



Interim report 2016

Storebrand Boligkreditt AS (unaudited)

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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 Boligkreditt AS

Quarterly report for the fourth 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.)

- Profit before taxes of NOK 7 million in the fourth quarter and NOK 48 million for the year.
- Good portfolio quality

FINANCIAL PERFORMANCE

Profit before taxes in the fourth quarter was NOK 7 million (NOK 19 million) and NOK 48 million (NOK 139 million) for the full year. This development is in line with the general market trend and the change in the management agreement with Storebrand Bank ASA.

Net interest income was NOK 25 million (NOK 35 million) for the fourth quarter and NOK 118 million (NOK 169 million) for the year. Lending margins are under pressure due to the bank group having used more competitive prices. As a percentage of average total assets, net interest income was 0.70 per cent (0.95 per cent) for the fourth quarter and 0.79 per cent (1.16 per cent) for the year.

Other operating income in the fourth quarter amounted to minus NOK 0.4 million (NOK 1 million) and minus NOK 3 million (minus NOK 0.2 million) for the year, and relate to commission income on loans and net loss on financial instruments.

Operating costs for the fourth quarter amounted to NOK 17 million (NOK 16 million) and NOK 67 million (NOK 27 million). The management agreement with Storebrand Bank ASA for the management of the company's loans was amended in the fourth quarter of 2015 and the costs for the year were therefore higher than the previous year. The company has no employees and purchases services, primarily from Storebrand Bank ASA and Storebrand Livsforsikring AS.

Losses in the portfolio are low, and in the fourth quarter the company recognised NOK 0.1 million as income (NOK 0.9 million recognised as an expense) in loan losses and recognised an expense of NOK 0.1 million (NOK 1.9 million recognised as an expense) for the year.

BALANCE SHEET PERFORMANCE

The lending volume decreased in the fourth quarter and amounted to NOK 13.4 billion (NOK 14.3 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with conservative lending practices. The average loan-to-value ratio in the portfolio is 48 per cent at the end of the year, compared with 50 per cent at the end of 2015. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The risk in the loan portfolio is considered to be very low. The company has over-collateralisation of 118 per cent (126 per cent).

Defaulted loans at the end of the quarter amounted to NOK 25 million (NOK 27 million), equivalent to 0.19 per cent of gross loans in the company (0.19 per cent). Generally all of the commitments have a loan-to-value ratio within 75 per cent of the market value or are written down. Individual loan write-downs amounted to NOK 3 million (NOK 2 million)

and group loan write-downs amounted to NOK 1 million (NOK 2 million) at the end of the year.

During the third quarter of 2016, Storebrand Boligkreditt AS entered into an agreement with the rating agency S&P Global Ratings to rate the company's loan programme. The programme has a AAA rating.

At the end of the fourth quarter of 2016, the company had a liquidity portfolio consisting of fixed-income securities with a AAA rating from S&P with a market value of NOK 41 million. The investment is classified at fair value through profit or loss.

The company's total assets under management as at 31 December 2016 were NOK 13.7 billion compared with NOK 14.9 billion at the end of 2015.

Storebrand Boligkreditt AS issued covered bonds totalling NOK 2.5 billion (maturity 2021) during the first quarter of 2016 and redeemed bond loans of NOK 1.0 billion in June 2016. At the end of the year, the company had issued covered bonds worth NOK 11.4 billion, with remaining terms from approximately 6 months to 5 years. NOK 10.8 billion of these bonds has been placed in the market, while the remaining NOK 0.7 billion is being held in the parent bank.

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 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 the associated derivatives for the next 31 days. This drawing right 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. Standard covenant requirements are linked to the loan agreements entered into. In the year to date, all terms and conditions have been satisfied for all signed loan agreements.

Equity in the company at the end of the year amounted to NOK 1,010 million (NOK 975 million). The net primary capital at year end amounted to NOK 1,096 million (NOK 975 million), taking into consideration group contributions paid/received. The capital base of Storebrand Boligkreditt AS consists entirely of pure core capital. The pure core capital adequacy ratio in the company was 19.6 per cent (16.2 per cent) at the end of the year. The requirement for a countercyclical capital buffer was 15 per cent as at 31 December 2016. 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.

The purpose of the liquidity coverage requirement (LCR) is to measure 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. The LCR was introduced for Storebrand Boligkreditt AS from

30 June 2016, with a minimum LCR with escalation. From and including 31 December 2016, the credit company must comply with an LCR of 80 per cent. The requirement will be increased to 100 per cent from 31 December 2017. At the end of the year, the company's LCR was 189 per cent.

STRATEGY AND FUTURE PROSPECTS

In 2017, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2017.

The housing market and developments in total non-performing loans will be 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 2017.

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

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

Lysaker, 7 February 2017

The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

Income statement

(NOK million)	Note	Q4		Full Year	
		2016	2015	2016	2015
Interest income	4, 13	79.3	92.8	340.7	416.9
Interest expense	4, 13	-54.6	-57.8	-222.7	-248.3
Net interest income	13	24.7	35.1	118.0	168.6
Net gains on financial instruments		-0.9	-0.4	-5.1	-2.5
Other income		0.5	1.4	2.1	2.3
Total other operating income		-0.4	1.0	-3.0	-0.2
Staff expenses		-0.1	-0.1	-0.2	-0.2
General administration expenses			-0.1	-0.2	-0.3
Other operating costs	4	-17.4	-16.0	-67.0	-26.9
Total operating costs		-17.4	-16.1	-67.4	-27.4
Operating profit before loan losses		6.8	19.9	47.6	141.0
Loan losses for the period	15	0.1	-0.9	-0.1	-1.9
Profit before tax		6.9	19.0	47.5	139.2
Tax	3	-1.8	-5.1	-11.9	-37.6
Profit for the year		5.1	13.9	35.6	101.6

Statement of comprehensive income

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Profit for the period	5.1	13.9	35.6	101.6
Other comprehensive income				
Total comprehensive income for the period	5.1	13.9	35.6	101.6

Storebrand Boligkreditt AS

Statement of financial position

(NOK mill.)	Note	31.12.2016	31.12.2015
Loans to and deposits with credit institutions	6, 14	141.0	382.0
Financial assets designated at fair value through profit and loss:			
Bonds and other fixed-income securities	6, 10, 14	41.4	
Derivatives	6	123.0	173.2
Other current assets	4, 6	12.7	12.2
Gross lending	11	13 375.5	14 291.6
- Loan loss provisions on individual loans	15	-2.9	-2.2
- Loan loss provisions on groups of loans	15	-1.2	-1.8
Net lending to customers	6	13 371.4	14 287.6
Deferred tax assets		1.0	
Total assets		13 690.5	14 855.0
Liabilities to credit institutions	4, 6, 8	1 091.0	2 043.6
Other financial liabilities:			
Commercial papers and bonds issued	6, 9	11 575.4	11 782.6
Other liabilities	4, 6	13.8	54.0
Deferred tax			0.3
Total liabilities		12 680.3	13 880.4
Paid in equity		949.4	844.0
Retained earnings		60.8	130.6
Total equity	10	1 010.2	974.6
Total liabilities and equity		13 690.5	14 855.0

Lysaker, 7 February 2017
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
Equity at 31.12.2014	455.0	270.1	118.9	844.0	192.7	192.7	1 036.8
Profit for the period					101.6	101.6	101.6
Other comprehensive income						0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	101.6	101.6	101.6
Equity transactions with the owner:							
Provision for group contribution					-163.8	-163.8	-163.8
Equity at 31.12.2015	455.0	270.1	118.9	844.0	130.6	130.6	974.6
Profit for the period					35.6	35.6	35.6
Other comprehensive income						0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	35.6	35.6	35.6
Equity transactions with the owner:							
Group contribution received			105.4	105.4			105.4
Provision for group contribution					-105.4	-105.4	-105.4
Equity at 31.12.2016	455.0	270.1	224.3	949.4	60.8	60.8	1 010.2

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35 000 000 of nominal value NOK 13 per share.

Storebrand Boligkreditt AS

Statement of cash flow

(NOK million)	31.12.2016	31.12.2015
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	344.4	423.1
Net disbursements/payments on customer loans	886.6	31.4
Net receipts/payments on securities	-42.9	-0.1
Payments of operating costs	-54.9	-39.6
Net cash flow from operating activities	1 133.1	414.8
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-3 599.2	-1 946.8
Receipts - new loans and issuing of bond debt	2 500.0	2 000.0
Payments - interest on loans	-236.0	-274.0
Receipts - group contribution	105.4	
Payments - group contribution	-144.4	-224.4
Net cash flow from financing activities	-1 374.1	-445.2
Net cash flow in the period	-241.0	-30.3
Cash and bank deposits at the start of the period	382.0	412.3
Cash and bank deposits at the end of the period	141.0	382.0

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA. The amount drawn on the credit facilities is recognized in the item "Liabilities to credit institutions" as at 31.12.2016. See also Note 8.

Storebrand Boligkreditt AS

Noter

Note 01 | Accounting principles

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 financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations.

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's interim financial statements.

Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2015 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 company'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 | 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).

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, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets.

Note 04 | Related parties

ISSUED COVERED BONDS

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.

LOANS TRANSFERRED FROM STOREBRAND BANK ASA

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. The mortgages are transferred on commercial terms. 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, 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.

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. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in note 27 in the 2015 annual report for Storebrand Boligkreditt AS.

Note 05

Financial risk

Storebrand Boligkreditt AS' financial assets and liabilities fluctuate in value due to risk in the financial markets. Notes 3 to 7 in the 2015 annual report provide a more detailed overview of the company's financial risk.

A credit company's core activity is credit exposure with low risk. Storebrand Boligkreditt AS 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 very low.

Risk in Storebrand Boligkreditt is monitored in accordance with the Board's adopted guidelines for risk management and internal control. For the individual forms of risk defined in the guidelines, policy documents are prepared that state the target parameters. The development of these parameters is monitored through risk reports to the company's Board.

Credit risk and liquidity risk are the most significant forms of risk for Storebrand Boligkreditt. The company is also exposed to operational risk, including IT risk, compliance risk and, to a lesser extent, market risk.

Credit risk

Storebrand Boligkreditt AS has lending totalling NOK 13.4 billion, in addition to unused credit facilities of NOK 1.7 billion as at 31 December 2016. Non-performing and doubtful loans accounted for 0.19 per cent of gross lending. Even though the non-performing volume is low, the default volume is monitored carefully.

Liquidity risk

Liquidity in a credit company must at all times be sufficient to support balance sheet growth and to redeem loans that fall due. The company controls its liquidity position based on minimum liquid holdings and maximum volume per issue within a 6 month period.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. Refer to note 8 for further information.

The purpose of the liquidity coverage requirement (LCR) is to measure 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. The LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016 with a minimum LCR with escalation. From and including 31 December 2016, the credit company must comply with an LCR of 80 per cent. The requirement will be increased to 100 per cent from 31 December 2017. At the end of the year, the company's LCR was 189 per cent.

Valuation of financial instruments

Storebrand Boligkreditt AS conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices 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.

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

The company 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.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1

This category encompasses financial instruments that are valued based on market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 covers bonds and equivalent instruments. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified as level 2.

Level 3: Financial instruments valued on the basis of information that is not observable according to the definition for level 2 financial instruments

Investments classified as level 3 largely include investments in unlisted/private companies. The company did not have any investments that were classified at this level at the end of the quarter.

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(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	141.0	382.0	141.0	382.0
Net lending to customers	13 371.4	14 287.6	13 371.4	14 287.6
Other current assets	12.7	12.2	12.7	12.2
Financial liabilities				
Liabilities to credit institutions	1 091.0	2 043.6	1 091.0	2 043.6
Commercial papers and bonds issued	11 612.6	11 740.8	11 575.4	11 782.6
Other liabilities	13.8	54.0	13.8	54.0

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

(NOK million)	Level 1	Level 2	Level 3	Book value	Book value
	Quoted prices	Observable assumptions	Non-observable assumptions	31.12.2016	31.12.2015
Government and government guaranteed bonds ¹⁾		41.4		41.4	0.0
Total bonds 31.12.2016	0.0	41.4	0.0	41.4	
Total bonds 31.12.2015		0.0			
Interest rate derivatives		123.0		123.0	173.2
Total derivatives 31.12.2016	0.0	123.0	0.0	123.0	
Derivatives with a positive fair value		123.0		123.0	173.2
Derivatives with a negative fair value					
Total derivatives 31.12.2015		173.2			

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

1) In second quarter of 2016, the company invested in bonds which are classified at fair value through profit and loss.

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 4th quarter of 2016 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 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 12 months. This drawing right may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and related derivatives with the longest period to maturity.

Note 09 | Commercial papers and bonds issued

COVERED BONDS

(NOK million)	Nominal value	Currency	Interest	Maturity ¹⁾	Book value
ISIN Code					31.12.2016
NO0010548373	1 250.0	NOK	Fixed	28.10.2019	1 375.8
NO0010635071	2 650.0	NOK	Floating	21.06.2017	2 653.7
NO0010660822	2 540.0	NOK	Floating	20.06.2018	2 550.8
NO0010736903	2 500.0	NOK	Floating	17.06.2020	2 494.7
NO0010760192	2 500.0	NOK	Floating	16.06.2021	2 500.4
Total commercial papers and bonds issued ²⁾	11 440.0				11 575.4
Total commercial papers and bonds issued as at 31.12.2015	11 586.5				11 782.6

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

2) For covered bonds ascribed to the company's cover pool, 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, see note 11.

The loan agreements contain standard covenants. In 2016, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

Capital Adequacy

NET PRIMARY CAPITAL

(NOK million)	31.12.2016	31.12.2015
Share capital	455.0	455.0
Other equity	555.2	519.6
Total equity	1 010.2	974.6
Deductions		
Provision for group contribution	-39.5	-105.4
Additions		
Group contribution received	125.0	105.4
Core capital exc. Hybrid Tier 1 capital	1 095.7	974.6
Additional Tier 1 capital		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
Core capital	1 095.7	974.6
Subordinated loan capital less own holdings		
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	1 095.7	974.6

MINIMUM CAPITAL REQUIREMENT

(NOK million)	31.12.2016	31.12.2015
Credit risk	407.8	438.1
Of which:		
International organisations	0.0	
Local and regional authorities	0.2	
Institutions	7.6	13.5
Loans secured against real estate	384.3	411.0
Loans past-due	2.1	2.2
Other	13.5	11.5
Total minimum requirement for credit risk	407.8	438.1
Total minimum requirement for market risk	0.0	0.0
Operational risk	32.5	31.4
CVA risk ¹⁾	6.4	11.8
Deductions		
Loan loss provisions on groups of loans	-0.1	-0.1
Minimum requirement for net primary capital	446.6	481.2

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

CAPITAL ADEQUACY

	31.12.2016	31.12.2015
Capital ratio	19.6 %	16.2 %
Core (tier 1) capital ratio	19.6 %	16.2 %
Core capital ratio excl. Hybrid Tier 1 capital	19.6 %	16.2 %

The standard method is used for credit risk and market risk, and the basic method for operational risk. The overall requirements for core tier 1 capital and the capital base are 11.5 and 15.0 per cent respectively at the end of 2016. The level of the countercyclical capital buffer requirement is further increased by 0.5 percent from 31 December 2017 with a corresponding increase in the requirement for Core (tier 1) capital ratio and net primary capital from this date.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	31.12.2016	31.12.2015
Credit risk	5 097.0	5 476.6
Of which:		
International organisations	0.0	
Local and regional authorities	2.4	
Institutions	95.3	168.5
Loans secured against real estate	4 803.3	5 137.7
Loans past-due	26.7	26.9
Other	169.3	143.5
Total basis of calculation credit risk	5 097.0	5 476.6
Total basis of calculation market risk	0.0	0.0
Operational risk	406.6	392.2
CVA risk	80.3	147.5
Deductions		
Loan loss provisions on groups of loans	-1.2	-1.8
Total basis of calculation of minimum requirements for capital base	5 582.8	6 014.5

Note
11

Loan to value ratios and collateral

(NOK million)	31.12.2016	31.12.2015
Gross lending ¹⁾	13 375.5	14 291.6
Average loan balance	1.7	1.6
No. of loans	7 861	8 705
Weighted average seasoning (months)	41	39
Weighted average remaining term (months)	219	219
Average loan to value ratio	48 %	50 %
Over-collateralisation ²⁾	117.9 %	126.2 %
Cover pool:		
Residential mortgages ¹⁾	13 316.5	14 188.9
Supplementary security	140.0	380.3
Total	13 456.5	14 569.2

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2016 the company had NOK 23.2 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2016, the company has 5 non-performing loans without evidence of impairment, equivalent to NOK 9.8 million. There are 9 non-performing loans with evidence of impairment of NOK 15.0 million where the impairment is assessed to be NOK 2.9 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 11.4 billion (nominal value).

Note
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Key figures

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Profit and loss account:				
(as % of avg. total assets) ¹⁾				
Net interest income	0.70 %	0.95 %	0.79 %	1.16 %
Main balance sheet figures:				
Total assets			13 690.5	14 855.0
Average total assets	14 029.7	14 641.7	14 852.7	14 573.2
Gross lending to customers			13 375.5	14 291.6
Equity			1 010.2	974.6
Other key figures:				
Loan losses and provisions as % of average total lending	0.00 %	0.03 %	0.00 %	0.01 %
Individual loan loss provisions as % of gross loss-exposed loans ³⁾			22.6 %	22.7 %
Cost/income ratio	71.9 %	44.7 %	58.6 %	16.3 %
Return on equity after tax ²⁾			3.6 %	10.5 %
Core capital ratio excl. Hybrid Tier 1 capital			19.6 %	16.2 %
LCR ⁴⁾			189.0 %	na

Definitions:

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

2) Annualised profit after tax as % of average equity.

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

4) Liquidity coverage requirement.

Note
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Net interest income

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Interest and other income on loans to and deposits with credit institutions	1.3	1.4	4.7	6.8
Interest and other income on loans to and due from customers	77.8	91.4	335.3	410.1
Interest on short-term debt instruments, bonds and other interest-bearing securities	0.2		0.6	
Other interest income				
Total interest income	79.3	92.8	340.7	416.9
Interest and other expenses on debt to credit institutions	-6.1	-8.2	-31.7	-39.5
Interest and other expenses on deposits from and due to customers				
Interest and other expenses on securities issued	-48.5	-49.6	-191.1	-208.8
Interest and other expenses on subordinated loan capital				
Other interest expenses				
Total interest expenses	-54.6	-57.8	-222.7	-248.3
Net interest income	24.7	35.1	118.0	168.6

Note
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Off balance sheet liabilities and contingent liabilities

(NOK million)	31.12.2016	31.12.2015
Undrawn credit limits	1 736.4	1 684.6
Total contingent liabilities	1 736.4	1 684.6

Undrawn credit limits relate to the unused portion of credit limits on flexible mortgage loans. Per 31 December 2016, the company has not pledged any collateral.

Note
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Non-performing loans and loan losses

(NOK million)	31.12.2016	31.12.2015
Non-performing loans		
Non-performing loans without evidence of impairment	9.8	9.8
Loss-exposed loans with evidence of impairment	15.0	16.7
Gross non-performing and loss-exposed loans	24.8	26.5
Loan loss provisions on individual loans	-2.9	-2.2
Net non-performing and loss-exposed loans	21.9	24.3
Key figures		
Net non-performing and loss-exposed loans as % of gross lending	0.19 %	0.19 %

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.

(NOK million)	Q4		Full Year	
	2016	2015	2016	2015
Change in individual loan loss provisions		-1.0	-0.6	-1.7
Change in grouped loan loss provisions	0.1	0.1	0.6	-0.2
Other effects on loan loss provisions				
Realised losses specifically provided for previously				
Realised losses not specifically provided for previously				
Recoveries on previous realised losses				
Loan losses for the period	0.1	-0.9	-0.1	-1.9

Note 16 | Quarterly income statement

(NOK million)	Q4	Q3	Q2	Q1	Q4
	2016	2016	2016	2016	2015
Interest income	79.3	84.6	89.0	87.9	92.8
Interest expense	-54.6	-55.3	-56.7	-56.1	-57.8
Net interest income	24.7	29.3	32.2	31.8	35.1
Net gains on financial instruments	-0.9	-1.1	-0.6	-2.5	-0.4
Other income	0.5	0.5	0.6	0.5	1.4
Total other operating income	-0.4	-0.5	0.0	-2.0	1.0
Staff expenses	-0.1		-0.1		-0.1
General administration expenses		-0.1	-0.1	-0.1	-0.1
Other operating cost	-17.4	-17.4	-16.5	-15.8	-16.0
Total operating costs	-17.4	-17.5	-16.6	-15.9	-16.1
Operating profit before loan losses	6.8	11.3	15.6	13.9	19.9
Loan losses for the period	0.1	1.0	-1.0	-0.2	-0.9
Profit before tax	6.9	12.3	14.7	13.7	19.0
Tax	-1.8	-3.1	-3.7	-3.4	-5.1
Profit for the year	5.1	9.2	11.0	10.2	13.9

Financial calendar 2017



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

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