



# Interim report Q1 2020

Storebrand Boligkreditt AS

(unaudited)

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This document may contain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Storebrand Group's control. As a result, the Storebrand Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in these forward-looking statements. Important factors that may cause such a difference for the Storebrand Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) market related risks such as changes in equity markets, interest rates and exchange rates, and the performance of financial markets generally. The Storebrand Group assumes no responsibility to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make.

# Storebrand Boligkreditt AS

## - Quarterly report for the first quarter of 2020

(Profit figures for the corresponding period in 2019 are shown in brackets. Balance sheet figures in brackets are for the end of 2019)

- Increased interest margins
- Increased lending volume for the quarter
- Increased loan loss provisions and loss on financial instruments

### FINANCIAL PERFORMANCE

Pre-tax profit was NOK 17 million (NOK 19 million) for the first quarter.

Net interest income was NOK 47 million (NOK 37 million) in the first quarter. The interest margin increased in the first quarter due to increased home loan margins. As a percentage of average total assets, net interest income was 0.91 per cent (0.81 per cent) for the first quarter.

Other operating income in the first quarter amounted to minus NOK 5 million (NOK 2 million) and relate to commission income on loans and net accounting loss on financial instruments at fair value.

Operating expenses is stable in the quarter and totalled NOK 21 million (NOK 19 million) in the first quarter.

Loan losses for the period amounted to NOK 4.3 million (recognised income of NOK 0.3 million). The main reason for the increased loan losses was increased statistical loan loss provisions due to worsened macroeconomic conditions linked to the COVID-19 spread.

### BALANCE SHEET PERFORMANCE

The lending volume has increased by NOK 0.9 billion since the end of 2019 and amounted to NOK 21.3 billion (NOK 20.4 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with restrictive lending practices. The average loan-to-value ratio in the portfolio was 55 per cent at the end of the quarter, an increase of 1 per cent compared with year end 2019. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The company has over-collateralisation of 122 per cent (140 per cent).

Defaulted loans at the end of the first quarter amounted to NOK 31 million (NOK 34 million), equivalent to 0.15 per cent of gross loans in the company (0.17 per cent). All the loans have a loan-to-value ratio within 75 per cent of market value or have mainly been written down. Loan loss provisions amounted to NOK 6 million (NOK 2 million) at the end of the first quarter.

The company's loan programme is AAA rated by S&P Global Ratings.

At the end of the first quarter of 2020, the company had a liquidity portfolio consisting of fixed-income securities with a AAA rating and AA+ rating from S&P Global Ratings with a market value of NOK 142 million, of which NOK 42 million is classified at amortised cost and NOK 100 million is classified at fair value in the balance sheet with changes in value through profit or loss.

The company's total assets under management as at 31 March 2020 were NOK 21.5 billion, an increase of NOK 1.0 billion compared with the end of 2019.

At the end of the first quarter of 2020, the company had issued covered bonds with a total carrying amount of NOK 17.4 billion with remaining terms of approximately 3 month to 4.5 years.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6.0 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements require a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 31 days.

### CAPITAL ADEQUACY

Equity in the company at the end of the quarter amounted to NOK 1.5 billion (NOK 1.5 billion) after group contributions paid/received. The eligible capital (Tier 1 capital + Tier 2 capital) at the end of the quarter amounted to NOK 1.5 billion (NOK 1.5 billion). The capital base of Storebrand Boligkreditt AS consists entirely of Core Equity Tier 1 (CET1). The CET1 adequacy ratio in the company was 18,9 per cent (19,7 per cent) at the end of the first quarter. The requirement for the capital base was 15.8 per cent as of 31 March 2020. The countercyclical capital buffer requirement was lowered to 1.0 per cent from 13 March 2020. The company has satisfactory solvency and liquidity based on the company's business activities. The company satisfied the combined capital and capital buffer requirements by a good margin at the end of the quarter.

Storebrand Boligkreditt AS must comply with an LCR of 100 per cent. At the end of the first quarter 2020, the company's LCR was 892 per cent.

### CREDIT RISK

The loan portfolio at 31 March 2020 is not significantly changed from previous quarters. The portfolio mainly consists of loans and credits secured in real estate. The average LTVs are low and have not changed significantly from previous quarters. Loans in arrear and defaulted loans are on similar levels.

The macroeconomic environment is significantly changed since year end 2019. The unemployment rate including furloughs has increased significantly to approximately 15 per cent (including part time unemployment), the oil price has plummeted, and the general activity in the Norwegian economy has fallen linked to the COVID-19 spread. The fall in activity is due to both lower demand and supply caused by lockdowns in Norway and rest of the world. The Norwegian government has introduced significant measures to support the Norwegian economy including a scheme regarding furloughs where there is a reduction in employer-paid days. In addition there is a compensation scheme for fixed costs for businesses.

There is a significant uncertainty of the macroeconomic outlook, for example regarding duration and level of the downturn. Different scenarios are discussed which imply diverse levels of activity and unemployment in the economy and on housing prices. The default levels and loan losses in the bank portfolio will be significantly different in these scenarios. This is reflected in the IFRS 9 expected credit losses. The uncertainty of the economic development therefore causes an increase in expected credit losses from year end 2019. There is also a higher uncertainty in the point estimate of expected credit losses, and there is a higher possibility in larger variations in expected credit losses in the next quarters.

### **STRATEGY AND FUTURE PROSPECTS**

In 2020, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2020. The COVID-19 situation will impact the future development for Storebrand Boligkreditt AS and the company will adjust its operations to the changing conditions.

The market trends and the non-performing loans are being closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in 2020.

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

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.

Lysaker, 29 April 2020

The Board of Directors of Storebrand Boligkreditt AS

# Storebrand Boligkreditt AS

## Income statement

(NOK million)	note	Q1		Full Year
		2020	2019	2019
Interest income from financial instruments valued at amortised cost	4, 13	0.4	0.3	3.0
Interest income from financial instruments valued at fair value	4, 13	154.3	112.9	493.7
Interest expense	4, 13	-107.4	-76.5	-336.2
<b>Net interest income</b>	13	<b>47.2</b>	<b>36.7</b>	<b>160.5</b>
Net gains on financial instruments valued at amortised cost		-4.0		
Net gains on other financial instruments		-0.5	1.8	-2.2
Other income				-0.2
<b>Total other operating income</b>		<b>-4.5</b>	<b>1.8</b>	<b>-2.4</b>
Staff expenses			-0.1	-0.2
General administration expenses				
Other operating costs	4	-21.0	-19.3	-75.7
<b>Total operating costs</b>		<b>-21.1</b>	<b>-19.4</b>	<b>-75.9</b>
<b>Operating profit before loan losses</b>		<b>21.6</b>	<b>19.0</b>	<b>82.2</b>
Loan losses for the period	15	-4.3	0.3	-0.3
<b>Profit before tax</b>		<b>17.3</b>	<b>19.4</b>	<b>81.9</b>
Tax	3	-3.8	-4.3	-18.0
<b>Profit for the year</b>		<b>13.5</b>	<b>15.1</b>	<b>63.9</b>

## Statement of comprehensive income

(NOK million)	Q1		Full Year
	2020	2019	2019
Profit for the period	13.5	15.1	63.9
Other comprehensive income			
<b>Total comprehensive income for the period</b>	<b>13.5</b>	<b>15.1</b>	<b>63.9</b>

# Storebrand Boligkreditt AS

## Statement of financial position

(NOK million)	Note	31.03.2020	31.03.2019	31.12.2019
Loans to and deposits with credit institutions	6	4.7	109.4	6.8
Loans to customers	6, 11, 14, 15	21,342.6	17,877.7	20,403.3
Financial assets designated at fair value through profit and loss:				
Bonds and other fixed-income securities	6, 11	100.3	40.2	100.7
Derivatives	6		37.3	
Bonds at amortised cost	6	42.3		42.5
Other current assets	4, 6	55.8	55.7	7.5
<b>Total assets</b>		<b>21,545.6</b>	<b>18,120.4</b>	<b>20,560.9</b>
Liabilities to credit institutions	4, 6, 8	2,575.8	943.2	4,467.4
Other financial liabilities:				
Commercial papers and bonds issued	6, 9	17,413.6	15,619.5	14,538.5
Other liabilities	4, 6	5.6	69.7	17.9
Deferred tax		1.3	0.9	1.3
<b>Total liabilities</b>		<b>19,996.3</b>	<b>16,633.3</b>	<b>19,025.1</b>
Paid in equity		1,507.0	1,444.4	1,444.4
Retained earnings		42.3	42.6	91.4
<b>Total equity</b>	<b>10</b>	<b>1,549.3</b>	<b>1,487.1</b>	<b>1,535.8</b>
<b>Total liabilities and equity</b>		<b>21,545.6</b>	<b>18,120.4</b>	<b>20,560.9</b>

Lysaker, 29 April 2020  
The Board of Directors of Storebrand Boligkreditt AS

# Storebrand Boligkreditt AS

## Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
<b>Equity at 31.12.2018</b>	<b>490.0</b>	<b>550.1</b>	<b>355.2</b>	<b>1,395.3</b>	<b>76.7</b>	<b>76.7</b>	<b>1,472.0</b>
Profit for the period					63.9	63.9	63.9
Other comprehensive income							
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>63.9</b>	<b>63.9</b>	<b>63.9</b>
Equity transactions with the owner:							
Group contribution received			49.1	49.1			49.1
Provision for group contribution					-49.1	-49.1	-49.1
<b>Equity at 31.12.2019</b>	<b>490.0</b>	<b>550.1</b>	<b>404.3</b>	<b>1,444.4</b>	<b>91.4</b>	<b>91.4</b>	<b>1,535.8</b>
Profit for the period					13.5	13.5	13.5
Other comprehensive income							
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>
Equity transactions with the owner:							
Group contribution received			62.6	62.6			62.6
Provision for group contribution					-62.6	-62.6	-62.6
<b>Equity at 31.03.2020</b>	<b>490.0</b>	<b>550.1</b>	<b>467.0</b>	<b>1,507.0</b>	<b>42.3</b>	<b>42.3</b>	<b>1,549.3</b>

  

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
<b>Equity at 31.12.2018</b>	<b>490.0</b>	<b>550.1</b>	<b>355.2</b>	<b>1,395.3</b>	<b>76.7</b>	<b>76.7</b>	<b>1,472.0</b>
Profit for the period					15.1	15.1	15.1
Other comprehensive income							
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.1</b>	<b>15.1</b>	<b>15.1</b>
Equity transactions with the owner:							
Group contribution received			49.1	49.1			49.1
Provision for group contribution					-49.1	-49.1	-49.1
<b>Equity at 31.03.2019</b>	<b>490.0</b>	<b>550.1</b>	<b>404.3</b>	<b>1,444.4</b>	<b>42.6</b>	<b>42.6</b>	<b>1,487.1</b>

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35 000 000 of nominal value NOK 14 per share.

# Storebrand Boligkreditt AS

## Statement of cash flow

(NOK million)	31.03.2020	31.03.2019
<b>Cash flow from operations</b>		
Net receipts of interest, commissions and fees from customers	151.3	112.4
Net disbursements/payments on customer loans	-988.4	611.0
Net receipts/payments on securities	-3.2	2.6
Payments of operating costs	-21.0	-17.2
<b>Net cash flow from operating activities</b>	<b>-861.2</b>	<b>708.8</b>
<b>Cash flow from financing activities</b>		
Payments - repayments of loans and issuing of bond debt	-4,008.6	-2,275.8
Receipts - new loans and issuing of bond debt	5,000.0	1,500.0
Payments - interest on loans	-114.7	-71.6
Receipts - group contribution	62.6	
Payments - group contribution	-80.3	
<b>Net cash flow from financing activities</b>	<b>859.1</b>	<b>-847.4</b>
<b>Net cash flow in the period</b>	<b>-2.1</b>	<b>-138.6</b>
Cash and bank deposits at the start of the period	6.8	248.0
<b>Cash and bank deposits at the end of the period</b>	<b>4.7</b>	<b>109.4</b>

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA. The amount drawn on the credit facilities is recognised in the item "Liabilities to credit institutions" as at 31.03.2020. See also Note 8.



# Storebrand Boligkreditt AS

## Notes

### Note 01 | Accounting principles

The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in full annual financial statements. The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and appurtenant interpretations.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2019 annual report, and the interim financial statements are prepared with respect to these accounting policies.

There are none new or changed accounting standards that entered into effect in 2020.

### Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2019 annual financial statements' note 2 and valuation of financial instruments at fair value are described in note 8.

In preparing 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 judgment at the time the financial statements were prepared.

Actual results may differ from these estimates.

The uncertainty of the economic development causes an increase in expected credit losses from year end 2019. There is also a higher uncertainty in the point estimate of expected credit losses, and there is a higher possibility in larger variations in expected credit losses in the next quarters. See further information in note 5 financial risk and note 15 non-performing loans and loan losses.

### Note 03 | Tax

Storebrand Boligkreditt AS 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, but since the company does not have any employees it is not subject to finance tax. A tax rate of 22 per cent has been used for capitalizing deferred tax asset in the balance sheet.

### Note 04 | Related Parties

#### ISSUED COVERED BONDS

Storebrand Bank ASA has invested NOK 107 million in covered bonds issued by Storebrand Boligkreditt AS as of 31 March 2020.

#### LOANS TRANSFERRED FROM STOREBRAND BANK ASA

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 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 in case of change from variable to fixed interest and conversion to a flexible mortgage. In some cases Storebrand Bank ASA shall arrange the transfer and return of loans when changes of loan amount or conversion to another mortgage product have to be made. 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.

#### **CREDIT FACILITIES WITH STOREBRAND BANK ASA**

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. See note 8 for more information.

#### **OTHER**

Storebrand Boligkreditt AS has no employees, and purchases personnel resources from Storebrand Bank ASA and services including accounting functions from Storebrand Livsforsikring AS.

Storebrand Boligkreditt AS conducts transactions with close associates as part of its normal business activities. The terms for transactions with senior employees and related parties are stipulated in note 27 in the 2019 annual report for Storebrand Boligkreditt AS.

## Note 05

### Financial risk

Notes 4 to 8 in the 2019 annual report provide a detailed overview of the company's financial risk. The descriptions are applicable at 31 March 2020, however, with the following amendments and further comments.

#### **CREDIT RISK – CREDIT EXPOSURE**

There are no significant changes to PD, EAD and LGD estimates from 31 December 2019 to 31 March 2020. The LTV's are not significantly changed. There are no significant changes to loans in arrear and defaulted loans at 31 March 2020 compared to previous quarters.

The first quarter has been strongly affected by the development linked to the Coronavirus spread. From the last part of February, the contagion, and the consequences of containment both in Norway and globally, has led to financial turmoil with falling economic activity, increased unemployment, and falling oil price. The uncertainty going forward has also increased. The sudden significant change in the macroeconomic outlook leads to an increase in expected credit losses, see note 15.

#### **LIQUIDITY RISK**

Storebrand Boligkreditt AS has had solid liquidity buffers previous quarters, and the company still has substantial liquidity buffer at 31 March 2020. The LCR ratio for the company is at 892 per cent, well above the requirement of 100 per cent. Storebrand Boligkreditt AS issued NOK 5 billion covered bond in the first quarter. The funding structure is balanced with regards to maturity.

The covered bond programme is rated "AAA".

#### **MARKET RISK**

The interest rate risk is not significantly changed since year end 2019. Market value of financial instruments has been affected by spread increase during the first quarter, affecting other revenues negatively.

## Note 06

### Valuation of financial instruments

The Storebrand group categorises financial instruments on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 8 in the 2019 annual report for Storebrand Boligkreditt AS.

The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

## VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK million)	Fair value 31.03.2020	Book value 31.03.2020	Fair value 31.12.2019	Book value 31.12.2019
<b>Financial assets</b>				
Loans to and deposits with credit institutions	4.7	4.7	6.8	6.8
Loans to customers - retail market				
Other current assets	55.8	55.8	7.5	7.5
Bonds classified as loans and receivables	42.2	42.3	42.4	42.5
<b>Financial liabilities</b>				
Liabilities to credit institutions	2,575.8	2,575.8	4,467.4	4,467.4
Commercial papers and bonds issued	17,420.9	17,413.6	14,529.8	14,538.5
Other liabilities	5.6	5.6	17.9	17.9

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

(NOK million)	Stage 1 Quoted prices	Stage 2 Observable assumptions	Stage 3 Non-observable assumptions	Book value 31.03.2020	Book value 31.12.2019
Mortgage and asset backed bonds		100.3		100.3	100.7
<b>Total bonds 31.03.2020</b>	<b>0.0</b>	<b>100.3</b>	<b>0.0</b>	<b>100.3</b>	
Total bonds 31.12.2019		100.7			
Interest rate derivatives					
<b>Total derivatives 31.03.2020</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Derivatives with a positive fair value					
Derivatives with a negative fair value					
Total derivatives 31.12.2019					

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

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

(NOK million)	Stage 1	Stage 2	Stage 3	Book value 31.03.2020	Book value 31.12.2019
Loans to customers - retail market			21,342.6	21,342.6	20,403.3
<b>Total loans to customers</b>			<b>21,342.6</b>	<b>21,342.6</b>	<b>20,403.3</b>

## Note 07 | Segment information

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for the 1st quarter of 2020 therefore relate entirely to the Retail Lending segment.

## Note 08 | Liabilities to credit institutions

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these facilities is a normal overdraft facility, with a commitment of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The amount of the other facility is the payment obligations of Storebrand Boligkreditt the following 31 days on interest and principal amounts regarding Covered Bonds, including any connected derivatives. This facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity.

In 2020 all covenant requirements are fulfilled.

## Note 09 | Commercial papers and bonds issued

### COVERED BONDS

(NOK million) ISIN Code	Nominal value	Currency	Interest	Maturity <sup>1)</sup>	Book value 31.03.2020
NO0010736903	383.0	NOK	Floating	17.06.2020	383.3
NO0010760192	4,000.0	NOK	Floating	16.06.2021	4,013.1
NO0010786726	4,000.0	NOK	Floating	15.06.2022	4,014.3
NO0010813959	4,000.0	NOK	Floating	20.06.2023	4,005.0
NO0010873177	5,000.0	NOK	Floating	19.06.2024	4,997.8
<b>Total commercial papers and bonds issued <sup>2)</sup></b>	<b>17,383.0</b>				<b>17,413.6</b>
Total commercial papers and bonds issued as at 31.12.2019	14,500.0				14,538.5

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

2) For covered bonds (CBs) that are allocated to the company's security, regulatory requirements for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent apply for bonds issued prior to 21 June 2017. In 2020 all covenants are fulfilled. See note 11.

## Capital Adequacy

### ELIGIBLE CAPITAL

(NOK million)	31.03.2020	31.12.2019
Share capital	490.0	490.0
Other equity	1,059.3	1,045.8
<b>Total equity</b>	<b>1,549.3</b>	<b>1,535.8</b>
Deductions		
Profit not included in the calculation of eligible capital	-13.5	
AVA adjustments	-21.5	-20.5
Provision for group contribution		-62.6
Additions		
Group contribution received		62.6
<b>Core Equity Tier 1 (CET1)</b>	<b>1,514.4</b>	<b>1,515.3</b>
Additional Tier 1 capital		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
<b>Tier 1 capital</b>	<b>1,514.4</b>	<b>1,515.3</b>
Tier 2 capital		
Subordinated loans		
Tier 2 capital deductions		
<b>Eligible capital (Tier 1 capital + Tier 2 capital)</b>	<b>1,514.4</b>	<b>1,515.3</b>

### MINIMUM CAPITAL REQUIREMENT

(NOK million)	31.03.2020	31.12.2019
Credit risk	618.7	591.3
Of which:		
International organisations		
Local and regional authorities		
Institutions	0.9	0.2
Retail market		
Loans secured against real estate	593.2	566.9
Loans past-due	2.6	3.2
Covered bonds	0.8	0.8
Other	21.2	20.1
<b>Total minimum requirement for credit risk</b>	<b>618.7</b>	<b>591.3</b>
<b>Total minimum requirement for market risk</b>	<b>0.0</b>	<b>0.0</b>
Operational risk	22.6	22.6
CVA risk <sup>1)</sup>		
Deductions		
<b>Minimum requirement for net primary capital</b>	<b>641.4</b>	<b>613.9</b>

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

## CAPITAL ADEQUACY

	31.03.2020	31.12.2019
Capital ratio	18.9 %	19.7 %
Tier 1 capital ratio	18.9 %	19.7 %
Core equity Tier 1 (CET1) capital ratio	18.9 %	19.7 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (Tier 1 capital + Tier 2 capital) are 12.3 per cent and 15.8 per cent. The countercyclical capital buffer requirement has decreased to 1.0 percentage from 31 Mars 2020.

## BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	31.03.2020	31.12.2019
Credit risk	7,734.1	7,390.7
Of which:		
International organisations		
Local and regional authorities		
Institutions	11.2	2.7
Retail market		
Loans secured against real estate	7,415.1	7,086.6
Loans past-due	32.9	39.6
Covered bonds	10.1	10.1
Other	265.0	251.8
<b>Total basis of calculation credit risk</b>	<b>7,734.2</b>	<b>7,390.7</b>
<b>Total basis of calculation market risk</b>	<b>0.0</b>	<b>0.0</b>
Operational risk	283.0	283.0
CVA risk		
Deductions		
<b>Total basis of calculation of minimum requirements for capital base</b>	<b>8,017.2</b>	<b>7,673.7</b>

Note  
11

## Loan to value ratios and collateral

(NOK million)	31.03.2020	31.12.2019
Gross loans <sup>1)</sup>	21,348.4	20,404.9
Average loan balance per customer	2.2	2.2
No. of loans	10,112	10,076
Weighted average seasoning (months)	35	36
Weighted average remaining term (months)	275	269
Average loan to value ratio	55 %	54 %
Over-collateralisation <sup>2)</sup>	122.0 %	140 %
<b>Cover pool:</b>		
Residential mortgages <sup>1)</sup>	21,238.8	20,284.2
Supplementary security	2.0	2.0
<b>Total</b>	<b>21,240.8</b>	<b>20,286.2</b>

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 Mars 2020, the company had NOK 54 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 Mars 2020, the company has 12 non-performing loans without evidence of impairment, equivalent to NOK 27 million. There are 5 non-performing loans with evidence of impairment of NOK 6 million where the impairment is assessed to be NOK 1.3 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 17.4 billion (nominal value).

Note  
12

## Key figures

4,847 mm (NOK million)	Q1		Full Year
	2020	2019	2019
<b>Profit and loss account: (as % of avg. total assets) <sup>1)</sup></b>			
Net interest income	0.91 %	0.81 %	0.86 %
<b>Main balance sheet figures:</b>			
Total assets	21,545.6	18,120.4	20,560.9
Average total assets	20,785.6	18,432.7	18,710.6
Gross loans to customers	21,348.4	17,878.6	20,404.9
Equity	1,549.3	1,487.1	1,535.8
<b>Other key figures:</b>			
Loan losses and provisions as % of average total lending	0.08 %	-0.01 %	0.00 %
Individual loan loss provisions as % of gross loss-exposed loans <sup>2)</sup>	22.1 %	10.6 %	5.2 %
Cost/income ratio	49.4 %	50.5 %	48.0 %
Core equity Tier 1 (CET1) capital ratio	18.9 %	21.4 %	19.7 %
LCR <sup>3)</sup>	892.0 %	218.0 %	886.0 %

Definitions:

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

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

3) Liquidity coverage requirement.

Note 13 | Net interest income

(NOK million)	Q1		Full Year
	2020	2019	2019
<i>Interest on financial assets valued at amortised cost</i>			
Interest on loans to credit institutions	0.2	0.3	2.5
Interest on commercial papers, bonds and other interest-bearing securities	0.2		0.5
<b>Total interest on financial assets valued at amortised cost</b>	<b>0.4</b>	<b>0.3</b>	<b>3.0</b>
<i>Interest on financial assets valued at fair value through other comprehensive income (OCI)</i>			
Interest on loans to customer	153.8	112.8	492.8
<b>Total interest on financial assets valued at fair value through other comprehensive income (OCI)</b>	<b>153.8</b>	<b>112.8</b>	<b>492.8</b>
<i>Interest on financial assets valued at fair value through profit and loss</i>			
Interest on commercial papers, bonds and other interest-bearing securities	0.5	0.1	0.9
<b>Total interest on financial assets valued at fair value through profit and loss</b>	<b>0.5</b>	<b>0.1</b>	<b>0.9</b>
<b>Total interest income</b>	<b>154.6</b>	<b>113.2</b>	<b>496.6</b>
<i>Interest on financial liabilities valued at amortised cost</i>			
Interest on debt to credit institutions	-12.4	-5.9	-33.1
Interest on securities issued	-94.1	-70.6	-300.9
Other interest expenses	-0.9		-2.2
<b>Total interest on financial liabilities valued at amortised cost</b>	<b>-107.4</b>	<b>-76.5</b>	<b>-336.2</b>
<b>Total interest expenses</b>	<b>-107.4</b>	<b>-76.5</b>	<b>-336.2</b>
<b>Net interest income</b>	<b>47.2</b>	<b>36.7</b>	<b>160.5</b>

Note 14 | Off balance sheet liabilities and contingent liabilities

(NOK million)	31.03.2020	31.12.2019
Unused credit facilities	1,214.5	1,229.2
<b>Total contingent liabilities</b>	<b>1,214.5</b>	<b>1,229.2</b>

Unused credit facilities encompass unused flexible mortgage facilities.

Per 31 March 2020, the company has not pledged any collateral.



## Non-performing loans and loan losses

(NOK million)	31.03.2020	31.12.2019
<b>Non-performing loans</b>		
Non-performing loans without evidence of impairment	26.7	30.7
Loss-exposed loans with evidence of impairment	5.8	4.1
<b>Gross non-performing and loss-exposed loans</b>	<b>32.5</b>	<b>34.8</b>
Loan loss provisions on individual loans excl. statistical provisions (IFRS9)	-1.3	-0.7
<b>Net non-performing and loss-exposed loans</b>	<b>31.2</b>	<b>34.1</b>
<b>Key figures</b>		
Net non-performing and loss-exposed loans as % of gross loans	0.15 %	0.17 %

Loans are regarded as non-performing and loss-exposed:

- when a credit facility has been overdrawn for more than 90 days and the overdrawn amount minimum is NOK 2,000
- when an ordinary mortgage has arrears older than 90 days and the arrears minimum is NOK 2,000
- when a credit card has arrears older than 90 days

When one of the three situations described above occurs, the specific loan is considered as non-performing, without taking into account the customers other engagements.

### LOSSES ON LOANS, GUARANTEES AND UNUSED CREDITS

(NOK million)	31.03.2020	31.03.2019
The periods change in impairment losses stage 1	-1.3	0.2
The periods change in impairment losses stage 2	-2.4	0.2
The periods change in impairment losses stage 3	-0.6	-0.1
Realised losses		
Recoveries on previously realised losses		
Credit loss on interest-bearing securities		
Other changes		
<b>Loss expense for the period</b>	<b>-4.3</b>	<b>0.3</b>

### LOAN PORTFOLIO AND GUARANTEES

(NOK million)	Book value 31.03.2020	Book value 31.12.2019
Loans to customers at amortised cost		
Loans to customers at fair value through profit and loss		
Loans to customers at fair value through other comprehensive income (OCI)	21,348.4	20,404.9
<b>Total gross loans to customers</b>	<b>21,348.4</b>	<b>20,404.9</b>
Provision for expected loss Stage 1	-1.6	-0.3
Provision for expected loss Stage 2	-3.0	-0.6
Provision for expected loss Stage 3	-1.4	-0.8
<b>Net loans to customers</b>	<b>21,342.6</b>	<b>20,403.3</b>

## CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2020	19,225.6	1,144.6	34.8	20,404.9
Transfer to stage 1	132.6	-131.0	-1.6	0.0
Transfer to stage 2	-1,459.9	1,464.0	-4.1	0.0
Transfer to stage 3	-4.6	-16.0	20.6	0.0
New loans	2,250.8	444.0		2,694.7
Derecognition	-1,444.8	-82.7	-17.2	-1,544.7
Other changes	-183.6	-23.1	0.0	-206.6
<b>Gross loans 31.03.2020</b>	<b>18,516.1</b>	<b>2,799.8</b>	<b>32.5</b>	<b>21,348.4</b>

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	17,416.3	1,039.1	30.7	18,486.0
Transfer to stage 1	196.6	-196.6		0.0
Transfer to stage 2	-371.1	385.7	-14.6	0.0
Transfer to stage 3	-7.2	-21.6	28.8	0.0
New loans	7,592.3	261.8	1.6	7,855.7
Derecognition	-5,247.6	-304.5	-9.1	-5,561.2
Other changes	-353.7	-19.2	-2.6	-375.5
<b>Gross loans 31.12.2019</b>	<b>19,225.6</b>	<b>1,144.6</b>	<b>34.8</b>	<b>20,404.9</b>

## CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNUSED CREDITS

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Maximum exposure 01.01.2020	1,225.3	3.9		1,229.2
Transfer to stage 1	0.6	-0.6		0.0
Transfer to stage 2	-24.0	24.0		0.0
Transfer to stage 3				
New loans	1.0	0.2		1.3
Derecognition	-41.0			-41.0
Other changes	24.5	0.4		25.0
<b>Maximum exposure 31.03.2020</b>	<b>1,186.4</b>	<b>28.1</b>	<b>0.0</b>	<b>1,214.5</b>

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	1,397.2	3.9		1,401.1
Transfer to stage 1	1.9	-1.9		0.0
Transfer to stage 2	-5.4	5.4		0.0
Transfer to stage 3				
New loans	59.8			59.8
Derecognition	-259.8	-0.6		-260.4
Other changes	31.6	-2.9		28.7
<b>Gross loans 31.12.2019</b>	<b>1,225.3</b>	<b>3.9</b>	<b>0.0</b>	<b>1,229.2</b>

## TOTAL LOAN LOSS PROVISIONS IN THE BALANCE SHEET

(NOK million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL - no objective evidence of impairment	Stage 3 Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions 01.01.2020	0.3	0.6	0.8	1.6
Transfer to stage 1 (12-month ECL)	0.1	-0.1		0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)	-0.1	0.1		0.0
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)				
Net remeasurement of loan losses	0.0	0.6	0.6	1.2
New financial assets originated or purchased	0.5	0.6		1.1
Financial assets that have been derecognised		-0.1		-0.1
ECL changes of balances on financial assets without changes in stage in the period	0.8	1.3		2.1
Changes due to modification without any effect in derecognition				
ECL allowance on written-off (financial) assets				
Changes in models/risk parameters				
Foreign exchange and other changes				
<b>Loan loan loss provisions 31.03.2020</b>	<b>1.6</b>	<b>3.0</b>	<b>1.4</b>	<b>5.9</b>
Loan loss provisions on loans to customers valued at amortised cost				
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	1.6	3.0	1.4	5.9
Loan loss provisions on guarantees and unused credit limits				
<b>Total loan loss provisions</b>	<b>1.6</b>	<b>3.0</b>	<b>1.4</b>	<b>5.9</b>

The macroeconomic environment is significantly changed since year end 2019 with a significant fall in economic activity. The fall in activity is due to both lower demand and supply caused by lockdowns in Norway and rest of the world. There is a significant uncertainty of the macroeconomic outlook, for example regarding duration and level of the downturn.

The calculation of expected credit losses is based upon various macroeconomic scenarios in accordance with the IFRS 9 standard. The uncertainty of the economic development and outlook therefore causes an increase in expected credit losses from year end 2019. The increase is due to altered weights on the different scenarios. The credit models (PD, LGD, EAD) have not been changed. The increase in expected credit loss and stage migration is virtually completely due to the economic development and outlook, and not linked to portfolio quality in terms of credit ratings, defaults, loan-to-value ratios etc. which have not changed significantly since year end 2019.

There is also a higher uncertainty in the point estimate of expected credit losses, and there is a higher possibility in larger variations in expected credit losses the next quarters as well as on stage migration.

(NOK million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL - no objective evidence of impairment	Stage 3 Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions 01.01.2019	0.4	0.6	0.2	1.3
Transfer to stage 1 (12-month ECL)	0.1	-0.1		0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)				
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)				
Net remeasurement of loan losses	-0.1	0.1	0.5	0.4
New financial assets originated or purchased	0.1	0.1		0.3
Financial assets that have been derecognised	-0.1	-0.1		-0.3
ECL changes of balances on financial assets without changes in stage in the period	-0.1	-0.1	0.1	-0.1
Changes due to modification without any effect in derecognition				
ECL allowance on written-off (financial) assets				
Changes in models/risk parameters				
Foreign exchange and other changes				
<b>Loan loan loss provisions 31.12.2019</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.6</b>
Loan loss provisions on loans to customers valued at amortised cost				
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.3	0.6	0.8	1.6
Loan loss provisions on guarantees and unused credit limits				
<b>Total loan loss provisions</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.6</b>

Quarterly income statement

	Q1	Q4	Q3	Q2	Q1
(NOK million)	2020	2019	2019	2019	2019
Interest income	154.6	138.6	129.1	115.8	113.2
Interest expense	-107.4	-98.8	-84.9	-76.0	-76.5
<b>Net interest income</b>	<b>47.2</b>	<b>39.8</b>	<b>44.2</b>	<b>39.8</b>	<b>36.7</b>
Net gains on financial instruments	-4.5	-0.6	-1.8	-1.6	1.8
Other income		-0.1	-0.1	-0.1	
<b>Total other operating income</b>	<b>-4.5</b>	<b>-0.7</b>	<b>-1.9</b>	<b>-1.6</b>	<b>1.8</b>
Staff expenses		-0.1			-0.1
General administration expenses					
Other operating cost	-21.0	-18.7	-18.2	-19.5	-19.3
<b>Total operating costs</b>	<b>-21.1</b>	<b>-18.8</b>	<b>-18.1</b>	<b>-19.5</b>	<b>-19.4</b>
<b>Operating profit before loan losses</b>	<b>21.6</b>	<b>20.3</b>	<b>24.2</b>	<b>18.7</b>	<b>19.0</b>
Loan losses for the period	-4.3	-0.6	0.2	-0.2	0.3
<b>Profit before tax</b>	<b>17.3</b>	<b>19.7</b>	<b>24.3</b>	<b>18.4</b>	<b>19.4</b>
Tax	-3.8	-4.4	-5.3	-4.1	-4.3
<b>Profit for the year</b>	<b>13.5</b>	<b>15.4</b>	<b>19.0</b>	<b>14.4</b>	<b>15.1</b>

# Financial Calendar 2020



<b>15 July</b>	Results 2Q 2020
<b>21 October</b>	Results 3Q 2020
<b>10 February 2021</b>	Results 4Q 2020

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