.

DESCRIPTION OF THE SEGMENTS:

CORPORATE MARKET:

The segment includes corporate customers' deposits and loans, mainly property owners and developers.

All capital market business for customers within the bank's corporate market segment is presented under the corporate market segment.

Storebrand Bank ASA has decided to wind up the corporate market at the bank. The winding up of operations will be gradual and controlled.

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 is presented under the retail market segment.

In the second quarter 2015 a deposit portfolio linked to small SME and retail customers that was reported earlier as part of the corporate market segment was moved to the retail market segment. The fee to the Norwegian Banks' Guarantee Fund is accrued over 12 months in the segment accounts.

TREASURY/OTHER:

The elimination of double entries refers primarily to customer transactions that are carried out across the segments.

The effects of financial risk management and the liquidity portfolio have not been allocated to the business areas and are reported under Treasury/Other. Dividend payment from VISA Norge FLI is reported under Treasury/Other.

Securities issued and subordinated loan capital

(NOK million)	Storebrand Bank Group	
	31.12.2016	31.12.2015
Bond loans	13 521.0	12 214.2
Subordinated loan capital	277.2	277.0
Total securities issued and subordinated loan capital	13 798.2	12 491.2

SPECIFICATION OF COMMERCIAL PAPERS, BONDS ISSUED AND SUBORDINATED LOAN CAPITAL AS OF 31 DECEMBER 2016 STOREBRAND BANK GROUP

(NOK million)	ISIN Code	Issuer	Net nominal value	Currency	Interest	Maturity ¹⁾	Book value 31.12.2016
Bond loans							
	NO0010660806	Storebrand Bank ASA	300.0	NOK	Fixed	08.10.2019	315.4
	NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	496.3
	NO0010641079	Storebrand Bank ASA	109.0	NOK	Floating	27.03.2017	109.1
	NO0010662752	Storebrand Bank ASA	300.0	NOK	Floating	13.11.2017	301.0
	NO0010751316	Storebrand Bank ASA	300.0	NOK	Floating	09.11.2018	300.6
	NO0010758980	Storebrand Bank ASA	500.0	NOK	Floating	04.03.2019	501.0
	NO0010729387	Storebrand Bank ASA	600.0	NOK	Floating	14.01.2020	601.8
	Total bond loans		2 609.0				2 625.2

(NOK million)	ISIN Code	Issuer	Net nominal value	Currency	Interest	Maturity ¹⁾	Book value 31.12.2016
Covered bonds							
	NO0010548373	Storebrand Boligkreditt AS	1 250.0	NOK	Fixed	28.10.2019	1 375.8
	NO0010635071	Storebrand Boligkreditt AS	2 014.0	NOK	Floating	21.06.2017	2 014.3
	NO0010660822	Storebrand Boligkreditt AS	2 500.0	NOK	Floating	20.06.2018	2 510.6
	NO0010736903	Storebrand Boligkreditt AS	2 500.0	NOK	Floating	17.06.2020	2 494.7
	NO0010760192	Storebrand Boligkreditt AS	2 500.0	NOK	Floating	16.06.2021	2 500.4
	Total covered bonds ²⁾		10 764.0				10 895.8
	Total commercial papers and bonds issued		13 373.0				13 521.0

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

2) For covered bonds ascribed to the cover pool in Storebrand Boligkreditt, an overcollateralization requirement of 109.5 per cent applies. This means that the company must at all times have assets in its cover pool that exceed at least 109.5 per cent of the total outstanding covered bonds.

(NOK million)	ISIN Code	Issuer	Net nominal value	Currency	Interest	Maturity	Book value 31.12.2016
Dated subordinated loan capital							
	NO0010641657	Storebrand Bank ASA	150.0	NOK	Floating	12.04.2017	151.6
	NO0010714314	Storebrand Bank ASA	125.0	NOK	Floating	09.07.2019	125.6
	Total subordinated loan capital						277.2
	Total securities issued and subordinated loan capital						13 798.2

The loan agreements contain standard covenants. Storebrand Bank ASA and Storebrand Boligkreditt AS were in compliance with all relevant covenants in 2016.

Capital adequacy

Capital adequacy calculations are subject to special consolidation rules in accordance with the regulation on consolidated application of the capital adequacy rules etc. (the "Consolidation Regulation"). The Storebrand Bank group is defined pursuant to Section 5 of the Consolidation Regulation as a financial group comprising solely or mainly undertakings other than insurance companies. According to the capital requirement regulations, the valuation rules used in the company's accounts form the basis for consolidation. Consolidation is mainly carried out in accordance with the same principles as those used in the accounts, with all internal transactions eliminated, including shares, loans and deposits as well as other receivables and liabilities.

The standard method is used for credit risk and market risk and the basis method is used for operational risk. In 2016, the Financial Supervisory Authority of Norway set a second pillar supplement of 1.8 percentage points of the calculation basis for Storebrand Bank ASA and the Storebrand Bank Group. The requirement must be covered by pure core capital. The requirement for a countercyclical capital buffer increased from 30 June 2016. The combined requirements for pure core capital and primary capital were 13.3 per cent and 16.8 per cent respectively at the end of 2016. The level of the countercyclical capital buffer requirement will be increased by a further 0.5 percentage points from 31 December 2017, with a corresponding increase in the requirement for pure core capital and primary capital from this date.

NET PRIMARY CAPITAL

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2015	31.12.2016	NOK million	31.12..2016	31.12.2015
960.6	960.6	Share capital	960.6	960.6
1 362.0	1 180.8	Other equity	1 585.8	1 443.6
2 322.5	2 141.4	Total equity	2 546.3	2 404.2
-225.0	-225.0	Additional Tier 1 capital included in total equity	-225.0	-225.0
-1.0	-1.0	Accrued interest on capital instruments included in total equity	-1.0	-1.0
2 096.5	1 915.4	Total equity exc. Hybrid Tier 1 capital	2 320.3	2 178.1
		Deductions:		
-88.5	-80.1	Intangible assets	-80.1	-88.5
		Deferred tax asset		-0.3
		Provision for group contribution	-339.0	-74.1
		Addition:		
		Group contribution received		74.1
2 008.0	1 835.3	Core capital exc. Hybrid Tier 1 capital	1 901.2	2 089.3
		Additional Tier 1 capital:		
225.0	225.0	Capital instruments eligible as AT1 capital	225.0	225.0
		Addition		
2 233.0	2 060.3	Core capital	2 126.2	2 314.3
274.8	275.0	Supplementary capital	275.0	274.8
		Tier 2 capital		
		Tier 2 capital deductions		
2 507.7	2 335.2	Net primary capital	2 401.2	2 589.1

MINIMUM CAPITAL REQUIREMENT

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2015	31.12.2016	NOK million	31.12.2016	31.12.2015
910.2	825.4	Credit risk	1 002.2	1 110.6
		Of which:		
10.0	5.3	Local and regional authorities	5.6	9.8
		Public sector owned corporates		
		International organisations		
168.1	171.4	Institutions	9.9	10.0
2.5	0.0	Corporates	0.0	2.5
541.5	478.5	Loans secured in residential real estate	861.7	951.3
83.1	59.7	Retail market	62.3	88.0
7.7	10.7	Loans past-due	15.2	12.4
81.9	77.8	Covered bonds	25.5	20.9
15.5	22.1	Other	22.1	15.7
910.2	825.4	Total minimum requirement for credit risk	1 002.2	1 110.6
		Settlement risk		
0.0	0.0	Total minimum requirement for market risk	0.0	0.0
87.1	45.4	Operational risk	77.2	88.4
9.5	5.2	CVA risk *)	9.6	17.8
		Deductions		
-2.3	-3.0	Loan loss provisions on groups of loans	-3.1	-2.5
1 004.4	873.0	Minimum requirement for net primary capital	1 086.0	1 214.4

CAPITAL ADEQUACY

Storebrand Bank ASA		Storebrand Bank Group	
31.12.2015	31.12.2016	31.12.2016	31.12.2015
20.0 %	21.4 %	Capital ratio	17.7 %
17.8 %	18.9 %	Core (tier 1) capital ratio	15.2 %
16.0 %	16.8 %	Core capital ratio excl. Hybrid Tier 1 capital	13.8 %

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

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2015	31.12.2016	NOK million	31.12.2016	31.12.2015
11 377.2	10 317.3	Credit risk	12 528.0	13 882.5
		Of which:		
124.8	66.1	Local and regional authorities	70.2	122.6
		Public sector owned corporates		
		International organisations		
2 101.1	2 142.2	Institutions	123.7	124.6
30.6	0.1	Corporates	0.1	30.6
6 768.5	5 980.7	Loans secured on residential real estate	10 770.7	11 891.8
1 038.6	746.6	Retail market	778.6	1 100.4
95.9	133.2	Loans past-due	189.7	154.8
1 024.4	972.2	Covered bonds	318.8	261.8
193.2	276.2	Other	276.3	195.8
11 377.2	10 317.3	Total basis of calculation credit risk	12 528.0	13 882.5
		Settlement risk		
0.0	0.0	Total basis of calculation market risk	0.0	0.0
1 088.3	567.0	Operational risk	965.5	1 105.1
118.2	65.5	CVA risk	119.6	222.6
		Deductions		
-28.9	-37.0	Loan loss provisions on groups of loans	-38.2	-30.7
12 554.7	10 912.9	Total basis of calculation of minimum requirements for capital base	13 574.9	15 179.4

Note | Key figures
11

(NOK million and percentage)	Storebrand Bank Group			
	Q4		Full year	
	2016	2015	2016	2015
Profit and Loss account: (as % of avg. total assets)				
Net interest income ¹⁾	1.13 %	1.14 %	1.11 %	1.13 %
Other operating income ³⁾	0.16 %	0.12 %	0.39 %	0.06 %
Main balance sheet figures:				
Total assets			32 373.0	33 613.7
Average total assets ²⁾	33 188.6	33 487.3	33 720.3	33 390.0
Gross lending to customers			27 333.5	29 350.8
Deposits from customers			15 238.4	17 824.7
Deposits from customers as % of gross lending			55.7 %	60.7 %
Equity			2 546.3	2 404.2
Other key figures:				
Loan losses and provisions as % of average total lending ⁵⁾	0.12 %	0.29 %	0.06 %	0.16 %
Gross non-performing and loss-exposed loans as % of total average lending			0.7 %	0.6 %
Cost/income ratio ⁴⁾	58.8 %	66.5 %	55.3 %	67.7 %
Return on equity after tax ⁷⁾			6.4 %	2.5 %
Core capital ratio excl. Hybrid Tier 1 capital			14.0 %	13.8 %
LCR ⁶⁾			183,0 %	95,0 %

(NOK million and percentage)	Storebrand Bank ASA			
	Q4		Full year	
	2016	2015	2016	2015
Profit and Loss account: (as % of avg. total assets)				
Net interest income	1.28 %	0.99 %	1.10 %	0.83 %
Other operating income ³⁾	1.53 %	2.16 %	1.11 %	0.52 %
Main balance sheet figures:				
Total assets			21 560.8	24 522.5
Average total assets ¹⁾	22 593.0	24 518.1	23 515.8	25 111.3
Gross lending to customers			13 958.0	15 059.2
Deposits from customers			15 248.0	17 835.0
Deposits from customers as % of gross lending			109.2 %	118.4 %
Equity			2 141.4	2 322.5
Other key figures:				
Loan losses and provisions as % of average total lending ⁵⁾	0.24 %	0.54 %	0.12 %	0.30 %
Gross non-performing and loss-exposed loans as % of total average lending			1.0 %	0.9 %
Cost/income ratio	42.1 %	36.1 %	53.8 %	77.8 %
Return on equity after tax ⁷⁾			7.4 %	0.4 %
Core capital ratio excl. Hybrid Tier 1 capital			16.8 %	16.0 %
LCR ⁶⁾			161.0 %	82.0 %

Definitions:

- 1) From and including 2016, the fee to the Norwegian Banks' Guarantee Fund is expensed in its entirety in the first quarter. When calculating key figures for net interest income as a percentage, the fee is accrued over 12 months.
- 2) Average total assets is calculated on the basis of monthly total assets for the quarter and for the year to date respectively.
- 3) Other operating income includes net fee and commission income.
- 4) Total operating expenses as % of total income.
- 5) Loan losses and provisions for Storebrand Bank Group includes the items loan losses for the period and losses real estate at fair value, assets repossessed, in the profit & loss account.
- 6) Liquidity coverage requirement.
- 7) Annualised profit after tax for continued operations as % of average equity.

Note
12

Net interest income

STOREBRAND BANK GROUP

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Interest and other income on loans to and deposits with credit institutions	1.6	2.3	5.9	9.8
Interest and other income on loans to and due from customers	168.2	195.4	701.5	870.2
Interest on commercial paper, bonds and other interest-bearing securities	16.4	12.8	55.9	63.1
Other interest income and related income	0.6	1.5	2.6	5.7
Total interest income	186.9	212.0	765.9	948.8
Interest and other expenses on debt to credit institutions	-1.0	-0.4	-5.7	-3.2
Interest and other expenses on deposits from and due to customers	-26.4	-50.9	-120.4	-303.3
Interest and other expenses on securities issued	-62.8	-57.4	-241.8	-234.2
Interest and expenses on subordinated loan capital	-2.8	-2.8	-11.0	-14.7
Other interest expenses and related expenses		-4.0	-14.5	-16.2
Total interest expenses	-93.0	-115.6	-393.3	-571.6
Net interest income	93.9	96.4	372.7	377.3

STOREBRAND BANK ASA

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Interest and other income on loans to and deposits with credit institutions	7.0	9.5	35.5	46.1
Interest and other income on loans to and due from customers	90.5	104.0	366.2	460.1
Interest on commercial paper, bonds and other interest-bearing securities	19.4	21.7	77.1	110.4
Other interest income and related income	0.6	1.5	2.6	5.7
Total interest income	117.4	136.7	481.4	622.3
Interest and other expenses on debt to credit institutions	-1.7	-1.3	-8.4	-7.2
Interest and other expenses on deposits from and due to customers	-26.4	-50.8	-120.4	-303.6
Interest and other expenses on securities issued	-17.4	-16.6	-72.3	-72.6
Interest and expenses on subordinated loan capital	-2.8	-2.8	-11.0	-14.7
Other interest expenses and related expenses		-4.0	-14.5	-16.2
Total interest expenses	-48.2	-75.6	-226.6	-414.2
Net interest income	69.2	61.1	254.8	208.1

Note 13 | Off balance sheet liabilities and contingent liabilities

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2015	31.12.2016	NOK million	31.12.2016	31.12.2015
49.2	23.6	Guarantees	23.6	49.2
6 035.0	6 721.0	Undrawn credit limits	3 548.5	3 763.2
1 981.3	3 524.2	Lending commitments retail market	3 524.2	1 981.3
8 065.5	10 268.8	Total contingent liabilities	7 096.2	5 793.7
		Booked value of bonds pledged as security for the bank's D-loan and F-loan facility with the Norwegian central bank	879.8	650.6
1 312.1	1 085.9			
708.4	352.0	Booked value of bonds pledged as security with other credit institutions	150.9	
2 020.5	1 437.9	Total book value of off balance sheet liabilities	1 030.7	650.6

Guarantees are mainly payment guarantees and contract guarantees. 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. Undrawn credit limits reported in Storebrand Bank ASA as of 31 December 2016 includes NOK 4.9 billion to the subsidiary Storebrand Boligkreditt AS (see note 5).

Note 14 | Non-performing loans and loan losses

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2015	31.12.2016	NOK million	31.12.2016	31.12.2015
		Non-performing loans		
50.7	71.5	Non-performing loans without evidence of impairment	107.3	87.4
82.8	72.7	Loss-exposed loans with evidence of impairment	87.6	99.5
133.5	144.2	Gross non-performing and loss-exposed loans	194.9	186.9
-55.7	-24.6	Loan loss provisions on individual loans	-27.5	-57.9
77.9	119.6	Net non-performing and loss-exposed loans	167.4	129.0
		Key figures		
-28.9	-37.0	Loan loss provisions on groups of loans (NOK million)	-38.2	-30.7
-84.6	-61.6	Total loan loss provisions (NOK million)	-65.7	-88.6
67 %	34 %	Level of provisioning for individual loss-exposed loans ¹⁾	31 %	58 %
63 %	43 %	Total level of provisioning ²⁾	34 %	47 %

1) Provisions for individual loan losses in percent of loss-exposed loans with evidence of impairment.

2) Total loan loss provisions in per cent of gross non-performing and loss-exposed loans.

Loans 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 loans 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 regarded as active when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2015	31.12.2016	NOK million	31.12.2016	31.12.2015
		Losses on loans and guarantees etc. during period		
-22.3	31.4	Change in individual loan loss provisions	30.7	-23.9
-10.4	-7.5	Change in grouped loan loss provisions	-6.9	-10.6
		Other effects on loan loss provisions		
	-35.5	Realised losses specifically provided for previously	-35.5	
-12.4	-6.5	Realised losses not specifically provided for previously	-6.6	-12.4
1.4	1.1	Recoveries on previous realised losses	1.1	1.4
-43.5	-17.1	Loan losses for the period	-17.2	-45.4

Loans that are continued after collateral is taken over are classified in the financial statements according to their type. Loans, including individual loan loss provisions against debt in taken over company are eliminated in the consolidated financial statements. The volume of non-performing and loss-exposed loans is similarly eliminated. A separate assessment is made in the consolidated financial statements in relation to any loan loss provision/value adjustment of the assets that have been taken over.

Note 15 | Quarterly income statement

STOREBRAND BANK GROUP

(NOK million)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Interest income	186.9	189.5	190.6	198.9	208.1
Interest expense	-93.0	-93.6	-95.8	-110.9	-111.7
Net interest income	93.9	96.0	94.8	88.0	96.4
Fee and commission income from banking services	18.5	19.3	14.5	11.3	12.8
Fee and commission expenses for banking services	-6.1	-2.9	-3.2	-3.0	-2.9
Net fee and commission income	12.4	16.4	11.3	8.4	9.9
Net gains on financial instruments	4.7	31.8	43.4	7.0	0.4
Other income	-3.5				-0.2
Total other operating income	1.2	31.8	43.4	7.0	0.2
Staff expenses	-20.8	-31.0	-19.2	-25.8	-31.5
General administration expenses	-15.8	-10.6	-8.6	-13.5	-15.5
Other operating cost	-32.1	-36.5	-35.9	-35.0	-23.9
Total operating costs	-68.7	-78.1	-63.6	-74.2	-70.9
Operating profit before loan losses	38.8	66.1	85.9	29.1	35.6
Loan losses for the period	-8.7	-3.2	2.8	-8.1	-21.0
Profit before tax	30.0	62.9	88.7	21.1	14.6
Tax	-5.2	-16.4	-17.4	-6.0	-7.0
Result after tax sold/discontinued operations	0.5				
Profit for the year	25.3	46.5	71.2	15.1	7.6

STOREBRAND BANK ASA

	Q4	Q3	Q2	Q1	Q4
(NOK million)	2016	2016	2016	2016	2015
Interest income	117.4	119.1	116.6	128.3	136.7
Interest expense	-48.2	-52.4	-53.9	-72.1	-75.6
Net interest income	69.2	66.7	62.6	56.3	61.1
Fee and commission income from banking services	32.5	34.5	29.3	25.8	26.8
Fee and commission expenses for banking services	-6.1	-2.8	-3.2	-3.0	-2.9
Net fee and commission income	26.4	31.6	26.0	22.8	23.9
Net gains on financial instruments	1.8	32.4	48.2	13.0	7.7
Other income	58.6				101.8
Total other operating income	60.4	32.4	48.2	13.0	109.5
Staff expenses	-20.8	-31.0	-19.1	-25.7	-31.5
General administration expenses	-15.8	-10.6	-8.5	-13.4	-15.4
Other operating cost	-29.2	-34.6	-34.4	-34.2	-23.2
Total operating costs	-65.7	-76.2	-62.0	-73.3	-70.2
Operating profit before loan losses	90.3	54.6	74.9	18.7	124.3
Loan losses for the period	-8.8	-4.2	3.8	-7.8	-20.2
Profit before tax	81.5	50.4	78.6	10.9	104.2
Tax	-15.9	-13.3	-14.9	-3.4	-43.3
Profit for the year	65.5	37.1	63.7	7.5	60.9

Financial calendar 2017



27 April	Result Q1 2017
13 July	Result Q2 2017
25 October	Result Q3 2017
February 2018	Result Q4 2017

Investor Relations Contacts



Kjetil Ramberg Krøkje	Head of IR	kjetil.r.krokje@storebrand.no	+47 9341 2155
Bernt Upstad	CEO	bernt.upstad@storebrand.no	+47 9016 8821

Storebrand Bank ASA
Professor Kohts vei 9
P.O Box 474, N-1327 Lysaker, Norway
Telephone 08880

storebrand.no