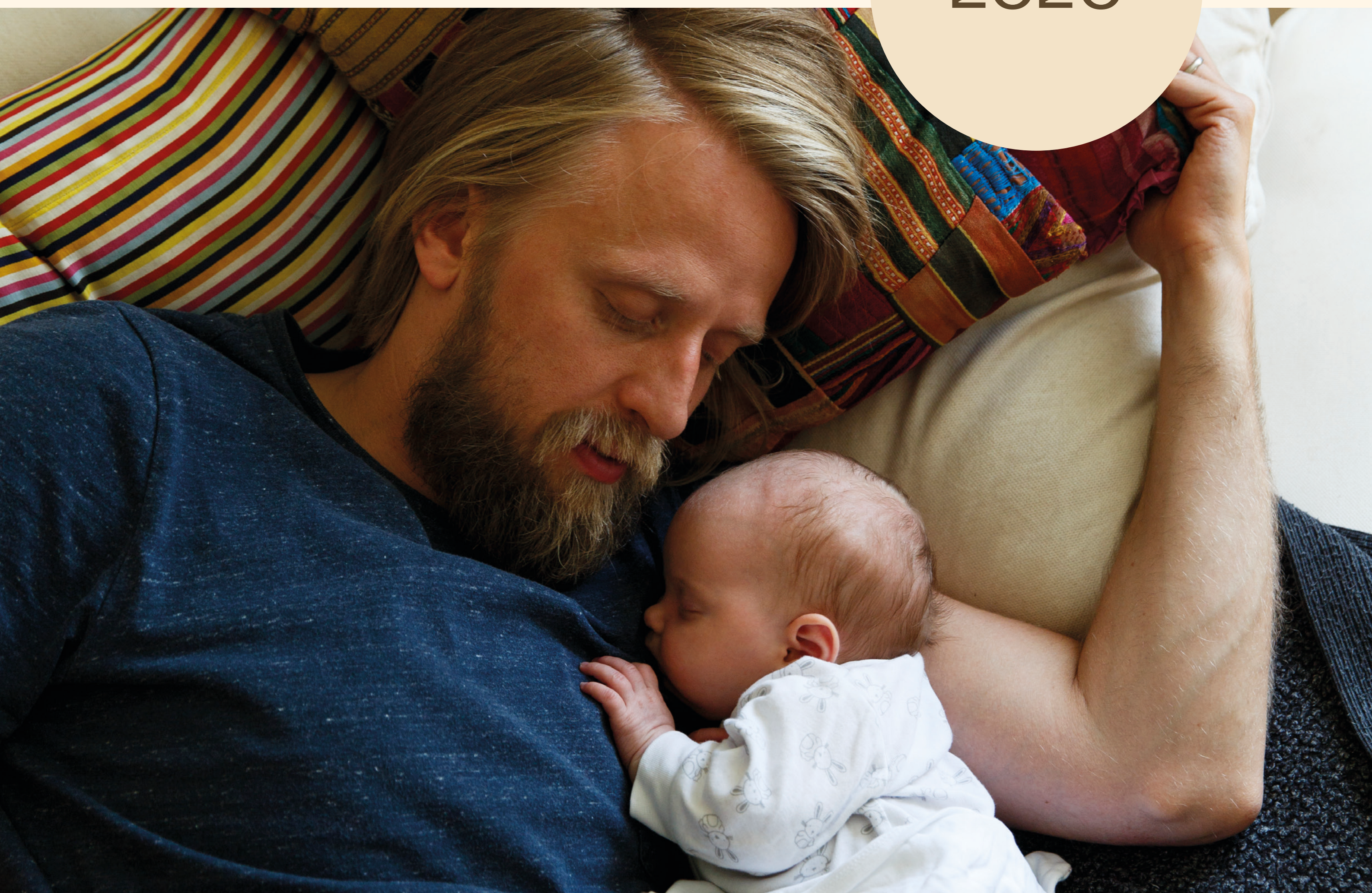
Storebrand Boligkreditt AS
Annual report

2020



Company information

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Content

Key figures Storebrand Boligkreditt AS

(NOK mill.)	2020	2019
Profit and loss account: (as % of avg. total assets) [1]		
Net interest income	0.93 %	0.86 %
Main balance sheet figures:		
Total assets	22,587.5	20,560.9
Average total assets	21,249.2	18,710.6
Gross loans to customers	21,069.7	20,404.9
Equity	1,609.0	1,535.8
Other key figures:		
Loan losses and provisions as % of average total lending	0.01 %	0.17 %
Individual loan loss provisions as % of gross loss-exposed loans [2]	12.5 %	5.2 %
Cost/income ratio	46.7 %	48.0 %
Core equity Tier 1 (CET1) capital ratio	19.7 %	19.7 %
LCR [3]	991.0 %	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

Annual report
(Figures in brackets are the comparative figures for 2019)

HIGHLIGHTS

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

The company is a mortgage company and has a concession from the Financial Supervisory Authority of Norway to issue covered bonds (OMFs). Assets consist primarily of securitized mortgages that are purchased from Storebrand Bank ASA. Storebrand Bank ASA manages the mortgages on behalf of Storebrand Boligkreditt AS. The established loan programme is AAA rated by the rating agency S&P Global Rating Services. At the end of 2020, Storebrand Boligkreditt AS had issued covered bonds worth approximately NOK 19.2 billion with remaining maturities ranging from 6 months to 4.5 years

At the end of 2020, the lending volume had increased compared with the end of 2019 and amounted to 10,560 mortgages and residential mortgage products corresponding to NOK 21.1 billion (NOK 20.4 billion). The quality of the portfolio is extremely good. At year-end, there were 16 loans in default, corresponding to NOK 33 million. This represents 0.1 per cent of the portfolio. The average loan-to-value ratio is 52 per cent.

COVID 19

In 2020, Storebrand Boligkreditt AS was significantly impacted by the Covid-19 pandemic. Due to the weaker macroeconomic outlook and increased uncertainty, the statistical provisions for loss were increased in the first quarter. The increase in provisions for loss has largely been maintained in subsequent quarters due to the continued significant uncertainty regarding the long-term effects of the pandemic. However, the credit company has thus far not experienced any significant change in customer defaults since the pandemic occurred.

In terms of income, Covid-19 has had a particular impact on net interest income. The lending margins were initially weakened when lending rates were cut before the borrowing rates were reduced The low NIBOR has since contributed to improved lending margins, which meant that net interest income as a percentage of average assets under management ended clearly higher in 2020 than in 2019.

FINANCIAL PERFORMANCE

The company's operating profit before losses for 2020 was NOK 94 million (NOK 82 million). Net losses on lending accounted for a cost of NOK 2.7 million, compared with NOK 0.3 million in 2019. The annual profit after tax for Storebrand Boligkreditt AS was NOK 73 million, compared with NOK 64 million for 2019.

NET INTEREST INCOME

Net interest income was NOK 198 million for the year (NOK 161 million), which was an increase compared with the previous year and was primarily due to a higher average lending volume and increased lending margins. Net interest income as a percentage of average total assets was 0.93 per cent in 2020, compared with 0.86 per cent in 2019.

NET FINANCIAL INCOME

Net financial income was a negative amount of NOK 16 million in 2020, compared with negative income of NOK 2 million in 2019. The buy-back of own bonds was the principal reason for the negative financial income in 2020. The buy-back contributed to lower financing costs in 2020 and will also contribute to lower future financing costs.

OPERATING EXPENSES

Operating expenses ended at NOK 84 million in 2020, and increased by NOK 8 million compared with 2019. The increase was primarily due to increased administration costs resulting from increased lending volumes. The company has no employees and purchases services, primarily from Storebrand Bank ASA and Storebrand Livsforsikring AS.

LOSSES AND DEFAULTS

Losses on lending accounted for a cost of NOK 2.7 million in 2020, compared with NOK 0.3 million in 2019. At the end of 2020, default volume amounted to NOK 41 million (NOK 35 million). This volume corresponds to 0.19 per cent (0.17 per cent) of gross lending. All the loans have a loan-to-value ratio within 75 per cent of market value or are generally written down.

BALANCE SHEET

The company's total assets under management at the end of 2020 were NOK 22.6 billion, compared with NOK 20.6 billion at the end of 2019.

Borrowing is in the form of covered bonds in Norwegian kroner and drawing facilities with Storebrand Bank ASA. The financing structure is balanced and adapted to a credit company. In 2020, the company issued NOK 10 billion in covered bonds (OMF). At the end of 2020, covered bonds worth NOK 19.1 billion have been issued, with remaining maturities from 6 months to 4.5 years.

RISK MANAGEMENT

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 AS 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 AS. The company is also exposed to operational risk, including IT risk, compliance risk and, to a lesser extent, market risk.

CREDIT RISK

As at 31 December 2020, Storebrand Boligkreditt AS had loans totalling NOK 21.1 billion, in addition to unused credit facilities of NOK 1.2 billion. Non-performing and doubtful loans accounted for 0.1 per cent of gross lending.

Even though the non-performing volume is low, the default volume is monitored carefully. Storebrand Bank ASA, which manages the loans of Storebrand Boligkreditt AS, has a conservative lending practice with regard to the customers' ability to pay. Security is considered to be excellent. The average loan-to-value ratio in Storebrand Boligkreditt AS' portfolio is 52 per cent (54 per cent), and at the date of transfer the maximum loan-to-value ratio is 75 per cent. Loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans. The risk in the lending portfolio is therefore considered to be very low. Approximately 99 per cent of mortgages have a loan-to-value ratio within 80 per cent. Just over 57 per cent of the mortgages have a loan-to-value ratio within 60 per cent.

The company has not issued any guarantees. Storebrand Boligkreditt AS has not deposited securities with Norges Bank as surety.

LIQUIDITY RISK

Liquidity in a credit company must be sufficient at all times 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. 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 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.

The company has an LCR requirement of 100 per cent. At the end of the year, the company's LCR was 991 per cent.

Storebrand Boligkreditt's covered bond programme received a AAA rating from Standard & Poor's Rating Services.

MARKET RISK

The company's aggregate interest and foreign currency exposure is limited by means of low exposure limits in the risk policies.

Storebrand Boligkreditt AS has limited ceilings for interest risk, and this is assessed to be low, since all lending has administration-determined interest rates and borrowing is either on variable rates or swapped to three month floating NIBOR.

At the end of 2020, Storebrand Boligkreditt AS had no interest rate risk, since all the company's lending and borrowing is in NOK.

OPERATIONAL RISK

In order to manage operational risk, the company's administration prioritises the establishment of good work and control routines. Systematic risk reviews are performed every six months, as well as with special transactions or unexpected events.

Pursuant to the management agreement between Storebrand Bank ASA and Storebrand Boligkreditt AS, the bank is responsible for establishing and managing loans in the company. The agreement is followed up by the company through daily checks of the balance, spot checks of block transfers from the bank to the company, and in connection with monthly reports to the external investigator. In addition, there is follow-up of the development of risk classes and defaults in the monthly risk reports.

Among other things, the bank's IT systems are vital for credit approval in the bank and for portfolio follow-up and accounting in the company. Errors and disruptions can have consequences for the operation of the company and may impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced. The bank's system platform that is used by Storebrand Boligkreditt AS is based on purchased standard systems operated and monitored through service agreements. The bank group has established an intra-group management model with close supplier follow-up and internal control activities with the objective of reducing risk associated with the development, administration and operation of IT systems and information security.

COMPLIANCE RISK

The risk that public sanctions or financial losses are incurred due to failure to comply with external and internal regulations is defined as the compliance risk. Storebrand Boligkreditt AS is particularly aware of the risk in relation to compliance with and implementation of amendments to applicable laws concerning capital adequacy, liquidity management and the application of international accounting standards.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY

Equity in the company at the end of the year amounted to NOK 1,609 million. The net primary capital at year-end after group contributions paid amounted to NOK 1,586 million (NOK 1,515 million). Storebrand Boligkreditt AS' capital base consists entirely of pure core capital. The pure core capital adequacy ratio was 19.7 per cent (19.7 per cent) at the end of the year and the company satisfied the combined capital and capital buffer requirements by a good margin at the end of the year.

PERSONNEL, ORGANISATION, GOVERNING BODIES AND THE ENVIRONMENT

SUSTAINABILITY

Storebrand Boligkreditt's lending activities primarily consist of home loans and almost the entire lending portfolio is secured by way of property mortgages. Based on this, we launched "boliglån fremtid" (mortgage future) in 2016. Boliglån fremtid is a mortgage with favourable interest, which gives customers tips and motivation to make smart energy choices for their homes.

The risk function at Storebrand ASA is responsible for the company's climate risk work, and this is included in the same framework for assessing other risks. Climate risk concerns how climate change, or the measures taken to reduce climate change, can lead to risks and opportunities for the business[1]. In 2020, a risk assessment was carried out for Storebrand Bank which also applied to Storebrand Boligkreditt. The assessment identified the following six risks:

- Risk 1: Lower demand for loans and other banking services.
- Risk 2: Increased losses on lending as a result of climate change or the transition to low emissions.
- Risk 3: Green mortgages give low profitability.
- Risk 4: Non-compliance with new requirements relating to climate adaptation or reporting.
- Risk 5: We do not achieve our own targets for green mortgages.
- Risk 6: Ambitions are too low in relation to the zero emissions commitment.

During 2021, we will continue the work on assessing these risks.

[1] Read more about climate risk and Storebrand's work with climate risk in Storebrand ASA's annual report (chapter entitled "climate risk")

CORPORATE GOVERNANCE AND TRUST

Our business activities are dependent on trust from customers, partners, authorities, shareholders and society at large. We must act with integrity and hold a high ethical standard in our work.

Our guidelines are reviewed and approved by the Board.

We work actively against corruption and to combat money laundering and terrorism financing through our business activities, in contact with suppliers and with other partners.

THE ENVIRONMENT

Storebrand works systematically to reduce the company's impact on the environment, through our own business activities, investments, procurement and property management. Our operations are “climate neutral”. We achieve this by setting clear goals and measures for reducing CO2 emissions from our own operations. The emissions that we nevertheless have are compensated for by purchasing verified emission allowances. The company’s head office is a low-emission building that uses renewable energy sources with guarantees of origin. The head office has been Eco-Lighthouse Certified (Miljøfyrtårnsertifisert) since 2009. The Storebrand Group follows up and places strict demands on suppliers, partners and companies in which it invests.

PERSONNEL AND ORGANISATION

At the end of 2020 there were no employees at Storebrand Boligkreditt AS. For this reason, no special working environment measures have been taken.

The company has entered into an agreement with Storebrand Bank ASA regarding terms and conditions for the purchase, transfer and management of loans. The company's tasks are performed by employees of Storebrand Bank ASA and other companies in the Storebrand Group. The services purchased are regulated through service agreements and price agreements that are updated annually.

DIVERSITY

At the end of 2020, 42 per cent of the company’s board members were women.

CORPORATE GOVERNANCE

Storebrand Boligkreditt AS' systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. These guidelines are determined annually by the Board. Storebrand Boligkreditt AS has established service agreements with Storebrand Livsforsikring AS that include the purchase of all accounting competence, accounting and reporting from Storebrand Livsforsikring AS.

The management and Board of Storebrand ASA consider the principles for corporate governance every year. Storebrand ASA established principles for corporate governance in 1998. In accordance with Section 3-3b of the Accounting Act and the Norwegian recommendation for corporate governance (most recently revised on 30 October 2014), Storebrand ASA presents a report on its principles and practices for corporate governance. For a more detailed report on Storebrand's corporate governance in accordance with Section 3-3b of the Accounting Act, see the specific article on this in the Storebrand Group's annual report for 2020.

Storebrand Boligkreditt AS publishes four quarterly financial statements in addition to the ordinary annual financial statement. The financial reports must satisfy the requirements of laws and regulations and must be presented in accordance with adopted accounting principles, as well as following the deadlines determined by the Board of Storebrand ASA. The company accounts for Storebrand Boligkreditt AS are prepared by the Group Accounts department of Storebrand Livsforsikring AS, which is under the Storebrand Group's CFO. Key managers in Group Accounts have a fixed annual remuneration that is not affected by the Group's financial results. A number of risk assessment and control measures have been established in connection with the presentation of the financial reports. Internal meetings are held, as well as meetings in which external auditors participate, to identify risk conditions and measures in connection with significant accounting items or other circumstances. Corresponding quarterly meetings are also held with various professional centres in the Group that are key to the assessment and valuation of lending and financial instruments, as well as other items for assessment. These meetings have a particular focus on any market changes, specific conditions relating to default trends, individual loans and investments, transactions and operational conditions etc. Assessments relating to significant accounting items and any changes in principles etc. are described in a separate document (assessment item memo). The external auditor participates in board meetings as needed and at least once a year, as well as in meetings of the audit committee of Storebrand ASA. Monthly and quarterly operating reports are prepared in which results by business area and product area are analysed and assessed against predetermined budgets. The operating reports are reconciled against other financial reporting. Otherwise, there is ongoing reconciliation of technical systems etc. against the accounting system.

The Board's method of working is regulated by specific instructions to the Board. The Board of Storebrand ASA has also established a general "Governing Document for Risk Management and Internal Control in Storebrand 2014" as well as instructions to the boards of subsidiaries. These documents describe how guidelines, plans and strategies adopted by the Group's Board of Directors are expected to be followed, as well as how risk management and control is to be performed in the Group. The Board of Storebrand ASA has three advisory sub-committees that are common to the Storebrand Group: The Compensation Committee, Audit Committee and Risk Committee.

The company has no articles or authorities that enable the Board to decide that the company may buy back or issue own shares or capital certificates.

CHANGES TO THE COMPOSITION OF THE BOARD

There were no changes to the Board or management in 2020.

GOING CONCERN

The Board confirms that the basis for continued operation as a going concern is in place and the annual financial report has been presented on this assumption.

EVENTS AFTER THE BALANCE DATE

The Board is not aware of any events that have occurred after the end of the financial year that have any significant effect on the annual financial statements that have been presented.

ALLOCATION OF PROFIT

The company's profit for the year amounted to NOK 73.2 million. The Board proposes to pay a group contribution of NOK 69.8 million before tax (NOK 54.4 million after tax) to Storebrand Bank ASA. The Board considers the company's capital situation to be good in relation to the risk profile and proposes the following allocation of the profit for the year to the company's general meeting:

Amounts in NOK million:	Total
Group contribution paid to parent company (after tax)	-54.4
Transferred to/from other equity	-18.8
Total allocation	**-73.2**

STRATEGY AND OUTLOOK FOR 2021

In 2021, 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 growth in collateralisation during 2021.

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 2021. The long-term effects of the Corona pandemic remain uncertain, and developments are being closely monitored.

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.

Lysaker, 9 February 2021
The Board of Directors of Storebrand Boligkreditt AS

Translation –not to be signed

Bernt Uppstad
- Chairman of the Board -

Karin Greve-Isdahl
- Deputy Chairman of the Board -

Leif Helmich Pedersen
- Board Member -

Thor Bendik Weider
- Board Member -

Einar A. Leikanger
- CEO -

Income statement
1 January - 31 December

NOK million	Note	2020	2019
Interest income and similar income			
Interest income calculated by using the effective interest method		462.7	495.8
Other interest income		3.2	0.9
Total interest income and similar income		**465.8**	**496.6**
Interest expenses and similar expenses			
Interest expenses calculated by using the effective interest method		-265.0	-358.8
Other interest expenses		-3.4	22.7
Total interest expenses and similar expenses		**-268.4**	**-336.2**
Net interest income	**10**	**197.5**	**160.5**
Fee and commission income from banking services		**0.1**	**0.1**
Fee and commission expense for banking services		**-0.3**	**-0.3**
Total dividends and other income from equity instruments		**0.0**	**0.0**
Net change in fair value and gain/loss on foreign exchange and financial instruments			
Net change in fair value and gain/loss on loans to customers			-0.2
Net change in fair value and gain/loss on interest bearing securities		0.9	0.3
Net change in fair value and gain/loss on financial liabilites (except of derivatives)		-17.0	22.3
Net change in fair value and gain/loss on foreign exchange and derivatives			-24.7
Total net change in fair value and gain/loss on foreign exchange and financial instruments	**10**	**-16.2**	**-2.2**
Other operating income			
Staff expenses	**12**	**-0.2**	**-0.2**
Other operating cost	**12**	**-84.2**	**-75.7**
Credit loss on loans, guarantees etc. and interest bearing secuirities			
Credit loss on loans valued at amortised cost or fair value with change in value through other comprehensive income		-2.7	-0.3
Total credit loss on loans, guarantees and interest bearing securities	**13**	**-2.7**	**-0.3**
Profit before tax for continued operations		**93.8**	**81.9**
Tax on profit from continued operations	**14**	-20.6	-18.0
Profit before other comprehensive income		**73.2**	**63.9**
Other income and expenses not to be reclassified to profit/loss			
Other income and expenses that may be reclassified to profit/loss			
Total comprehensive income for the period		**73.2**	**63.9**

Statement of financial position
31 December

NOK mill.	Note	2020	2019
Cash and deposits with central banks			
Loans to and deposits with credit institutions	4, 8, 15	8.3	6.8
Loans to customers at fair value	4, 8, 13, 15, 18, 19, 20	21,065.6	20,403.3
Loans to customers at amortised cost			
Interest bearing securities at fair value	4, 8, 15, 16	1,456.1	100.7
Interest bearing securities at amortised cost	4, 8, 15, 17	41.7	42.5
Deferred tax assets	14		
Other current assets	15, 22	15.8	7.5
Total assets		**22,587.5**	**20,560.9**
Loans and deposits from credit institutions	5, 8, 15	1,712.7	4,467.4
Debt securities issued	5, 8, 15, 23	19,243.1	14,538.5
Other current liabilities	5, 14, 15, 24	0.7	0.3
Tax payable	14	15.3	17.7
Deferred tax	14	6.6	1.3
Provisions for guarantees and unused credit facilities	21		
Total liabilities		**20,978.5**	**19,025.1**
Share capital		490.0	490.0
Share premium		550.1	550.1
Other paid-in equity		467.0	404.3
Total paid-in equity		1,507.0	1,444.4
Other equity		102.0	91.4
Total retained earnings		**102.0**	**91.4**
Total equity	**26**	**1,609.0**	**1,535.8**
Total liabilities and equity		**22,587.5**	**20,560.9**

Lysaker, 9 February 2021
The Board of Directors of Storebrand Boligkreditt AS

Translation –not to be signed

Bernt Uppstad
- Chairman of the Board -

Karin Greve-Isdahl
- Deputy Chairman -

Thor Bendik Weider
- Board Member -

Leif Helmich Pedersen
- Board Member -

Einar A. Leikanger
- Statutory CEO -

Statement of changes in equity

NOK million	Share capital	Share premium	Other paid-in capital	Total paid-in capital	Other equity	Total other equity	Total equity
Equity at 31.12.2018	490.0	550.1	355.2	1,395.3	76.7	76.7	1,472.0
Profit for the period					63.9	63.9	63.9
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**63.9**	**63.9**	**63.9**
Equity transactions with the owner:							
Group contribution received			49.1	49.1			49.1
Group contribution paid					-49.1	-49.1	-49.1
Equity at 31.12.2019	**490.0**	**550.1**	**404.3**	**1,444.4**	**91.4**	**91.4**	**1,535.8**
Profit for the period					73.2	73.2	73.2
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**73.2**	**73.2**	**73.2**
Equity transactions with the owner:							
Group contribution received			62.6	62.6			62.6
Group contribution paid					-62.6	-62.6	-62.6
Equity at 31.12.2020	**490.0**	**550.1**	**467.0**	**1,507.0**	**102.0**	**102.0**	**1,609.0**

Storebrand Boligkreditt AS is 100% owned by Storebrand Bank ASA. Number of shares are 35.000.000 at nominal value NOK 14,- per share.

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

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

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

For further information on the company's fulfilment of the capital requirements, see note 26.

Statement of cash flow
1 January - 31 December

NOK million	Note	2020	2019
Cash flow from operations			
Net receipts/payments of interest, commissions and fees from customers		470.5	489.5
Net disbursement/payments on customer loans		-668.5	-1,917.2
Net receipts/payments - securities at fair value		-1,367.2	-101.5
Payments of operating costs		-91.1	-71.4
Net cash flow from operating activities		**-1,656.2**	**-1,600.5**
Cash flow from financing activities			
Payments - repayments debt securities issued	5	-5,433.0	-1,290.0
Receipts - new debt securities issued	5	10,175.0	1,500.0
Payments - interest on loans		-310.9	-301.7
Net receipts/payments of liabilities to credit institutions	5	-2,755.8	1,465.7
Receipts - group contribution		62.6	49.1
Payments - group contribution		-80.3	-63.8
Net cash flow from financing activities		**1,657.7**	**1,359.3**
Net cash flow in period		**1.5**	**-241.2**
Net movement in cash and bank deposits		1.5	-241.2
Cash and bank deposits at the start of the period		6.8	248.0
Cash and bank deposits at the end of the period		**8.3**	**6.8**

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.2020. See also Note 5.
See note 25 for information about undrawn credit limits.

The cash flow analysis shows the company's cash flows for operational, investment and financial activities pursuant to the direct method. The cash flows show the overall change in means of payment over the year.

Operational activities
A substantial part of the activities in a credit institution will be classified as operational.

Investment activities
Includes cash flows from tangible fixed assets.

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

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

Notes
Storebrand Boligkreditt AS

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Boligkreditt AS is a Norwegian limited company with bonds listed on the Oslo Stock Exchange. The company's financial statements for 2020 were approved by the Board of Directors on 9 February 2021.

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

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

The consolidated financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and appurtenant interpretations, as well as other Norwegian disclosure obligations pursuant to the law and regulations. The annual accounts regulations of banks, mortgage and finance companies were amended with effect from 1 January 2020 and do not entail any changes in recognition or measurement, but the layout plan has been changed. This also applies to the presentation of the comparative figures.

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL BALANCE SHEET ITEMS

The asset side of the company's balance sheet position primarily consists of financial instruments. Loans with variable interest are measured at fair value with the change in value through other income and costs (OCI), while loans with fixed interest are measured at fair value though profit or loss. Shares and derivatives are measured at fair value through profit or loss. Other financial instruments are measured at amortised cost. Intangible assets are also included on the balance sheet. Intangible assets are measured at cost and are tested for impairment at least once a year. The liabilities side primarily consists of financial instruments (liabilities).

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

No new accounting standards were implemented in 2020 that have had a significant impact on the company financial statements.

No new standards or changes to standards had not come into effect when the 2020 financial statements were prepared.

5. INCOME RECOGNITION

NET INTEREST INCOME

Income recognition of interest according to the effective interest method is used for interest-bearing balance sheet items that are valued at amortised cost and balance sheet items that are valued at fair value through other income and costs. The effective interest rate is the interest rate that causes the present value of future cash flows within the loan's expected term to be equal to the book value of the loan on initial recognition. Cash flows include start-up fees, as well as any residual value at the end of the expected term. Interest income on commitments that are credit impaired is calculated using the effective interest rate on impaired value. Interest income on commitments that have not been impaired by credit is calculated using the effective interest rate on gross amortised cost (amortised cost before provision for expected losses).

For interest-bearing balance sheet items that are valued at fair value through profit or loss, interest income is recognised based on nominal interest.

OTHER INCOME

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

6. FINANCIAL ASSETS AND LIABILITIES

6-1. GENERAL POLICIES AND DEFINITIONS

RECOGNITION AND DERECOGNITION

Financial assets and liabilities are recognised in the balance sheet on the trading date, i.e. from such time Storebrand Boligkreditt AS becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial assets are booked on the transaction date and financial liabilities are booked on the settlement date. When a financial asset or a financial liability is initially recognised, it is measured at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to the cash flows from the asset are transferred in such a manner that virtually all of the risk and return associated with ownership of the asset is transferred.

Financial liabilities are derecognised once the contractual liabilities have been fulfilled, cancelled or have expired.

MODIFIED ASSETS AND LIABILITIES

If modifications or changes to the terms of an existing financial asset or liability are made, the instrument is treated as a new financial asset if the renegotiated terms differ materially from the old terms. If the terms differ significantly, the old financial asset or liability is derecognised and a new financial asset or liability is recognized. In general, a loan is considered to be a new financial asset if new loan documentation is issued, while a new credit process is being conducted with new loan terms

If the modified instrument is not considered to be significantly different from the existing instrument, in accounting terms, the instrument is considered to be a continuation of the existing instrument. In the case of a modification recognized as a continuation of existing instruments, the new cash flows are discounted using the instrument's original effective interest rate and any difference between the existing book value is recognized in profit and loss.

FAIR VALUE

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

According to IFRS 9, loan loss provisions are recognised on the basis of expected credit loss (ECL). The general model for impairments is used for financial assets that are measured at amortised cost or at fair value through other comprehensive income and for which no losses were determined at initial recognition. Loan commitments, financial guarantee contracts not measured at fair value through profit or loss, and lease receivables are also encompassed by the general model for impairments. The measurement of the provision for expected loss in the general model depends on whether the credit risk has increased significantly since initial recognition. On initial recognition and when the credit risk has not increased significantly since initial recognition, provisions must be made for the 12-month expected losses. The 12-month expected loss is the loss that is expected to occur over the lifetime of the instrument, but that can be linked to events occurring during the initial 12 months. If the credit risk has increased significantly since initial recognition, a loss provision must be made for expected losses over the full lifetime of the instrument. The expected credit losses are calculated on the basis of the present value of all cash flows over the remaining life expectancy, i.e. the difference between the contractual cash flows according to the contract and the cash flows expected to be received, minus the effective interest on the instrument.

Separate principles for impairment are used for issued loans, including renegotiated loans that are treated as new, and bought loans where there is accrued credit loss on initial recognition in the balance sheet. For these, an effective interest rate will be calculated that takes into account expected credit losses, and in the event of any changes in expected cash flows, the change will be discounted with the originally set effective interest rate and recognised in the income statement. For these assets, there is thus no need to monitor whether there has been a substantial increase in credit risk after initial recognition, as the expected losses over the entire lifetime are taken into account.

For loans with accrued credit losses, an interest income is calculated and presented based on effective interest from amortised cost. For loans without accrued credit losses, an interest income is calculated and presented based on the effective interest on the gross carrying amount before provisions for loss.

For accounts receivables without a significant financing component, a simplified model will be used. For these, provisions will be made for expected loss over the entire lifetime from initial recognition. Storebrand Boligkreditt AS has also chosen to use the simplified model as the accounting policy for accounts receivables with a significant financing component and lease receivables.

6-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

FINANCIAL ASSETS ARE CLASSIFIED AND MEASURED INTO ONE OF THE FOLLOWING CATEGORIES:

- Financial assets measured at amortised cost
- Financial assets measured at fair value with change in value through other income and costs, with a reclassification of accumulated gains and losses for the profit or loss
- Financial assets measured at fair value through profit or loss

FINANCIAL ASSETS CLASSIFIED AND MEASURED AT AMORTISED COST

A financial asset is classified and measured at amortised cost if it is:

- primarily procured or established to hold the asset in order to collect contractual cash flows, which are only payment of principal and interest on given dates.

Financial assets measured at amortised cost are recognised at amortised cost using the effective interest method.

FINANCIAL ASSETS CLASSIFIED AND MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, WITH A RECLASSIFICATION OF ACCUMULATED GAINS AND LOSSES FOR THE PROFIT OR LOSS

A significant share of Storebrand Boligkreditt AS' financial instruments are classified under the category of fair value through other comprehensive income (OCI). A financial asset is classified and measured at fair value through other comprehensive income when it is:

- primarily procured or established to hold the asset in order to collect contractual cash flows, which are only payment of principal and interest on given dates and for sale.

Financial assets in this category are recognised at fair value with change in value through other comprehensive income. For realisation of the instrument, accumulated changes in value from other comprehensive income are reclassified for the profit or loss. Associated interest income, foreign currency translation differences and any impairments are recognised in the ordinary profit or loss.

FINANCIAL ASSETS CLASSIFIED AND MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Storebrand Boligkreditt AS has financial instruments that are classified under the category of fair value through profit or loss for the following reasons:

- the financial assets are included in a portfolio that is continuously measured and reported at fair value,
- the financial assets have cash flows generated not only by interest and instalments on the principal, or that
- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities.

Interest income is recognised as income based on nominal interest, while other changes in value are presented as "Net change in value and gains / losses on currency and financial instruments".

Classification of financial instruments follows from note 15.

6-3. IMPAIRMENT - GENERAL METHOD

In order to estimate expected credit loss, models have been developed to calculate three indicators: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These models have been derived from similar models used for internal assessments of capital needs. The models used for IFRS 9 purposes are based on the current macroeconomic situation and forecasts, and the models for PD, LGD and EAD are thus point in time (PIT) models, as opposed to through the cycle (TTC) models, which are used for capital needs purposes. The risk parameters in IFRS 9 have also been calibrated to be even more forward-looking. Since the future is uncertain, different future scenarios are used to calculate PD, LGD and EAD for the commitments. The various future scenarios have different weights determined by their position in the economic cycle and the forecasts of future events and economic conditions. The final expected credit loss per commitment will be a weighted average of the expected credit losses in the various scenarios. Total expected credit loss for the portfolio is the sum of the weighted credit losses per commitment.

In the PD model, financial circumstances are a significant predictor, combined with behavioural data on the individual customer. The model is a statistical model based on logistic regression. Loan-to-value ratio is a significant factor in the LGD model. For EAD, the most significant factors are loan size for downpayment loans and credit limit for lines of credit. The models are validated annually. Forecasts affect the PD and LGD estimates in particular.

Storebrand Boligkreditt AS uses future scenarios to calculate expected credit losses. Storebrand Boligkreditt AS bases its future scenarios on the future scenarios presented by Norges Bank in its Financial Stability Report and assessments by Statistics Norway. The scenarios build on the current macroeconomic situation, macroeconomic forecasts, and the impact the macroeconomic situation is expected to have on the credit risk of the credit company's commitments. These expectations affect the probability of default, exposure at default, and loss given default.

Probability of default is affected by unemployment, wage growth and interest rates. Higher unemployment and interest rates result in weaker capacity to service debt in the portfolio, and lower wage growth also entails weaker capacity to service debt and thus increased PD. Macrovariables will have different effects on the risk parameters, and the impact will vary significantly for the individual customers in the portfolio. Average PD will increase during periods of economic downturn.

Periods of economic downturn will, in isolation, result in weaker growth in house prices, which will in turn impact the loan-to-value ratio and thus also LGD. For many commitments, the losses will be very small, given the existing market prices. The increase in LGD as a result of falling house prices is greater than the reduction in LGD when house prices are rising. Nonlinearities in ECL are taken into account by estimating ECL in a variety of scenarios.

Stress tests and sensitivity tests are used in the assessment of expected credit loss. Sensitivity assessments of stage migration are carried out by assessing the change in expected credit losses if certain commitments migrate from stage 1 to stage 2. Sensitivity analyses are carried out in ICAAP on a regular basis.

The portfolio's ECL is considered to be sensitive to changes in observed default, loss and expected maturity of the financial assets. There is also model uncertainty associated with the individual estimates. Among other things, the uncertainty relates to estimates of size and development of different macrovariables in the future in each macro-scenario, as well as the impact the different outlooks have on individual parameters.

DEFINITION OF DEFAULT

A facility/account is considered to be in default if the repayment instalments and/or interest on the loan is overdue by more than 90 days or credit limits have been overdrawn for more than 90 days and the amount is not insignificant. The threshold for what is considered a significant amount is NOK 2,000.

A facility/account is also considered to be in default if individual impairments are recorded on the commitment, cf. the section on the definition of credit loss.

Storebrand Boligkreditt AS assesses default at account/facility level for retail customers.

The definition of default is in accordance with internal credit risk assessments, credit risk models and reporting. The credit risk models have been developed at facility/account level in the retail market.

DEFINITION OF CREDIT LOSS

Credit loss is a loss that arises from a credit risk where the loss is the difference between the value of the contractual cash flow and the expected cash flow discounted by the original effective interest rate.

The expected credit loss is the difference between the present value of the contractual cash flow and the expected probability-weighted cash flow.

An expected credit loss is estimated either by means of an individual assessment (individual impairment) or by using statistical models (model-based impairment) to calculate the expected probability-weighted cash flow.

An individual assessment with subsequent booking of individual impairments is carried out for commitments with objective evidence of loss and that the event reduces the future cash flows of the commitment. Individually assessed commitments are moved to stage 3 (see a more detailed description of stage 3 below). Objective loss incidents can be significant financial problems involving a debtor, defaults, debt and/or bankruptcy proceedings for the debtor, or that this is probable, or forbearance caused by financial problems. The calculation of cash flow and the impairments are assessed based on the expected values.

For other commitments, expected credit loss is estimated using model-based impairment. The commitments are divided into different stages (see the section below on calculating expected credit loss). Model-based impairment depends on the stage to which the commitment belongs, parameter estimates for PD, EAD, and LGD and expected maturity.

CALCULATING EXPECTED CREDIT LOSSES

The classification and changing of stages are described below.

Stage 1

The starting point for all financial assets is stage 1. Stage 1 encompasses all financial assets that do not have substantially higher credit risk than at initial recognition. Financial assets with low credit risk will always be in stage 1. A low credit risk includes facilities/accounts in the retail market with a 12 month probability of default of less than 0.75%. For corporate market commitments, a low credit risk is defined as a 12 month probability of default at customer level of less than 0.75%. In stage 1, expected credit loss is calculated over 12 months.

Stage 2

Stage 2 consists of financial assets where there has been a significant increase in credit risk since initial recognition, but that are not in default or where there is objective evidence of loss. For financial assets in stage 2, expected credit loss is calculated over the expected term of the loan. The expected term deviates from the contractual term and is estimated on the basis of historically observed term.

Stage 3

Stage 3 includes financial assets that are in default and/or which have objective evidence of loss. For commitments that have objective evidence of loss, an assessment of whether there must be individual impairment is carried out. For other commitments without individual impairment, the expected credit loss is calculated over the expected maturity of the asset.

Migrating to a lower stage

A commitment that no longer meets the criterion for stage 2 is moved to stage 1. The risk models ensure that there has been a sufficiently long period of payment before reducing and returning the risk to stage 1. A commitment in stage 3 can be moved both to stage 2, if stage 2 criteria are met, or directly to stage 1 once the criteria for stage 3 are no longer met.

SUBSTANTIAL INCREASE IN CREDIT RISK

Substantial increase in credit risk is assessed on the basis of the commitment's probability of default at the time of measurement compared with initial recognition. The assessment is based on both changes in probability of default during the expected lifetime and changes in probability of default in the next 12 months. The assessments are based on absolute changes and relative changes. A criterion for relative change is a doubling of the probability of default over the expected maturity of the asset, and absolute change is an increase of 1.5 percentage points in the probability of default over the next 12 months. Both assessments are made at the time of measurement in relation to the time of initial recognition.

Commitments for which scheduled payment is overdue by 30 days or more are assessed, irrespective of whether this has caused a significant increase in the credit risk. The same applies to loans for which temporary postponement of payment has been granted (forbearance).

EXPECTED MATURITY

Expected maturity is estimated for various commitments. Expected maturity is significant because for commitments with a substantial increase in credit risk, including defaulted commitments, i.e. commitments in stage 2 and stage 3, expected credit loss shall be calculated over the expected maturity of the commitments.

The overall probability of default increases over the time horizon being measured, and the expected credit loss over the expected maturity of the commitment is therefore higher than the expected credit loss over one year, provided that the loan's remaining expected maturity is more than 12 months.

Expected maturity is calculated for different products. Expected maturity is estimated at around 5 years for downpayment loans and 6 years for lines of credit. The expected maturity at the time of loan approval is estimated at 9 years for credit cards and 9 years for credit accounts. Expected maturity is also contractual maturity for top-up loans (loan share greater than LTV of 70%), building credit and bridging loans. Expected maturity is reassessed and validated regularly. Expected maturity is reassessed and validated regularly.

For ongoing commitments, expected maturity is adjusted by a maturity coefficient: The maturity coefficient is the ratio of expected maturity to contractual maturity. The remaining expected maturity is the expected maturity of the product multiplied by the maturity coefficient.

CATEGORISATION INTO PORTFOLIOS

The retail market portfolio consists of housing loans and housing credits.

6-4. DERIVATIVES

Derivatives that do not meet the criteria for hedging are classified and measured at fair value through profit or loss. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

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

6-5. HEDGE ACCOUNTING

FAIR VALUE HEDGING

Storebrand Boligkreditt AS uses fair value hedging, where the items hedged are financial assets and liabilities measured at amortised cost. Derivatives are recognised at fair value through profit or loss. Changes in the value of the hedged item that are attributable to the hedged risk adjust the carrying amount of the hedged item and are recognised through profit or loss.

6-6. FINANCIAL LIABILITIES

Following initial recognition, all financial liabilities are measured at amortised cost using an effective interest method, or at fair value when following up the instrument on a fair value basis.

7. TAX

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

Deferred tax is calculated on the basis of the company's tax loss carryforwards, deductible temporary differences and taxable temporary differences. Any deferred tax asset is recognised if it is considered probable that the tax asset will be recovered. Deferred tax assets and liabilities are recognized as a net amount when there is a legal right to offset taxable assets and liabilities and the company is capable of and intends to settle net current taxes.

Changes in deferred tax assets and liabilities due to changes in tax rates are recognised as a starting point in the income statement.

8. PROVISION FOR GROUP CONTRIBUTIONS

In accordance with IAS 10 which pertains to events after the balance sheet date, proposed group contributions are to be classified as equity until approved by the general meeting.

9. STATEMENT OF CASH FLOWS

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

Note 2 – Important accounting estimates and judgements

In preparing the company's financial statements, the management are required to make judgements, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis, and are based on historical experience and expectations of future events and represent the management's best judgement at the time the financial statements were prepared. Actual results may differ from these estimates.

The company's critical estimates and judgements that could result in material adjustment of recognised amounts are discussed below.

COVID-19

Covid-19 and the uncertain macroeconomic situation lead to greater uncertainty related to more estimates by the end of 2020 than the situation before the start of the pandemic. There is still great uncertainty associated with the spread of Covid-19 and the consequences for society. The uncertainty in the cash flows associated with expected loan losses has consequently also increased.

LOAN WRITE-DOWNS

For loans valued at amortised cost or at fair value through other comprehensive income, loss provisions are recognised based on the Expected Credit Loss (ECL) in accordance with the general method. The models used for IFRS 9 are based on the current macroeconomic situation and forecasts, and the models for probability of default (PD), loss given default (LGD) and exposure at default (EAD) are thus point in time (PIT) models. Future scenarios are used to calculate PD, LGD and EAD for the commitments.

Forecasts affect the PD and LGD estimates in particular.

Among other things, PD is affected by unemployment, wage growth and interest rates. Periods of economic downturn will, in isolation, result in weaker growth in house prices, which will in turn impact the loan-to-value ratio and thus also LGD.

The portfolio’s ECL is considered to be sensitive to changes in observed default, loss and expected maturity of the financial assets. There is also model uncertainty associated with the individual estimates. Among other things, the uncertainty relates to estimates of size and development of different macrovariables in the future in each macro-scenario, as well as the impact the different outlooks have on individual parameters.

FINANCIAL INSTRUMENTS AT FAIR VALUE

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

Reference is otherwise made to Note 8 in which the valuation of financial instruments at fair value is described in more detail.

INTANGIBLE ASSETS

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

CONTINGENT LIABILITIES

The company can be a party in legal disputes. Contingent liabilities are assessed in each case and will be based on legal considerations.

Note 3 - Risk Management

Continuous monitoring and active risk management are core areas of the bank’s activities and organisation. The strategy and planning process provides guidance for the business for the next few years. The board determines the risk appetite and risk limits for the different forms of risk on an annual basis.

ORGANISATION OF RISK MANAGEMENT

The board of Storebrand Boligkreditt AS has ultimate responsibility for monitoring and managing the organisation's risks. The board determines the annual risk appetite and risk strategy as well as ceilings and guidelines for the risks taken by the business, receives reports of actual risk levels and provides a forward assessment of risks.

The CEO is responsible for the company operating within the risk limits stipulated by the board. The CEO has the overall responsibility for implementing risk management routines.

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

FIRST LINE OF DEFENCE

Storebrand Boligkreditt AS has entered into an agreement with Storebrand Bank ASA regarding terms and conditions for the purchase, transfer and management of loans. The company's tasks are performed by employees of Storebrand Bank ASA and other companies in the Storebrand Group. The services purchased are regulated through service agreements and price agreements that are updated annually.

At the Storebrand Group, responsibility for risk management and internal control is an integral part of management responsibility. Managers at all levels of the company are responsible for risk management within their own area of responsibility. Good risk management requires targeted work on objectives, strategies and action plans, identification and assessment of risks and events, documentation of processes and routines, prioritisation and implementation of improvement measures, and good communication, information and reporting.

A high level of awareness of risks and risk management are vital elements of the group's culture.

The CEO of Storebrand Boligkreditt AS submits an annual confirmation documenting the unit's risk management activities.

SECOND LINE OF DEFENCE

Storebrand Boligkreditt AS has independent control functions for the company's risk management (Chief Risk Officer, CRO) and for compliance (Chief Compliance Officer, CCO). The CRO and CCO are directly subordinate to the CEO and both report directly to the board of the company. The independent control functions are affiliated with the group CRO, who is in turn responsible to the group CEO and reports to the board of Storebrand ASA.

THIRD LINE OF DEFENCE

Internal auditing is under the direct authority of the board and is intended to give the board confirmation of the appropriateness and effectiveness of the organisation's risk management, including how the lines of defence are functioning.

Note 4 - Credit risk

Credit risk is the risk of loss associated with customers or counterparties not fulfilling their debt obligations. The risk includes risk associated with lending to customers and counterparty risk on bank deposits, securities and financial derivatives. Credit risk includes potential concentration risk in the loan portfolio. Credit risk is the most significant risk.

RISK MANAGEMENT

All loans of Storebrand Boligkreditt AS are granted in Storebrand Bank ASA. Credit risk is assessed in relation to the capacity and willingness of customers, including any co-participants, to service debt and potential security. The bank uses credit risk models to conduct risk classifications of customers with regard to probability of default (PD) and loss given default (LGD) and expected exposure resulted in default (EAD). The credit assessments are mainly assessed in automated and semi-automated processes with automatic calculations.

The bank's routines for credit management are set forth in credit manuals. The credit manuals are primarily designed for account managers and others who are involved in case management processes. The credit manuals contain common guidelines for the bank group's credit activities, and are intended to ensure uniform and consistent credit management practices.

Counterparty risk in connection with bank deposits, securities and financial derivatives with counterparties is included under credit risk and is managed according to a specific policy on the basis of an assessment of the counterparty's repayment capacity, rating and amount under management.

The CRO reports to the board on credit risk trends on an ongoing basis.

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

MAXIMUM CREDIT EXPOSURE

NOK million	Book value	Guarantees, unused credits and loan commitments	2020 Maximum credit exposure	2019 Maximum credit exposure
Loans to and deposits wiht credit institutions	8.3		8.3	6.8
Interest-bearing securities at amortised cost	41.7		41.7	42.5
Total financial instruments at amortised cost	**50.0**	**0.0**	**50.0**	**49.3**
Interest-bearing securities at fair value through profit and loss	1,456.1		1,456.1	100.7
Total financial instruments at fair value through profit and loss	**1,456.1**	**0.0**	**1,456.1**	**100.7**
Loans to customers at fair value through other comprehensive income (OCI)	21,069.7		21,069.7	20,404.9
Total financial instruments at fair value through other comprehensive income (OCI)	**21,069.7**	**0.0**	**21,069.7**	**20,404.9**
Gross exposure with credit risk	**22,575.8**	**0.0**	**22,575.8**	**20,555.0**
Loan loss provisions	-4.1		-4.1	-1.6
Net exposure with credit risk	**22,571.6**	**0.0**	**22,571.6**	**20,553.4**
Other current assets without credit risk	15.8			
Total assets	**22,587.5**			

CREDIT RISK LIQUIDITY PORTFOLIO

INTEREST-BEARING SECURITIES AT FAIR VALUE
CREDIT RISK PER COUNTERPARTY

Short-term holdings of interest-bearing securities
Issuer category

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2020 Fair value	Total 2019 Fair value
Mortgage and asset backed bonds	1,456.1					1,456.1	
Total	**1,456.1**	**0.0**	**0.0**	**0.0**	**0.0**	**1,456.1**	**0.0**
Rating classes are based on Standard & Poors.							
Change in value:							
Total change in value on the balance sheet	0.8					0.8	-0.1
Change in value recognised int the profit and loss during the period	0.9					0.9	-0.1

INTEREST-BEARING SECURITIES AT AMORTISED COST
CREDIT RISK PER COUNTERPARTY

Short-term holdings of interest-bearing securities
Issuer category

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2020 Fair value	Total 2019 Fair value
Public issuers and Government Guaranteed Bonds	41.7					41.7	
Total	**41.7**	**0.0**	**0.0**	**0.0**	**0.0**	**41.7**	**0.0**

Rating classes are based on Standard & Poors.

CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

CREDIT RISK PER COUNTERPARTY

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2020 Fair value	Total 2019 Fair value
Norway		6.1				6.1	4.9
Denmark			2.2			2.2	2.0
Total	**0.0**	**6.1**	**2.2**	**0.0**	**0.0**	**8.3**	**6.8**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

Mortgage customers are assessed in relation to their ability and willingness to repay the loan. Ability to pay is calculated and a risk assessment of customers is made at the time of application. The loan-to-value ratio for customers of Storebrand Boligkreditt AS is less than 75% at the time of transfer from Storebrand Bank ASA.

Storebrand Boligkreditt AS provides loans with residential property as security. There is some volume where some or all of the security is in holiday and leisure property. For this type of security, the maximum loan-to-value ratio at the time of transfer is 60%.

When loans are entered into, information of significance to the value of the home is obtained. Updated, independent valuations of homes are obtained every quarter from the property valuation company Eiendomsverdi AS. For homes where Eiendomsverdi AS does not have an up-to-date valuation (such as housing cooperative apartments, owner-tenant apartments and some leisure properties) the most recent updated market value is used until further notice. Where Eiendomsverdi AS cannot determine the market value of a property with a high degree of certainty, a ”haircut” is used so as to reduce the risk of giving an inflated estimate of market value. If Eiendomsverdi AS has never had information about the home's market value, the value registered on entering into the contract will be used. A list of collateral that has had no value update in the last three years is regularly reviewed so as to initiate measures to reduce the number of items on the list.

Average loan-to-value ratio in Storebrand Boligkreditt AS' portfolio is 53 percent, and approximately 99 percent of mortgages have a loan-to-value ratio within 80 percent. More than 57 percent of mortgages have a loan-to-value ratio within 60 percent in the company. The credit quality in the lending portfolio is therefore considered to be good.

The security in Storebrand Boligkreditt AS is security on residential property. Security for the portfolio is assessed as being extremely good. Security for matured loans is also considered good.

Security for private-customer defaulted loans without value loss is good. Average weighted loan-to-value ratio for these loans is approximately 50%, and the largest observed loan-to-value ratio for loans in default at the end of December 2020 is 68%. Security pledged in the retail market is sold. It is not overtaken by the bank.

Historically observed default frequency and realised losses for loans with credit risk classification from and including risk class A up to and including risk class D are virtually 0. Therefore, loans in risk classes A-D (equivalent to probability of default of up to 0.75%) are considered low-risk loans, and are in stage 1. The exceptions are loans in arrears/overdrafts in excess of 30 days, loans with forbearance and loans with objective evidence of loss.

The company uses three scenarios when calculating the expected loss in accordance with the regulations. The base case scenario is the most probable future development and is in line with expectations published by Norges Bank.
The worst case scenario corresponds to the stress scenario that is used as a basis for ICAAP. Macro amounts in the worst case scenario follow assumptions published by the Financial Supervisory Authority of Norway.

COMMITMENTS PER CUSTOMER GROUP

		2020	
NOK million	Loans to customers at fair value through OCI	Undrawn credit limits	Total commitments
Wage-earners	20,984.2	1,079.0	22,063.2
Other	0.7		0.7
Rest of world	84.8	11.7	96.5
Total	**21,069.7**	**1,090.7**	**22,160.4**
Provision for expected loss Stage 1	-0.8		-0.8
Provision for expected loss Stage 2	-2.0		-2.0
Provision for expected loss Stage 3	-1.4		-1.4
Total loans to and due from customers	**21,065.6**	**1,090.7**	**22,156.3**

		2019	
NOK million	Loans to customers at fair value through OCI	Undrawn credit limits	Total commitments
Wage-earners	20,317.0	1,217.5	21,534.6
Other	0.8		0.8
Rest of world	87.1	11.7	98.8
Total	**20,404.9**	**1,229.2**	**21,634.2**
Provision for expected loss Stage 1	-0.3		-0.3
Provision for expected loss Stage 2	-0.6		-0.6
Provision for expected loss Stage 3	-0.8		-0.8
Total loans to and due from customers	**20,403.3**	**1,229.2**	**21,632.6**

Undrawn credit limits relate to the unused portion of credit limits on residential mortgage loans.

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

AVERAGE VOLUME COMMITMENTS PER CUSTOMER GROUP

	2020		
NOK million	Average volume loans to and deposits from customers *)	Average volume undrawn credit limits	Total average commitments
Wage-earners	20,650.6	1,148.3	21,798.9
Other	0.8		0.8
Rest of world	85.9	11.7	97.6
Total	**20,737.3**	**1,160.0**	**21,897.3**

*) Based on total loans per 31 December 2020.

	2019		
NOK million	Average volume loans to and deposits from customers *)	Average volume undrawn credit limits	Total average commitments
Wage-earners	19,364.9	1,304.4	20,669.3
Rest of world	79.7	10.8	90.5
Total	19,444.6	1,315.2	20,759.8
Sum	**19,445.5**	**1,315.2**	**20,760.6**

*) Based on total loans per 31 December 2019.

COMMITMENTS PER GEOGRAPHICAL AREA

	2020		
NOK million	Loans to customers at fair value through OCI	Undrawn credit limits	Total commitments
Eastern Norway	16,856.9	832.5	17,689.3
Western Norway	2,589.9	188.4	2,778.3
Southern Norway	326.8	14.8	341.6
Mid-Norway	527.3	21.1	548.3
Northern Norway	690.5	22.3	712.8
Rest of world	78.3	11.7	90.0
Total	**21,069.7**	**1,090.7**	**22,160.4**

(NOK mill.)	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Model based provisions for loan losses *)	Net defaulted and loss-exposed loans
Eastern Norway	25.5	0.3	25.8		0.2	25.5
Western Norway	6.0	7.1	13.0	0.7		12.3
Mid-Norway	1.6	0.4	2.1	0.4		1.6
Total	**33.1**	**7.8**	**40.9**	**1.2**	**0.2**	**39.5**

*) Model based provisions are used for defaulted loans without impairment. Stage 3 provisions consist of these provisions, and provisions for defaulted loans with impairment.

NOK million	Loans to customers at fair value through OCI	2019 Undrawn credit limits	Total commitments
Eastern Norway	15,522.8	903.2	16,426.0
Western Norway	2,882.3	209.1	3,091.4
Southern Norway	335.0	16.9	351.9
Mid-Norway	492.7	17.1	509.8
Northern Norway	718.3	26.3	744.7
Rest of world	453.8	56.5	510.4
Total	**20,404.9**	**1,229.2**	**21,634.2**

NOK million	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Model based provisions for loan losses *)	Net defaulted and loss-exposed loans
Eastern Norway	26.6	0.5	27.1	0.2	0.1	26.8
Western Norway	2.2	3.1	5.3	0.1		5.2
Mid-Norway	0.1	0.4	0.5	0.4		0.1
Rest of world	1.9		1.9			1.9
Total	**30.7**	**4.1**	**34.8**	**0.7**	**0.1**	**34.0**

*) Model based provisions are used for defaulted loans without impairment. Stage 3 provisions consist of these provisions, and provisions for defaulted loans with impairment.

TOTAL COMMITMENTS AMOUNT BY REMAINING TERM TO MATURITY

NOK million	Loans to customers at fair value through OCI	2020 Undrawn credit limits	Total commitments
Up to 1 month	1.0	2.0	3.0
From 1 month up to 3 months	25.3	23.2	48.5
From 3 months up to 1 year	176.7	117.6	294.3
From 1 year up to 5 years	742.4	444.6	1,186.9
More than 5 years	20,124.4	503.3	20,627.6
Total	**21,069.7**	**1,090.7**	**22,160.4**

NOK million	Loans to customers at fair value through OCI	2019 Undrawn credit limits	Total commitments
Up to 1 month	4.7	3.6	8.3
From 1 month up to 3 months	11.0	4.8	15.8
From 3 months up to 1 year	108.1	58.2	166.4
From 1 year up to 5 years	1,051.2	572.6	1,623.8
More than 5 years	19,229.9	589.9	19,819.8
Total	**20,404.9**	**1,229.2**	**21,634.2**

AGE DISTRIBUTION OF OVERDUE COMMITMENTS WITHOUT IMPAIRMENT

	2020	
NOK million	Loans to customers at fair value through OCI	Total commitments
Overdue 1 - 30 days	114.4	114.4
Overdue 31 - 60 days	23.1	23.1
Ovedue 61- 90 days	9.4	9.4
Overdue more than 90 days	33.1	33.1
Total	**180.0**	**180.0**
Commitments overdue more than 90 days (loss-exposed) by geographical area:		
Eastern Norway	25.5	25.5
Western Norway	6.0	6.0
Mid-Norway	1.6	1.6
Total	**33.1**	**33.1**

	2019	
NOK million	Loans to customers at fair value through OCI	Total commitments
Overdue 1 - 30 days	95.4	95.4
Overdue 31 - 60 days	17.4	17.4
Ovedue 61- 90 days	15.5	15.5
Overdue more than 90 days	30.7	30.7
Total	**159.0**	**159.0**
Commitments overdue more than 90 days (loss-exposed) by geographical area:		
Eastern Norway	26.6	26.6
Western Norway	2.2	2.2
Mid-Norway	0.1	0.1
Rest of world	1.9	1.9
Total	**30.7**	**30.7**

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

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 thee 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 loans and the rest of the customer's commitments are considered as non-performing.

CREDIT RISK BY CUSTOMER GROUP

	2020						
NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for expected loan loss provisions stage 3 *)	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	7.8	33.1	40.9	1.4	39.5		0.6
Total	**7.8**	**33.1**	**40.9**	**1.4**	**39.5**	**0.0**	**0.6**

*) Individual and model based provisions are included. Only provisions on defaulted loans, with and without impairment.

	2019						
NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for expected loan loss provisions stage 3 *)	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Wage-earners	4.1	30.7	34.8	0.8	34.0		0.5
Total	**4.1**	**30.7**	**34.8**	**0.8**	**34.0**	**0.0**	**0.5**

*) Individual and model based provisions are included. Only provisions on defaulted loans, with and without impairment.

OVERVIEW OF LOAN LOSS PROVISIONS AND SECURITIES ON LOANS IN STAGE 3

	2020				
NOK million	Gross amount	Loan loss provisions	Net value	Value of collateral	Type of collateral
Non-performing loans without evidence of impairment					
- retail exposures secured by mortgages on immovable property	33.1	-0.2	32.9	83.1	residential property
Total non-performing loans without evidence of impairment	**33.1**	**-0.2**	**32.9**		
Loss-exposed loans with evidence of impairment					
- retail exposures secured by mortgages on immovable property	7.5	-1.1	6.4	17.6	residential property
- other exposures including SME exposures	0.3	-0.1	0.2		
Total loss-exposed loans with evidence of impairment	**7.8**	**-1.2**	**6.6**		

The company has loans of NOK 23.1 million in stage 3 where no loan loss provisions have been made due to the value of collateral.

	2019				
NOK million	Gross amount	Loan loss provisions	Net value	Value of collateral	Type of collateral
Non-performing loans without evidence of impairment					
- retail exposures secured by mortgages on immovable property	30.7	-0.1	30.6	59.1	residential property
Total non-performing loans without evidence of impairment	**30.7**	**-0.1**	**30.6**		
Loss-exposed loans with evidence of impairment					
- retail exposures secured by mortgages on immovable property	3.8	-0.6	3.1	14.7	residential property
- other exposures including SME exposures	0.3	-0.1	0.2		
Total loss-exposed loans with evidence of impairment	**4.1**	**-0.7**	**3.4**		

The company has loans of NOK 19.9 million in stage 3 where no loan loss provisions have been made due to the value of collateral.

LOAN-TO-VALUE RATIO, SECURED LOANS

		2020		
NOK million	Distribution in per cent	Book value (gross)	Unused credit limits	Total commitments
0% - 40%	27.2 %	4,999.2	1,023.7	6,023.0
40% - 60%	31.9 %	7,013.7,	62.0	7,075.8
60% - 80%	39.8 %	8,806.7	4.9	8,811.6
80% - 90%	0.6 %	139.8		139.8
90% - 100%	0.3 %	69.2		69.2
> 100%	0.2 %	40.7		40.7
Total secured loans	**100 %**	**21,069.4**	**1,090.7**	**22,160.1**
Loan commitments and financing certificates, secured				
Total secured loans incl. loan commitments and financing certificates		**21,069.4**	**1,090.7**	**22,160.1**

		2019		
NOK million	Distribution in per cent	Book value (gross)	Unused credit limits	Total commitments
0% - 40%	26.8 %	4,663.3	11,32.2	5,795.5
40% - 60%	27.2 %	5,790.9	87.7	5,878.6
60% - 80%	44.5 %	9,618.3	8.9	9,627.2
80% - 90%	1.1 %	231.3	0.4	231.7
90% - 100%	0.3 %	61.5		61.5
> 100%	0.2 %	39.4		39.4
Total secured loans	**100 %**	**20,404.6**	**1,229.2**	**21,633.9**
Loan commitments and financing certificates, secured				
Total secured loans incl. loan commitments and financing certificates		**20,404.6**	**1,229.2**	**21,633.9**

RISK RELATED TO SECURED LOANS

		2020		
NOK million	Distribution in per cent	Book value (gross)	Unused credit limits	Total commitments
Low risk	94.2 %	1,9795.3	1,088.6	20,884.0
Medium risk	5.2 %	1,144.8	2.1	1,146.8
High risk	0.4 %	88.7		88.8
Non-performing and loss-exposed loans incl. loans with evidence of impairment	0.2 %	40.6		40.6
Total secured loans	**100 %**	**21,069.4**	**1,090.7**	**22,160.1**
Loan commitments and financing certificates, secured				
Total secured loans incl. loan commitments and financing certificates		**21,069.4**	**1,090.7**	**22,160.1**

		2019		
NOK million	Distribution in per cent	Book value (gross)	Unused credit limits	Total commitments
Low risk	92.6 %	18,809.0	1,227.3	20,036.3
Medium risk	6.7 %	1,444.1	1.9	1,446.0
High risk	0.5 %	1,17.1	0.0	117.1
Non-performing and loss-exposed loans incl. loans with evidence of impairment	0.2 %	34.5		34.5
Total secured loans	**100 %**	**20,404.6**	**1,229.2**	**21,633.9**
Loan commitments and financing certificates, secured				
Total secured loans incl. loan commitments and financing certificates		**20,404.6**	**1,229.2**	**21,633.9**

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

	Liquidity portfolio	
NOK million	2020	2019
Book value maximum exposure for credit risk	1,456.1	100.7
This year's change in fair value of financial assets due to change in credit risk	1.6	0.0
Accumulated change in fair value of financial assets due to change in credit risk	0.4	-1.2

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

CREDIT RISK DERIVATIVES

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

CREDIT RISK PER COUNTERPARTY

	2020					
	AAA	AA	A	BBB	NIG	Total 2020
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway						0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Rating classes are based on Standard & Poors.

Change in value:						
Total change in value on the balance sheet						0.0
Change in value recognised in the profit and loss during the period						0.0

	2019					
	AAA	AA	A	BBB	NIG	Total 2020
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway						0,0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Rating classes are based on Standard & Poors.

Change in value:						
Total change in value on the balance sheet						0.0
Change in value recognised in the profit and loss during the period			-39.5			-39.5

INTEREST RATE SWAPS AND BASIS SWAPS

Derivatives are entered into for hedging purposes. Derivative transactions are entered into with counterparties that are "investment grade" rated.

Note 5 - Liquidity risk

Liquidity risk is the risk that the company will be unable to refinance its obligations or that the company will not be able to refinance its obligations without incurring substantial additional expenses.

The company’s policy for liquidity risk describes principles for liquidity management and specifies stress testing, minimum liquidity holdings and indicators for measuring liquidity risk. Stress tests are used to identify anticipated effects of various scenarios in the balance sheet and cash flows. Results of the stress tests are applied when assessing the framework for liquidity risk. A contingency plan is drawn up annually to safeguard proper management of the liquidity situation during stressful periods.

The company’s liquidity is affected by relatively few large amounts falling due for payment on bonds. In order to ensure a sound liquidity situation, the company will as far as possible take up so-called soft bullet bonds, on which the due date can be extended by up to a year. There will also be limits to how large each amount due for payment can be. Due dates for new borrowing by Storebrand Boligkreditt AS must always be planned in such a way that no breach of any of the liquidity targets in any future period may be anticipated.

The Treasury function at Storebrand Bank ASA is responsible for the bank group’s liquidity management and the bank’s Middle Office monitors utilization of the ceilings in accordance with liquidity policy, while the CRO group reports to the board of Storebrand Boligkreditt AS.

NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILITIES

NOK million	0 - 6 months	7 months - 12 months	2 - 3 years	4 - 5 years	More than 5 years	Total	Book value
Loans and deposits from credit institutions	1,712.7					1,712.7	1,712.7
Debt securities issued and bonds issued	1,164.9	84.4	8,366.7	10,204.0		19,820.0	19,243.1
Other liabilities	16.0					16.0	16.0
Undrawn credit limits	1,090.7					1,090.7	
Total financial liabilities 2020	**3,984.4**	**84.4**	**8,366.7**	**10,204.0**	**0.0**	**22,639.5**	**20,971.9**
Derivatives related to liabilites 31.12.2020							
Total financial liabilities 2019	8,392.9	150.7	8,382.5	4,047.1	0.0	20,973.2	19,023.9

The amounts include accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2020 are used to calculate interest for lending with FRN conditions.
The maturity overview does not take account of the fact that the loans have extended due date, i.e. the original maturity date is used.

LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

NOK million	2020	2019
Loans to and deposits with credit institutions without fixed maturity at amortised cost	1,712.7	4,467.4
Total loans to and deposits with credit institutions at amortised cost	**1,712.7**	**4,467.4**

Loans to and deposits with credit institutions consist of drawn amount on the credit facility in Storebrand Bank ASA.
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 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 provide a minimum capacity to cover at least interests and payments on covered bonds and derivatives the following 31 days. In 2020 all covenants are fulfilled.

COVERED BONDS

NOK million

ISIN CODE	Nominal value	Currency	Maturity 1)	Book value
NO0010760192	1,067.0	NOK	16.06.2021	1,068.5
NO0010786726	4,000.0	NOK	15.06.2022	4,008.3
NO0010813959	4,000.0	NOK	20.06.2023	4,003.1
NO0010873177	5,000.0	NOK	19.06.2024	4,997.0
NO0010894199	5,000.0	NOK	25.06.2025	5,166.2
Total commercial papers and bonds issued 2020 2)	**19,067.0**			**19,243.1**
Total commercial papers and bonds issued 2019 2)	14,500.0			14,538.5

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

2) For covered bonds (OMFs) 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. See note 20. In 2020 all covenants are fulfilled.

FINANCING ACTIVITIES - CHANGES DURING THE YEAR

2020

NOK million	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2020	4,467.4	14,538.5
New loans / bond debt issued	1,711.6	10,175.0
Repayment of loans/liabilites	-4,467.4	-5,433.0
Changes in accrued interest	1.1	-37.4
Book value 31.12.2020	**1,712.7**	**19,243.1**

2019

NOK million	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2019	3,001.7	14,333.4
New loans / bond debt issued	1,465.7	1,500.0
Repayment of loans/liabilites		-1,290.0
Changes in accrued interest		-4.9
Book value 31.12.2019	**4,467.4**	**14,538.5**

Note 6 - Market risk

Market risk is risk of a change in value due to financial market prices (such as interest rates, exchange rates, credit spreads) or volatility differing from what was expected.

Risk policies for interest rate and currency risk set ceilings for market risk. Credit spread risk is regulated through ceilings on investments. The company may be exposed to currency risk to a minor extent. Storebrand Boligkreditt AS has no obligations or property in any foreign currency as at 31.12.2020.

The company's market risk is mainly managed and controlled through daily monitoring of risk exposure with regard to the policies and ongoing analyses of outstanding positions.

The ceilings for exposure are reviewed and renewed by the board at least once per year. The positioning of the ceilings is determined on the basis of stress tests and analyses of market movements.

Middle Office in the bank is responsible for the ongoing, independent monitoring of market risk. Risk control of market risk is performed, among other things, by monthly reports on indicators of market risk. Market risk indicators that are followed are described in the interest rate risk policy and currency risk policy and are included in the CRO's ongoing reporting to the board.

For changes in market risk that occur during the first year, the effect on the result and equity will be as shown below based on the balance sheet as of 31 December 2020:

EFFECT ON ACCOUNTING INCOME

NOK million	2020	2019
Interest -1,0%	-3.2	17.5
Interest +1,0%	3.2	-17.5

EFFECT ON ACCOUNTING PROFIT/EQUITY [1)]

NOK million	2020	2019
Interest -1,0%	-3.2	17.5
Interest +1,0%	3.2	-17.5

1) Before taxes

FIANCIAL INTEREST RATE RISK

NOK million	2020	2019
Interest -1,0%	-11.0	-12.0
Interest +1,0%	11.0	12.0

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

Note 7 - Operational risk

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. Operational risk is defined as the risk of financial loss or damaged reputation due to inadequate or failing internal processes, control routines, systems, human error, or external events.

The company seeks to reduce operational risk through an effective system for internal control with (1) clear descriptions of responsibilities, (2) clear routines, and (3) documented powers of attorney/authority. Risks are monitored through the management's risk review, with documentation of risks, measures and follow-up of events. In addition, internal audit carries out an independent control in accordance with audit projects adopted by the Board.

The CRO supports the risk review process and is responsible for compiling and reporting the area's risk scenario, following up on improvement measures and checking that risk registration is up to date in Easy Risk Manager (ERM). The results of the process are reported to the board of the company.

In order to be able to identify problem areas internally, the Storebrand Group has implemented routines for ongoing reporting of events to the CRO, who is responsible for logging and follow-up of reported events. The CRO reviews significant events with the board of the company.

In connection with monthly, quarterly and annual accounts, the bank's staff functions perform various checks and reconciliations so as to control and reduce operational risk. The compliance function and internal auditor also make spot checks in a number of the bank's most important work processes. The results of these are reported to the company's board.

Pursuant to the management agreement between Storebrand Bank ASA and Storebrand Boligkreditt AS, the bank is responsible for establishing and managing loans in the company. The agreement is followed-up by the company through daily controls of the balance, random checks of batch transfers from the bank to the company and in connection with monthly reports to the external investigator.
In addition, there is follow-up of the development of risk classes and defaults in the monthly risk reports.

The bank group's IT systems are vital for credit approval in the bank and for portfolio follow-up and accounting in the company. Errors can have consequences for the operation of the company and may impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced. The bank's system platform that is used by Storebrand Boligkreditt AS is based on purchased standard systems operated and monitored through service agreements. The bank group has established an intragroup management model with close supplier follow-up and internal control activities to ensure that development, management and operations provide complete, precise and reliable financial reporting.

COMPLIANCE RISK

Compliance risk is the risk of the company incurring public sanctions or financial loss as a result of non-compliance with external or internal rules. The bank's independent control function for regulatory compliance (CCO) is responsible for supporting the company's board and management in the work on complying with relevant laws and regulatory provisions.

Note 8 - 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 collected from Reuters, Bloomberg and Nordic Bond Pricing. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

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

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

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

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS
Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1.

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
Investments classified as level 3 comprises variable home loans. The value of variable home loans is determined by discounting cash flows over the remaining maturity using the current discount rate. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the maturity of the underlying loan.

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

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

	Level 1	Level 2	Level 3		
NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	Book value 31.12.2020	Book value 31.12.2019
Mortgage and asset backed bonds		1,456.1		1,456.1	100.7
Total bonds 31.12.2020	**0.0**	**1,456.1**	**0.0**	**0.0**	
Total bonds 31.12.2019		100.7			

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

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

	Level 1	Level 2	Level 3		
NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	Book value 31.12.2020	Book value 31.12.2019
Net loans to customers - retail market			21,065.6	21,065.6	20,403.3
Total net loans to customers	**0.0**	**0.0**	**21,065.6**	**21,065.6**	**20,403.3**

SPECIFICATION OF SECURITIES PURSUANT TO VALUATION TECHNIQUES (LEVEL 3 -NON-OBSERVABLE ASSUMPTIONS)

NOK million	Loans to customers at fair value through other comprehensive income (OCI)
Book value 01.01.2020	20,403.3
Net gains/losses on financial instruments	-2.6
Supply / disposal	7,425.1
Sales / due settlements	-6,760.3
Book value 31.12.2020	**21,065.5**

NOK million	Loans to customers at fair value through other comprehensive income (OCI)
Book value 01.01.2019	18,484.8
Net gains/losses on financial instruments	-0.3
Supply / disposal	7,855.7
Sales / due settlements	-5,936.8
Book value 31.12.2019	**20,403.3**

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2020	Book value 31.12.2020	Fair value 31.12.2019	Book value 31.12.2019
Financial assets							
Loans to and deposits with credit institutions		8.3		8.3	8.3	6.8	6.8
Interest-bearing securities		41.7		41.7	41.7	42.4	42.5
Total financial assets 31.12.2020	**0.0**	**50.0**	**0.0**	**50.0**	**50.0**		
Total financial assets 31.12.2019		49.2				49.2	49.3
Financial liabilities							
Loans and deposits from credit institutions		1,712.7		1,712.7	1,712.7	4,467.4	4,467.4
Debt securities issued		19,323.7		19,323.7	19,243.1	14,529.8	14,538.5
Total financial liabilities 31.12.2020	**0.0**	**21,036.4**	**0.0**	**21,036.4**	**20,955.9**		
Total financial liabilities 31.12.2019		17,339.7				18,997.2	19,005.9

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE

Loans to customers at fair value through other comprehensive income (OCI)
The value of variable home loans is determined by discounting cash flows over the remaining maturity using the current discount rate. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the maturity of the underlying loan.

	Floating loans to customers Fair value through other comprehensive income (OCI) Change in market spread		**Floating loans to customers** Fair value through other comprehensive income (OCI) Change in market spread	
Increase/reduction in fair value	+ 10 bp	- 10 bp	+ 25 bp	- 25 bp
Increase/reduction in fair value at 31.12.2020 (MNOK)	**(2.4)**	**2.4**	**(6.1)**	**6.1**
Increase/reduction in fair value at 31.12.2019 (MNOK)	(2.3)	2.3	(5.9)	5.9

Note 9 - Segment

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for 2020 therefore relate entirely to the Retail Lending segment. Geographic segments form the company's secondary reporting segments. The company does not have any activities outside Norway. Customers from abroad are classified as part of the Norwegian activities. All operating income and the company's earnings therefore relate solely to its Norwegian activities.

Note 10 - Net income from financial instruments

NET INTEREST INCOME

NOK Million	2020	2019
Interest on loans to credit institutions	0.5	2.5
Interest on loans to customers - loans valued at fair value with change in value through other comprehensive income (OCI)	461.8	492.8
Interest on interest-bearing securities valued at amortised cost	0.4	0.5
Total interest income calculated by using the effective interest method	462.7	495.8
Total interest income calculated by using the effective interest method	**462.7**	**495.8**
Interest on loans to customers valued at fair value with change in value through profit and loss		
Interest on interest-bearing securities valued at fair value with change in value through profit and loss	3.2	0.9
Total other interest income	**3.2**	**0.9**
Total interest income	**465.8**	**496.6**
Interest on loans from credit institutions	-27.1	-33.1
Interest on debt securities issued	-237.8	-325.7
Total interest expenses calculated by using the effective interest method	**-265.0**	**-358.8**
Interest on derivatives		24.8
Other interest expenses	-3.4	-2.2
Total other interest expenses	**-3.4**	**22.7**
Total interest expenses	**-268.4**	**-336.2**
Net interest income	**197.5**	**160.5**

NET INCOME AND GAIN/LOSS FROM FINANCIAL ASSETS AND LIABILITIES

NOK Million	2020	2019
Unrealised gain/loss on loans and receivable		-0.2
Net change in value and gain/loss on loans and receivables	**0.0**	**-0.2**
Realised gain/loss on interest-bearing securities		0.4
Unrealised gain/loss on interest-bearing securities	0.9	-0.1
Net change in value and gain/loss on interest-bearing securities	**0.9**	**0.3**
Realised gain/loss on financial liabilities	-17.0	-7.7
Unrealised gain/loss on financial liabilities		30.0
Net change in value and gain/loss on financial liabilities (except financial derivatives)	**-17.0**	**22.3**
Realised gain/loss on foreign exchange and financial derivatives		7.3
Unrealised gain/loss on foreign exchange and financial derivatives		-32.1
Net change in value and gain/loss on foreign exchange and financial derivatives	**0.0**	**-24.7**
Total change in value and net gain/loss on financial assets and financial liabilities	**-16.2**	**-2.2**

Note 11 - Remuneration paid to auditor

REMUNERATION INCL. VALUED ADDED TAX

NOK 1000	2020	2019
Statutory audit	-98	-95
Other non-audit services		-47
Total	**-98**	**-142**

Note 12 - Operating expenses

NOK million	2020	2019
Other staff expenses	-0.2	-0.1
Total staff expenses	**-0.2**	**-0.2**
Foreign services	-0.1	-0.1
Purchase from group companies	-83.7	-74.6
Other operating expenses	-0.4	-1.0
Total other operating expenses	**-84.2**	**-75.7**
Total operating expenses	**-84.4**	**-75.8**

Note 13 - Losses on loans, guarantees and unused credits

	2020		
NOK million	Loans to customers and securities valued at amortisert cost and loans to customers valued at fair value through other comprehensive income (OCI)	Guarantees and unused credit limits	Total
The periods change in impairment losses stage 1	-0.5		-0.5
The periods change in impairment losses stage 2	-1.4		-1.4
The periods change in impairment losses stage 3	-0.6		-0.6
Realised losses	-0.2		-0.2
Other changes	0.1		0.1
Loss expense for the period	**-2.7**	**0.0**	**-2.7**

The company has NOK 0.2 million in outstanding contractual amounts for realised losses during 2020 that are still subject to enforcement activities.

	2019		
NOK million	Loans to customers and securities valued at amortisert cost and loans to customers valued at fair value through other comprehensive income (OCI)	Guarantees and unused credit limits	Total
The periods change in impairment losses stage 1	0.1		0.1
The periods change in impairment losses stage 2	0.1		0.1
The periods change in impairment losses stage 3	-0.5		-0.5
Loss expense for the period	**-0.3**	**0.0**	**-0.3**

Note 14 - Tax

TAX CHARGE FOR THE YEAR

NOK million	2020	2019
Tax payable for the period	15.3	17.7
Changes in deferred tax/deferred tax asset	5.3	0.3
Total tax charge	**20.6**	**18.0**

TAX BASE FOR THE YEAR

NOK million	2020	2019
Ordinary pre-tax profit	93.8	81.9
Change in temporary differences	-24.1	-1.6
Tax base for the year	**69.8**	**80.3**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK million	2020	23019
Ordinary pre-tax profit	93.8	81.9
Expected tax on income at nominal rate (22%)	-20.6	-18.8
Tax charge	**-20.6**	**-18.8**
Effective tax rate	22 %	23 %

TAX PAYABLE

NOK million	2020	2019
Tax payable	15.3	17.7
- tax effect of group contribution paid		
Tax payable in the balance sheet	**15.3**	**17.7**

The company has provided a group contribution with tax effect for 2020. The group contribution will be recognised after the general meeting is held in 2021. Taking the group contribution into consideration, tax payable will be NOK 0.

ANALYSIS OF THE TAX EFFECT OF TEMPORARY DIFFERENCES AND TAX LOSSES CARRIED FORWARD

NOK million	2020	2019
Tax-increasing temporary differences		
Securities	33.4	8.8
Total tax-increasing temporary differences	**33.4**	**8.8**
Tax-reducing temporary differences		
Other	-3.7	-3.1
Total tax-reducing temporary differences	**-3.7**	**-3.1**
Losses/allowances carried forward		
Net base for deferred tax/tax assets	**29.8**	**5.7**
Net deferred tax/defferd tax asset in the balance sheet	**-6.6**	**-1.3**
Booked in the balance sheet:		
Deferred tax asset		
Deferred tax	-6.6	-1.3

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 15 - Classification of financial assets and liabilities

NOK million	Amortised cost	Fair value throug profit and loss	Fair value through other comprehensive income (OCI)	Total book value
Financial assets				
Loans to and deposits with credit institutions	8.3			8.3
Interest bearing securities	41.7	1,456.1		1,497.8
Derivatives				0.0
Net loans to customers			21,065.6	21,065.6
Other assets	15.8			15.8
Total financial assets 2020	**65.8**	**1,456.1**	**21,065.6**	**22,587.5**
Total financial assets 2019	56.8	100.7	20,403.3	20,560.9
Financial liabilities				
Financial Loans and deposits from credit institutions	1,712.7			1,712.7
Debt securities issued	19,243.1			19,243.1
Other liabilities	16.0			16.0
Total financial liabilities 2020	**20,971.9**			**20,971.9**
Total financial liabilities 2019	19,023.9			19,023.9

Note 16 - Interest-bearing securities at fair value through profit and loss account

	2020	2019
NOK million	Fair value	Fair value
Mortgage and asset backed bonds	1,456.1	100.7
Total interest-bearing securities at fair value	**1,456.1**	**100.7**
Modified duration	0.14	0.04
Average effective yield per 31.12.	0.45 %	1.86 %

The portfolio is mainly denominated in NOK.
Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

Note 17 - Interest-bearing securities at amortised cost

	2020		2019	
NOK million	Book value	Fair value	Book value	Fair value
Public issuers and Government Guaranteed Bonds	41.7	41.7	42.5	42.4
Total interest-bearing securities at amortised cost	**41.7**	**41.7**	**42.5**	**42.4**
Modified duration		0.03		0.04
Average effective yield per 31.12.		0.26 %		1.72 %

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

Note 18 - Loan portfolio and guarantees

	2020	2019
NOK million	Book value	Book value
Loans to custormer at fair value through other comprehensive income (OCI)	21,069.7	20,404.9
Total gross lending to customers	**21,069.7**	**20,404.9**
Provision for expected loss Stage 1	-0.8	-0.3
Provision for expected loss Stage 2	-2.0	-0.6
Provision for expected loss Stage 3	-1.4	-0.8
Net lending to customers	**21,065.6**	**20,403.3**

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

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

	2020			
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	221.3	-218.4	-2.9	0.0
Transfer to stage 2	-775.6	782.8	-7.1	0.0
Transfer to stage 3	-8.5	-23.2	31.7	0.0
New loans	6,863.7	559.0	2.3	7,425.1
Derecognition	-5,959.2	-401.8	-17.4	-6,378.4
Other changes	-355.4	-26.0	-0.5	-381.9
Gross loans 31.12.2020	**19,211.8**	**1,817.1**	**40.9**	**21,069.7**

	2019			
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
Gross loans 31.12.2019	**19,225.6**	**1,144.6**	**34.8**	**20,404.9**

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNSUED CREDITS

	2020			
NOK million	Stage 1	Stage 2	Stage 3	Total exposure
Maximum exposure 01.01.2020	1,225.3	3.9		1,229.2
Transfer to stage 1	2.6	-2.6		0.0
Transfer to stage 2	-14.6	14.6		0.0
Transfer to stage 3				0.0
New guarantees and unused credits	19.4	1.1		20.5
Dereceognition	-239.8	-0.7		-240.5
Other	80.4	1.0		81.5
Maximum exposure 31.12.2020	**1,073.3**	**17.4**	**0.0**	**1,090.7**

	2019			
(NOK mill.)	Stage 1	Stage 2	Stage 3	Total exposure
Maximum exposure 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				0.0
New guarantees and unused credits	59.8			59.8
Dereceognition	-259.8	-0.6		-260.4
Other	31.6	-2.9		28.7
Maximum exposure 31.12.2019	**1,225.3**	**3.9**	**0.0**	**1,229.2**

Note 19 - Loan to value ratios and collateral

NOK million	2020	2019
Gross lending [1)]	21,069.7	20,404.9
Average loan balance	2.3	2.2
No. of loans	9,560.0	10,076.0
Weighted average seasoning (months)	36	36
Weighted average remaning term (months)	279	269
Average loan to value ratio	52,%	54,%
Over-collateralisation [2)]	116,%	140,%
Cover pool:		
Residential mortgages [1)]	20,966.3	20,284.2
Supplementary security	1,355.7	2.0
Total	**22,321.9**	**20,286.2**

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 2020 the company had NOK 62 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2020, the company has 16 non-performing loans without evidence of impairment, equivalent to NOK 33 million. There are 5 non-performing loans with evidence of impairment of NOK 8 million where the impairment is assessed to be NOK 1.2 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 19.1 billion (nominal value).

Note 20 - Loss provisions on loans, guarantees and unused credits

	2020			
	Stage 1	Stage 2	Stage 3	
NOK mill.	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions at 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)				
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)				
Net remeasurement of loan losses	-0.1	0.5	0.8	1.2
New financial assets originated or purchased	0.4	0.3		0.7
Financial assets that have been derecognised	-0.1	-0.2		-0.3
ECL changes of balances on financial assets without changes in stage in the period	0.2	0.8	0.1	1.1
ECL allowance on written-off (financial) assets			-0.2	-0.2
Loan loss provisions at 31.12.2020	**0.8**	**2.0**	**1.4**	**4.1**
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.8	2.0	1.4	4.1
Loan loss provisions on guarantees and unused credit limits				
Total loans loss provisions	**0.8**	**2.0**	**1.4**	**4.1**

NOK mill.	2019 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 at 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
Loan loss provisions at 31.12.2019	**0.3**	**0.6**	**0.8**	**1.6**
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				
Total loans loss provisions	**0.3**	**0.6**	**0.8**	**1.6**

Periodical changes in individual impairments and expected credit loss on loans, loan commitments and guarantees are shown above. The periods realised losses are not included in the overview above.

Storebrand Boligkreditt AS has not any expected loan loss provisions relatet to loans to Norges Bank, credit institutions and commercial papers and bonds.

Note 21 - Distribution of loan loss provisions and exposure on secured and unsecured retail exposures

DISTRIBUTION OF LOAN LOSS PROVISIONS

NOK million	2020 Stage 1	 Stage 2	 Stage 3	 Total loan loss provisions
Retail exposures secured by mortgages on immovable property	0.8	2.0	1.3	4.1
Other exposures including SME exposures			0.1	0.1
Total loan loss provisions	**0.8**	**2.0**	**1.4**	**4.1**

NOK million	2019 Stage 1	 Stage 2	 Stage 3	 Total loan loss provisions
Retail exposures secured by mortgages on immovable property	0.3	0.6	0.7	1.5
Other exposures including SME exposures			0.1	0.1
Total loan loss provisions	**0.3**	**0.6**	**0.8**	**1.6**

DISTRIBUTION OF EXPOSURE INCL. UNUSED CREDIT FACILITIES AND GUARANTEES

	2020			
NOK million	Stage 1	Stage 2	Stage 3	Total exposure
Retail exposures secured by mortgages on immovable property	20,285.1	1,834.5	40.6	22,160.1
Other exposures including SME exposures			0.3	0.3
Total exposure	**20,285.1**	**1,834.5**	**40.9**	**22,160.4**

	2019			
NOK million	Stage 1	Stage 2	Stage 3	Total exposure
Retail exposures secured by mortgages on immovable property	20,450.9	1,148.5	34.5	21,633.9
Other exposures including SME exposures			0.3	0.3
Total exposure	**20,450.9**	**1,148.5**	**34.8**	**21,634.2**

Note 22 - Other current assets

	2020	2019
NOK million	Book value	Book value
Due from Storebrand group companies	10.2	6.5
Other current assets	5.6	1.0
Total other current assets	**15.8**	**7.5**

Note 23 - Hedge accounting

Storebrand Boligkreditt AS has chosen IFRS 9 for hedge accounting.

As of December 31 2020 Storebrand Boligkreditt AS has no bonds that are entered under hedge accounting. The Storebrand Boligkreditt AS's interest rate risk strategy is defined in the interest rate risk policy, which sets frameworks for limiting the company's interest rate risk exposure.

The company uses fair value hedging to reduce the interest rate risk on borrowings with fixed interest terms. The risk that is hedged in accordance with the interest rate risk policy is Nibor. This entails that separate credit risk is not hedged by keeping the credit spread constant as when established. Hedged risk accounts for approximately 85 % of the total interest rate risk exposure in the loans. Fair value hedging of the hedged item is interest rate hedged by entering into an interest rate swap in which we swap from fixed to variable interest to reduce the risk associated with future changes in interest rates. The hedging satisfies the requirements for hedge accounting at individual transaction level by a hedging instrument being directly linked to a hedged item and the hedging relationship being adequately documented.

All hedging relationships are established with an identical fixed interest profile, i.e. fixed interest, principal, coupon dates and maturity, both in the object and the instrument. The instrument swaps from fixed interest to variable interest quoted on Nibor three months. The fixed leg is between 2% to 5.05%. The hedging relationship is expected to be highly effective in counteracting the effect of changes in fair value due to changes in interest rates. Net recognised changes in value of fair value hedges are due to changes in value resulting from changed market interest rates, i.e. hedged risk. This is entered in the accounts under "Net unrealised changes in value of financial instruments". The hedging efficiency is measured based on the basic "Dollar Offset" method with regard to prospective efficiency.

We have identified the following sources of inefficiency:
- Change in value of the short leg (Nibor 3 months).
- Credit risk for counterparty.

It is not expected that these factors will create significant inefficiency. No other sources of inefficiency were identified during the financial year.

NOK million	2020 Nominal value 0 - 3 years	2020 Fair value [1, 2] Assets	2020 Fair value [1, 2] Liabilities	2019 Nominal value 0 - 3 years	2019 Fair value [1, 2] Assets	2019 Fair value [1, 2] Liabilities
Interest rate swaps						
Total interest rate derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Total derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

	2020 Nominal value 0 - 3 years	2020 Hedging value [1, 2] Assets	2020 Hedging value [1, 2] Liabilities	2019 Nominal value 0 - 3 years	2019 Hedging value [1, 2] Assets	2019 Hedging value [1, 2] Liabilities
Underlying objects :						
Bonds issued						
Hedging effectiveness - prospective						

Gain/loss on fair value hedging: [3]

NOK million	2020 Gain / loss	2019 Gain / loss
On hedging instruments	0.0	-9.9
On items hedged	0.0	15.9

1) Book value at 31.12.

2) Includes accrued interest.

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

Note 24 - Other liabilities

NOK million	2020 Book value	2019 Book value
VAT	0.6	0.1
Other liabilities	0.1	0.1
Total other liabilities	**0.7**	**0.3**

Note 25 - Off balance sheet liabilities and contingent liabilities

NOK million	2020	2019
Undrawn credit limits	1,090.7	1,229.2
Total contingent liabilities	**1,090.7**	**1,229.2**

Undrawn credit limits relate to the unused portion of credit limits on residential mortgage loans to customers.

Note 26 - Capital Adequacy

NET PRIMARY CAPITAL

NOK million	2020	2019
Share capital	490.0	490.0
Other equity	1,119.0	1,045.8
Total equity	**1,609.0**	**1,535.8**
Deductions		
AVA justments	-22.5	-20.5
Provision for group contribution	-54.4	-62.6
Addition		
Group contribution received	54.4	62.6
Core capital exc. Hybrid Tier 1 capital	**1,586.5**	**1,515.3**
Additional Tier 1 capital		
Additions		
Core capital	**1,586.5**	**1,515.3**
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	**1,586.5**	**1,515.3**

MINIMUM CAPITAL REQUIREMENT

NOK million	2020	2019
Credit risk	621.3	591.3
Of which:		
Institutions	0.3	0.2
Loans secured against real estate	584.5	566.9
Loans past-due	3.3	3.2
Covered bonds	11.6	0.8
Other	21.6	20.1
Total minimum requirement for credit risk	**621.3**	**591.3**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	22.6	22.6
Minimum requirement for net primary capital	**644.0**	**613.9**

The standard method is used for credit risk and market risk, and the basic method 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 March 2020.

CAPITAL ADEQUACY

	2020	2019
Capital ratio	19.71 %	19.75 %
Core (tier 1) capital ratio	19.71 %	19.75 %
Core capital ratio excl. Hybrid Tier 1 capital	19.71 %	19.75 %

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

NOK million	2020	2019
Credit risk	7,766.6	7,390.7
Of which:		
Institutions	3.7	2.7
Loans secured against real estate	7,306.2	7,086.6
Loans past-due	41.7	39.6
Covered bonds	145.5	10.1
Other	269.5	251.8
Total minimum requirement for credit risk	**7,766.6**	**7,390.7**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	283.0	283.0
Minimum requirement for net primary capital	**8,049.6**	**7,673.7**

Note 27 - Remuneration and related parties

REMUNERATION OF SENIOR EMPLOYEES AND ELECTED OFFICERS

(NOK 1000)	Ordinary salary	Other benefits [2]	Total remuneration earned in the year	Pension accrued for the year	Post termination salary (months)	Loans [3]	No. of shares owned [4]
Senior employees							
Einar Leikanger (Statutory CEO) [1]	1,128	168	1,296	159		7,500	520
Total 2020	**1,128**	**168**	**1,296**	**159**		**7,500**	**520**
Total 2019	1,106	144	1,250	159		7,000	560

1) Einar Leikanger does not receive any remuneration from Storebrand Boligkreditt AS for his appointment as CEO. The company purchases all administrative services including the CEO service from Storebrand Bank ASA. Einar Leikanger is not covered by Storebrand's bonus bank scheme.

2) Comprises company car, telephone, insurance, concessionary interest rate, other taxable benefits.

3) Employees can borrow up to NOK 7.0 million at a subsidised interest rate.This rate is presently 1.19% p.a. Excess loan amounts are in accordance with market terms.

4) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises.

(NOK 1000)	Remuneration	Loans	No. of shares owned [1]
Board of Directors			
Bernt Uppstad [2]		690	2,705
Karin Greve-Isdahl [2]		18,598	20,962
Thor Bendik Weider	93		
Leif Helmich Pedersen	138		
Total 2020	**231**	**19,288**	**23,667**
Total 2019	134	31,929	15,046

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

2) Neither Bernt Uppstad nor Karin Greve-Isdahl receives any remuneration from Storebrand Boligkreditt AS for their appointments as members of the Board.

TRANSACTIONS WITH GROUP COMPANIES

	2020		2019	
NOK million	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income				
Interest expense	34.7		59.6	
Services purchased	83.1	0.6	74.0	0.6
Due from	10.2		6.5	
Liabilities to	1,712.7		4,467.4	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 2.4 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2020.

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

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

ANALYSIS OF TRANSFERRED LOANS TO/FROM STOREBRAND BOLIGKREDITT AS

NOK million	2020	2019
To Storebrand Boligkreditt AS - accumulated transfers	21,069.7	20,404.9
From Storebrand Boligkreditt AS - last years transfers	423.7	80.9

Storebrand Bank ASA have not granted Storebrand Boligkreditt AS any guarantees related to the transferred loans.

LOANS TO EMPLOYEES

NOK million	2020	2019
Loans to employees of Storebrand Boligkreditt AS	7.5	7.0
Loans to employees of Storebrand Group	1,264.9	944.7

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 7 million at a subsidised interest rate. This rate is presently 1.19% p.a. Excess loan amounts are in accordance with market terms.
There has not been provided guarantees or security for borrowing by employees.

HEADCOUNT AND PERSONNEL INFORMATION

There are no employees in the company.

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

Today the Board members and the CEO have considered and approved the annual report and annual financial statements of Storebrand Boligkreditt AS for the 2020 financial year and as of 31 December 2020 (2020 annual report).

The annual accounts have been prepared in accordance with International Financial Reporting Standards approved by the EU and appurtenant interpretations, as well as the other disclosure obligations stipulated by the Norwegian Accounting Act and the current applicable regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2020. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2020.

In the best judgement of the Board and the CEO, the annual financial statements for 2020 have been prepared in accordance with the applicable accounting standards, and the information presented in the the financial accounts provides a true and fair view of company's assets, liabilities, financial position and results as a whole as of 31 December 2020. In the best judgement of the Board and the CEO, the annual report provides a true and fair view of the material events that occurred during the accounting period and their effects on the annual financial statements of Storebrand Boligkreditt AS. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the company faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 9 February 2021
The Board of Directors of Storebrand Boligkreditt AS

Translation – not to be signed

Bernt Uppstad
- Chairman of the Board -

Karin Greve-Isdahl
- Deputy Chairman of the Board -

Leif Helmich Pedersen
- Board Member -

Thor Bendik Weider
- Board Member -

Einar A. Leikanger
- CEO -

To the General Meeting of Storebrand Boligkreditt AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Boligkreditt AS, which comprise the statement of financial position as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events of material significance for the 2020 financial statements that qualified as new Key Audit Matters.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matter	How our audit addressed the Key Audit Matter
Loans to customers	
The mortgage Company's assets primarily consist of securitized mortgages of NOK 21.1 billion, and they have issued covered bonds (OMFs). Processes and routines are established to ensure compliance with applicable laws and restrictions relating to the securities under the covered bonds. Mainly, the property value must exceed 75% of the mortgage value in the covered pool. Historically there has not been any material losses on the Company loans to customers. Because the restrictions and process in place are of fundamental value to the Company's continued operations, we have focused on the area during our audit.	To ensure compliance with the regulations in place for the Company's covered bonds, a set of processes and procedures has been established to review documentation and loan applications. The process entails formal controls and division of labour to ensure compliance before the loan is approved, or before it is transferred to the mortgage Company from other group companies. We have reviewed the Company's processes in this area. Our work also included tests aimed at the Company's financial reporting systems relevant to financial reporting. The Company use external service providers to operate some central core IT systems. The auditor of the relevant service organizations is used to evaluate the design and effectiveness of and test established controls to ensure the integrity of the IT systems relevant to financial reporting. The auditor's testing included, among other things, whether key calculations made by the core systems were performed in line with expectations, including interest rate calculations and amortization. The testing also included data integrity, changes to and access to the systems. In order to decide whether we could use the information in the auditor's reports as the basis for our assessments, we examined the auditor's competence and objectivity and reviewed the reports sent and considered possible deviations and measures taken. We also carried out testing of access controls to IT systems and segregation of duties where necessary for the sake of our own specific audit procedures. Our assessments and tests substantiate that we could rely on that the data handled in- and the calculations made by the Company's external core system were reliable. This was a necessary basis for our audit. The Company's processes included calculating the realizable value of underlying collateral using external tariffs or internal assessments. To determine whether the realizable value of the collateral was within the 75% requirement, we reviewed the collateral related to transferred loans to the mortgage Company. We conducted our audit by gathering documents and data on the control operation to support that the process has been carried out correctly, and that the conclusions the mortgage Company had drawn in

regards of whether the requirements of law and regulations were fulfilled.

Deviations uncovered was deemed immaterial.

Note 4, 8, 13, 18, 19 and 20 in the annual report gives further information regarding securitized. We have read the notes and found the information to be adequate and comprehensive

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 9 February 2021
PricewaterhouseCoopers AS

Thomas Steffensen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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