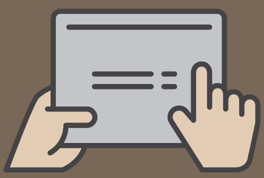
storebrand



Manage your personal finances efficiently in an integrated manner. Storebrand offers all the products and services you need, including banking.

Daniel Hjelmås
Storebrand

Annual report 2018
Storebrand Bank ASA

Company information

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Content

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

Key figures Storebrand Bank Group

(NOK million)	2018	2017
Profit and Loss account: *(as % of avg. total assets)*		
Net interest income	1.16 %	1.14 %
Other operating income [2)]	0.36 %	0.40 %
Main balance sheet figures:		
Total assets	32,806.2	31,982.2
Average total assets [1)]	32,476.5	32,709.2
Gross loans to customers	28,506.4	27,326.4
Deposits from customers	14,419.4	14,628.0
Deposits from customers as % of gross loans	50.6 %	53.5 %
Equity	2,196.0	2,352.9
Other key figures:		
Loan losses and provisions as % of average total loans [4)]	0.10 %	0.03 %
Gross non-performing and loss-exposed loans as % of total loans	0.4 %	1.0 %
Cost/income ratio [3)]	53.7 %	59.6 %
Return on equity after tax [6)]	6.6 %	6.2 %
Core equity Tier 1 (CET1) capital ratio	15.2 %	14.8 %
LCR [5)]	198.0 %	154.0 %

Definitions:

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

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

3) Total operating expenses as % of total income.

4) Loan losses and provisions for Storebrand Bank group includes the items loan losses for the period and losses real estate at fair value, assets repossessed, in the profit & loss account.

5) Liquidity coverage requirement.

6) Annualised profit after tax for continued operations as % of average equity.

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(Figures for the corresponding period in 2017 are shown in parentheses)

MAIN TRENDS

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA. The activities of the bank are managed as an integrated part of the activities of the Storebrand group. Storebrand Bank ASA is a commercial bank with licenses under the Securities Trading Act. Its head office is located in Lysaker, in the municipality of Bærum.

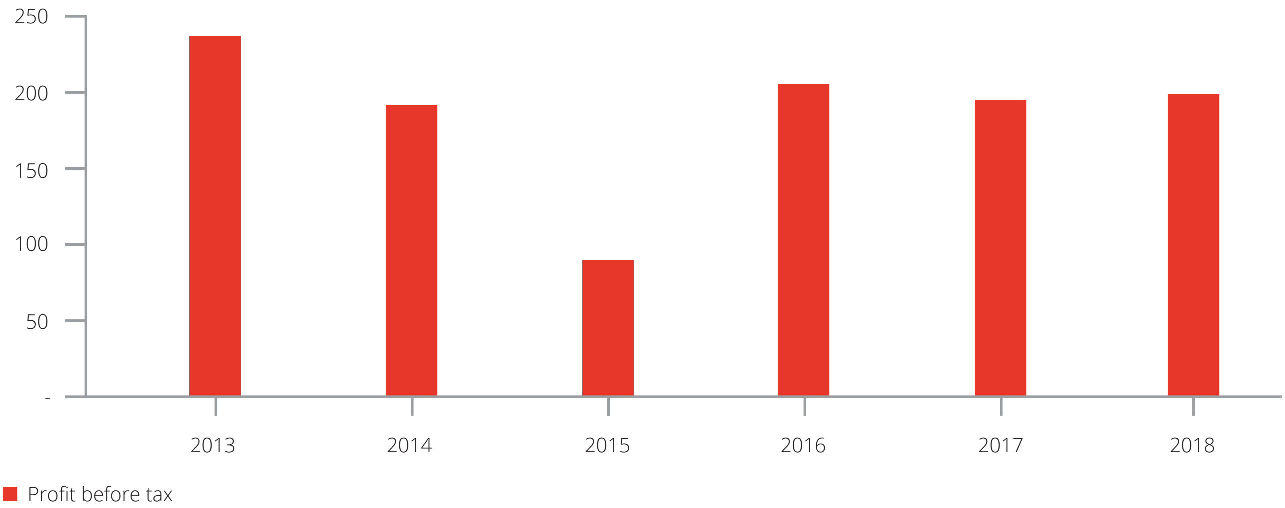
Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian retail market. The bank is positioned as a provider of favorable home loans, combined with account and card products that provide customers with an easy and efficient everyday banking experience via internet or mobile phone. The bank has the objective of promoting sustainable choices by its customers through the products that it offers. The bank actively seeks to recruit new retail market customers to Storebrand, and has experienced strong growth in recent years.

Storebrand Bank ASA has decided to wind up the corporate market at the bank. The remaining portfolio were insufficient by the end of 2018.

Storebrand Bank ASA has a wholly owned subsidiary, Storebrand Boligkreditt AS, which is a finance company with a license from the Financial Supervisory Authority of Norway to issue covered bonds.

FINANCIAL PERFORMANCE

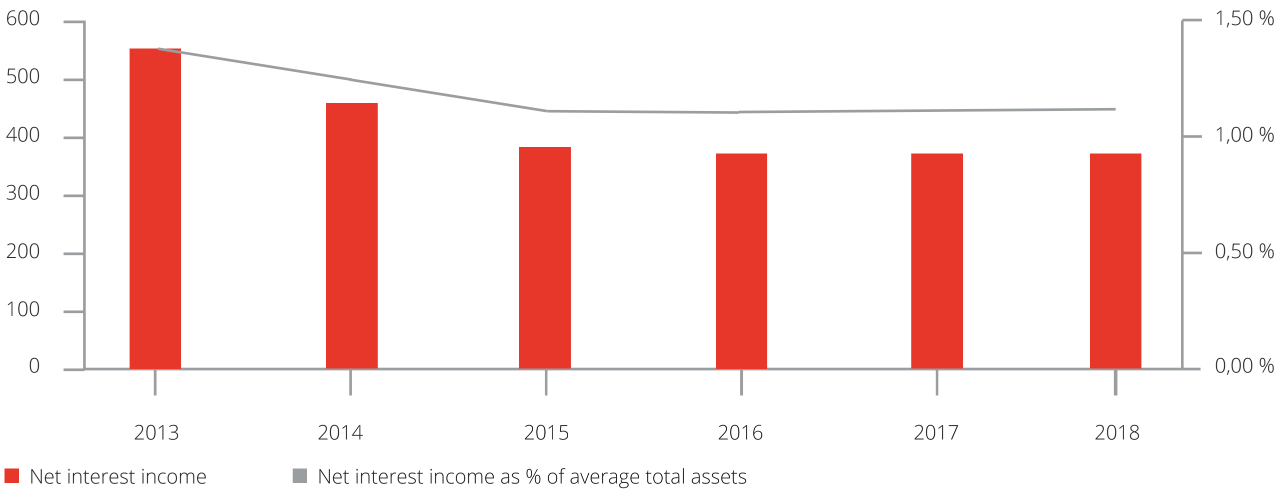
TRENDS IN PROFIT BEFORE TAX



The bank group achieved a profit before tax of NOK 199 million for 2018 compared with NOK 194 million in 2017 for continued operations. Net interest income in 2018 was at approximately the same level as in 2017, with an increase of NOK 2 million compared to the previous year. There was a positive effect of NOK 18 million on the result linked to increased number of mortgage managed on behalf of Storebrand Livsforsikring AS, as well as reduced operating expenses of NOK 36 million in 2018 compared with 2017. The decrease in operating expenses was primarily due to a reduction in purchased group services and lower personnel costs. The reduction in other income negatively impacted the result by NOK 48 million in 2018 due to lower profits from financial instruments compared with 2017. The result was also negatively affected by NOK 19 million due to increased loan losses in 2018. The bank group reached a profit after tax of NOK 147 million in 2018, compared with NOK 146 million in 2017.

NET INTEREST INCOME

NET INTEREST INCOME AND NET INTEREST INCOME AS A PERCENTAGE OF AVERAGE TOTAL ASSETS



Net interest income for the bank group amounted to NOK 376 million in 2018 compared with NOK 374 million in the previous year. Net interest income as a percentage of average total assets was 1.16 per cent in 2018, an increase of 0.02 per cent compared with 2017.
The interest margin improved as a result of increased margins on deposits but countered by the planned wound up of corporate market portfolio. Net interest income as a percentage of average total assets related to the retail market of the bank group was 1.22 per cent (1.20 per cent) for the year.

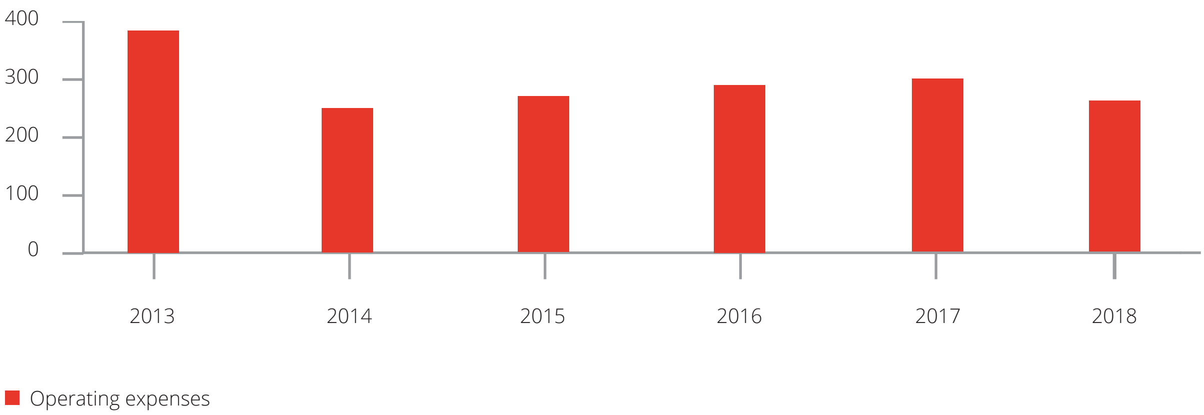
OTHER INCOME

The bank group's net commission income reached NOK 111 million, compared with NOK 76 million in 2017. The income is positively influenced by management fees from the managing of loans on behalf of Storebrand Livsforsikring AS.

Other operating income amounted to NOK 6 million in 2018, compared with NOK 54 million in 2017. The reduction in 2018 is mainly caused by decrease in realised and unrealised gains on financial instruments at fair value. In 2018, other income was influenced by changes in unrealised losses on fixed-rate loans of NOK 8 million, changes in unrealised losses in the liquidity portfolio of NOK 6 million and realised gains in the liquidity portfolio of NOK 5 million. Realised and unrealised gains on derivatives and foreign exchange amounted to NOK 18 million in 2018. In 2017, other income increased by NOK 16 million due to change in unrealised gains in the liquidity portfolio and realised gains of NOK 6 million, as well as gains on derivatives and foreign exchange of NOK 31 million and change in unrealised losses on fixed-rate loans of NOK 7 million.

OPERATING EXPENSES

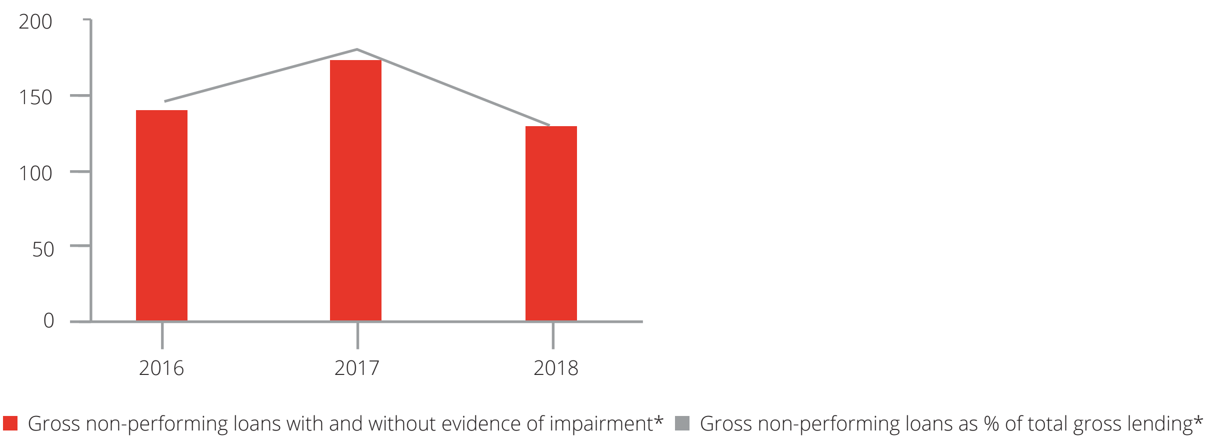
OPERATING EXPENSES AS A PERCENTAGE OF AVERAGE TOTAL ASSETS (MNOK)



The operating expenses in the bank group reached NOK 264 million (NOK 300 million). The decrease is primarily due to reduction in purchased services from group companies and lower personnel costs. The cost percentage was 54 per cent in 2018 (60 per cent).

LOSSES AND NON-PERFORMING LOANS

DEVELOPMENTS IN GROSS NON-PERFORMING LOANS WITH AND WITHOUT IMPAIRMENT AND IN THE PERCENTAGE OF AVERAGE GROSS LENDING.



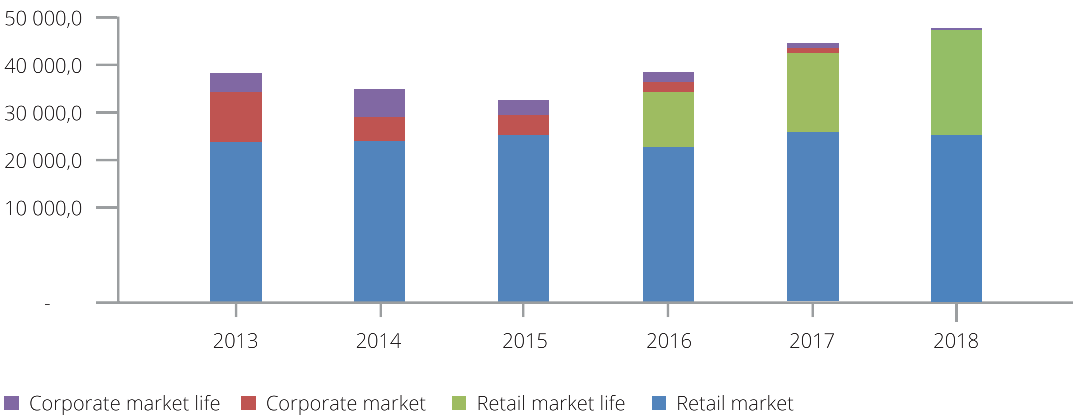
* Non-performing loans on account level

Total loan losses amounted to NOK 29 million for the bank group, compared with NOK 9 million in 2017. The increase is mainly due to changes in the model for calculating impairments of non-performing loans.

Non-performing loans that are not impaired increased in 2018 and amounted to NOK 71 million (NOK 150 million). The volume of impaired non-performing loans decreased in 2018 to NOK 55 million (NOK 114 million) in 2017. The decrease is mainly caused by reduction in the corporate segment. The total volume of non-performing loans represents 0.4 per cent of gross lending (1.0 per cent).

BALANCE SHEET

DEVELOPMENT OF GROSS LENDING IN BOTH THE RETAIL MARKET AND CORPORATE MARKET



At the end of 2018, the bank group had NOK 32.8 billion in assets under management. Gross lending to customers were NOK 28.5 billion at year-end, an increase of NOK 1.2 billion compared to 2017. In 2016 the bank entered into an agreement with Storebrand Livsforsikring AS regarding sale of loans to the retail market. The portfolio of loans to the retail market in Storebrand Livsforsikring AS increased by NOK 2.9 billion in 2018 and amounted to NOK 18.1 billion as at 31 December 2018.

The loan portfolio in the retail market, including loans managed on behalf of Storebrand Livsforsikring AS amounted to NOK 46.5 billion at the end of the year. Retail market loans in the bank group amounted to NOK 28.4 billion. The retail market portfolio in the bank group increased by NOK 4.4 billion in 2018 and the corporate market portfolio was reduced according to plan and amounted to less than NOK 0.1 billion at the end of the year.

The bank group's retail market portfolio represents 99.9 per cent of total loans, and mainly consists of low risk home mortgages. The weighted average loan-to-value ratio in the bank group for the retail market portfolio is 56 per cent for home mortgage loans, compared with 57 per cent at the end of 2017. Loan-to-value ratio is calculated based on amounts drawn in case of flexible secured loans. Corporate market lending accounts for 0.1 per cent of the portfolio.

The bank group has a balanced funding structure and bases its funding on customer deposits, issuance of securities and covered bonds, as well as borrowing in the Norwegian and international capital markets. The bank has established good liquidity buffers. The volume of deposits from customers was NOK 14.4 billion (NOK 14.6 billion) at the end of the year, which represents a deposit-to-loan ratio of 51 per cent (54 per cent).

The bank group issued NOK 0.4 billion in senior bonds and NOK 5.0 billion in covered bonds during 2018. By year-end, Storebrand Bank ASA had covered bonds issued by Storebrand Boligkreditt AS valued to NOK 1.5 billion. Total amount maturing and repayments of bond debt were NOK 2.9 billion in 2018.

BUSINESS SEGMENTS

RETAIL MARKET

Storebrand Bank ASA is a web-based bank that provides traditional bank products to the Norwegian retail market. Among other things, these services include home loans, instant access accounts and cards, and mobile and internet banking. Storebrand Bank ASA also offers a wide range of options for bank savings. Storebrand is also partners with Dreams, which launched an innovative savings app that makes saving simple and fun.

Storebrand strives to be at the forefront of the fight to preserve the environment and offers products intended to assist the customer in making sustainable choices in everyday life. Among other things, the bank's customers are offered sustainable home loans and credit cards. Home loans have very favorable terms and enable the customer to make smart energy-related decisions for the home. The credit card provides the customer with one of the best travel insurance policies in the market and has multiple advantages if the customer chooses sustainable travel.

Employees with an occupational pension at Storebrand are part of the group's benefit programme, which also includes favorable bank products. The bank has also entered into a cooperative agreement with the Confederation of Unions for Professionals (UNIO) that offers members home loans with lending conditions that are among the best the market.

At the end of 2018, the bank group had approximately 92,000 active retail market customers, with a lending volume of NOK 28.4 billion and a volume of deposits of NOK 14.3 billion. Loans administered by the bank group had high lending growth in 2018.

CORPORATE MARKET

Storebrand Bank ASA decided in 2013 to wind up the corporate market at the bank. By the end of 2018, the remaining lending portfolio were insignificant, while the deposit portfolio was transferred to the retail market segment.

GROUP STRUCTURE AND SUBSIDIARIES

Subsidiary Storebrand Boligkreditt AS holds a licence to issue covered bonds secured by mortgages in residential property. The company's balance was NOK 18.8 billion at the end of 2018, and it mainly serves as a funding tool. Covered bonds of total NOK 14.25 million have been issued. The portfolio had 0.2 per cent non-performance at the end of 2018. The established lending programme has a AAA rating from S&P Global Rating Services.

RISK MANAGEMENT

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

The risk in the bank group is closely monitored in accordance with guidelines for risk management and internal control that have been approved by the board. The board specifies the appetite for risk and risk limits on an annual basis. Separate risk policies are prepared for the individual risks, with risk indicators and risk limits. The development of these parameters are monitored through risk reports to the board.

Credit risk and liquidity risk are the principal risks for the bank group. The bank is also exposed to market risk, operational risk, including IT risk, and compliance risk.

CREDIT RISK

The bank group has net lending to customers totaling NOK 28.5 billion, in addition to unused credit facilities and guarantees of NOK 3.4 billion as at 31 December 2018.

The lending volume, including unused credit facilities and guarantees on the bank's own balance sheet amounted to NOK 31.8 billion. The credit quality of the retail market portfolio is considered good, with a low to moderate risk in accordance with the bank's risk appetite. Almost the entire portfolio is secured on real estate. The portfolio's high collateral coverage indicates a limited risk of loss. New loans are granted in accordance with the regulations relating to new loans secured by a mortgage on residential property.

The weighted average loan-to-value ratio in the bank group for the retail market portfolio is 56 per cent for home loans. 93 per cent of home loans have a loan-to-value ratio within 80 per cent and 99.5 per cent are within a 100 per cent loan-to-value ratio. In the bank group, 47 per cent of home loans are within a 60 per cent loan-to-value ratio. Storebrand Bank ASA continually monitors the loan-to-value ratio and updates the market values every quarter, most recently at the end of November.

The retail market portfolio has historically had low losses and the proportion of loans in the retail market as a percentage of the bank's total lending was 99.9 per cent at the end of 2018.

Residential mortgage products (line of credit with mortgage in residential property) are 16 per cent of the total exposure in the retail market portfolio. The average utilisation rate is 68 per cent. There are stricter lending criteria for residential mortgage products, and the bank monitors customers with a high utilisation rate and customers who do not pay interest and instalments on an ongoing basis.

The corporate market portfolio is being wound up. The portfolio amounts to NOK 29.0 million at the end of 2018. The loans/exposures are collateralised with a low LTV, or are partially or fully written off.

At year-end, the bank group had deposited securities with a fair value of NOK 803 million as collateral for drawing rights to overnight loans and F-loans in Norges Bank. In addition, there are deposited securities with a fair value of NOK 50 million to other credit institutions.

LIQUIDITY RISK

The Storebrand Bank group has solid liquidity buffers. The liquidity coverage requirement (LCR) measures the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future, in a given stress situation in the money and capital markets. The minimum LCR was 100 per cent at the end of 2018. The bank measures and reports LCR monthly and complies with internal and external requirements. The bank group's LCR was 198 per cent at the end of the year. Significant amounts of home loans in Storebrand Bank ASA qualify as guarantees for covered bonds in Storebrand Boligkreditt AS. The bank have great potential for issuing covered bonds.

The deposit-to-loan ratio at the Storebrank Bank group was 51 per cent at the end of the year. For market financing, a great deal of importance is placed on having a balanced funding structure in relation to the different maturities, instruments and issues in different markets. Among other things, The Storebrand Bank group measures and assesses the Financial Supervisory Authority of Norway's "liquidity indicator 1" and NSFR (net stable funding ratio) when evaluating the bank's financing. It is expected that the NSFR requirement will be 100 per cent.

MARKET RISK

The interest rate risk and spread risk in the liquidity portfolio represent the most important market risks. In total, the market risk is low. There are very low limits for foreign exchange risk and there is no active investment strategy for shares.

OPERATIONAL RISK

The bank group manages operational risk by focusing on establishing good work and control routines. It also works systematically to create the right attitude among the bank group's employees. The most important measures to reduce operational risk are systematic risk reviews carried out at least every six months on all of the bank group's activities, and also when starting projects or with special events. The most recent risk review was performed in autumn 2018.

The banks IT systems are vital for product establishment, credit approval, portfolio follow-up and accounting. Errors and disruptions can have consequences for operations and impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced to a considerable extent. The bank's system platform is based on purchased standard systems that are operated and monitored through service agreements. A lateral management model has been established with close supplier follow-up and internal control activities to reduce the risk associated with the development, management and operation of the IT systems and information security.

COMPLIANCE RISK

The risk of incurring public sanctions or financial losses due to failure to comply with external and internal regulations is defined as the bank group's compliance risk. Storebrand Bank ASA is particularly focused on the risk relating to compliance and implementation of changes in the current legislation regarding customer protection, capital adequacy, liquidity management and the application of international accounting standards.

LEGAL DISPUTES

In 2018, Storebrand Bank ASA reported five cases to the police. Three of these concerned falsifying documents and the others involved credit card fraud and phishing/trojans.

The bank received a total of 26 customer complaints in 2018, compared to 13 in 2017. The complaints can be generally categorised as pertaining to information. Of the complaints received, three were heard by the Financial Complaints Board. None of the complaints were upheld neither by the Financial Complaints Board nor by the bank.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY

The bank group had net primary capital of NOK 2.3 billion (NOK 2.3 billion) at the end of 2018. The capital adequacy ratio was 18.9 per cent and the pure core capital ratio was 15.2 per cent, compared to 18.9 per cent and 14.8 per cent respectively at the end of 2017. The bank group has adapted to the new capital requirements and aims to comply with the applicable buffer capital requirements at any given time. The company has satisfactory financial strength and liquidity based on its operations. The bank group, parent bank and home mortgage company all satisfy the current statutory requirements.

PERSONNEL, ORGANISATION, CORPORATE BODIES AND THE ENVIRONMENT

SUSTAINABILITY

Storebrand's internal driving force is about creating security today and a future customers can look forward to. Storebrand's objective describes what the group works towards every day: a safe and sustainable future with financial freedom for customers to experience what they want to experience. Storebrand shall ensure that customers have a future they can look forward to. This shall be achieved by thinking long-term, demonstrating that this, together with sustainability, is the way forward and always putting the needs of the customers first.

The Storebrand group's sustainability work originated in asset management, where a separate sustainability analysis for investments was established in 1995. There are four areas in particular that are important for the group's sustainability work: Sustainable investments, climate strategy, guidelines for sustainability and commitments and collaboration.

By systematically screening all of the companies, the asset management sustainability team analyses the ability of the companies to adapt to global sustainability trends. The method Storebrand uses excludes companies that are in violation of the group's standards for sustainable investments, selects the best companies that are positioned to face global challenges and ranks all funds according to their level of sustainability.

Storebrand has implemented a separate climate strategy in the sustainability analysis and makes a focussed effort on the business having the lowest possible impact on the climate.

Storebrand has guidelines for how the group operates and works with sustainability which apply for the entire business. Storebrand has a made a number of commitments to operating in a sustainable manner through participation in international cooperation, including the UN Principles for Responsible Investment (UNPRI) and the UN Principles for Sustainable Insurance (UNPSI). The sustainability reporting is integrated into Storebrand ASA's annual report and complies with the Global Reporting Initiative's (GRI) reporting guidelines.

ETHICS AND TRUST

Trust is the lifeblood of Storebrand. The company sets strict requirements concerning high ethical standards for the group's employees.

Storebrand also has ethical rules, which are an important tool in our daily operations, and are followed up every year through training and monitoring. Management teams at all levels of the group discuss ethical dilemmas and review the rules at least annually. The group's rules relating to anti-corruption, notification and work to combat internal fraud are included in the ethical rules and apply to all employees and consultants that work for Storebrand.

THE ENVIRONMENT

The company makes a focused effort to reduce the impact of its business activities on the environment, through their own operations, investments, purchasing and property management. The emissions that we nevertheless have, through travel and the consumption of energy, are compensated for through purchasing verified emission allowances. The Storebrand group places strict environmental demands on its suppliers and companies in which it invests. The company's head office is a low-emission building that uses renewable energy sources like solar energy and district heating. The building is also Eco-Lighthouse certified.

HUMAN RESOURCES AND ORGANISATION

The bank group and Storebrand Bank ASA had 104 full-time equivalents at the end of the year, compared with 105 at the beginning of the year. Gender distribution is 50 per cent men and 50 per cent women. The average age of our employees is 42. The average term of service is 11 years.

DIVERSITY

Storebrand makes a focused effort to strengthen the development and have an even distribution of women and men in all areas and at all levels in the company. At the end of 2018, 66 per cent of the company's board members were women. At the end of the year, 56 per cent of the employees with managerial responsibility in the company were women.

The company has increased its cultural diversity along the same lines as society in general. The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes. The head office is a universal design building.

COMPETENCE

A high level of skill is one of Storebrand's most important factors for success, and it forms the foundation for renewed growth. At Storebrand, skills are synonymous with the ability that each individual employee has to perform and manage certain tasks and situations. This ability is based on knowledge and experience, skills, motivation and personality.

At Storebrand, all of the employees should have an opportunity to develop in step with the company's needs. In 2018, the company has focused on the fact that the greatest and most important part of skills development takes place through facilitating development as part of the everyday work. Skills development should take place be assigning challenging tasks to employees in their positions, and that they are allowed to develop themselves for new requirements and tasks.

WORKING ENVIRONMENT AND ABSENCE DUE TO ILLNESS

Storebrand has worked systematically to prevent absence due to illness for several years, and it has placed health and satisfaction high on its agenda. The company had absence due to illness of 4.6 per cent in 2018, which is an increase of 0.5 percentage points over the previous year.

The company has been an "inclusive workplace (IA)" company since 2002, and the managers have over the years built up good routines for following up sick employees. All managers must complete a mandatory HSE course, in which part of the training involves following up illnesses. Storebrand has its own health clinic to reduce absence due to illness. Employees can exercise in the spinning room, gym and in a separate sports hall during working hours. The company sports association is responsible for activities in the hall.

No personal injuries, property damage or accidents were reported in the company in 2018.

CORPORATE GOVERNANCE

The bank group's systems for internal control and risk management linked to the accounting processes adhere to Storebrand group guidelines. The board decides upon the guidelines annually. In addition, the bank group purchases all bookkeeping and financial reporting services from Storebrand Livsforsikring AS through service contracts.

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 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 2018.

The bank group publishes four interim financial statements, in addition to the ordinary annual financial statements. The financial statements must satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and published according to the schedule adopted by the Board of Storebrand ASA. The bank's accounts are prepared by the Group Account's department of Storebrand Livsforsikring AS, which is organised 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 series of risk assessment and control measures have been established in connection with the preparation of the financial statements. 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 centers 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. Valuation relating to significant accounting items and any changes in principles etc. are described in a separate document (valuation item memo). The external auditor participates in board meetings that deal with the quarterly accounts and annual accounts, as well as in meetings of the audit committee of Storebrand ASA. Monthly and quarterly operating reports are prepared in which the results per business area and product area are analysed and assessed against set budgets. The operating reports are reconciled against other financial reporting. Otherwise, continuous reconciliation of specialist systems, etc. takes place against the accounting system.

The work of the board is regulated by special rules of procedure for the board. The Board of Storebrand ASA has also adopted an executive "Steering Document for Management and Control in the Storebrand group" and a set of instructions for the boards of subsidiary companies. These documents describe how guidelines, plans and strategies adopted by the group's Board of Directors are expected to be 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 bank has no provisions in the Articles of Association or authorities that enable the board to decide that the company may buy back or issue its own shares or capital certificates.

CHANGES IN THE COMPOSITION OF THE BOARD

There have not been any changes in the composition of the board in 2018.

SOCIAL RESPONSIBILITY

Reference is made to the detailed description regarding sustainability, included in the 2018 annual report of the Storebrand group.

GOING CONCERN

The board confirms that the prerequisites for the going concern assumption exist and accordingly the annual report has been prepared based on the going concern principle.

EVENTS AFTER THE BALANCE SHEET DATE

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

STOREBRAND BANK ASA

The annual profit for the parent bank Storebrand Bank ASA was NOK 143 million (NOK 144 million) in 2018. Net interest income for Storebrand Bank ASA was NOK 224 million (NOK 221 million) in 2018. A net amount of NOK 28 million (NOK 7 million) was regonised as expense for impairment of loan losses for the year. The increase is mainly caused by change in the model for calculating impairments on non-performing loans.

The parent bank had total assets of NOK 20.0 billion at year-end. Gross lending in the parent bank amounted to NOK 10,0 billion (NOK 12.8 billion). Equity in the parent bank at the end of the year amounted to NOK 2.1 billion (NOK 2.0 billion). The net capital base at year-end after group contributions amounted to NOK 2.3 billion (NOK 2.2 billion). The company's capital adequacy was 25.0 per cent (23.6 per cent) and the pure core capital adequacy was 10.0 per cent (18.3 per cent).

The bank group's activities, with the exception of activities in Storebrand Boligkreditt AS, are being managed by the parent bank. Part of the bank group's retail market business area is in Storebrand Boligkreditt AS. Storebrand Bank ASA's corporate market portfolio is being wound up and the increased proportion of retail market loans reduces net interest income as a percentage of average total assets for the parent bank. Other profit and balance sheet trends for the parent bank are covered in the description of the bank group above.

ALLOCATION OF PROFIT

Storebrand Bank ASA (the parent bank) reached a result before tax for 2018 of NOK 142.9 million.

The board proposes that a group contribution of NOK 153.0 million, of which the group contribution with tax effect is NOK 150.2 million (NOK 112.6 million after tax), be paid to Storebrand ASA. The board proposes additional group contribution of NOK 49.1 million to Storebrand Boligkreditt AS and group contribution with tax effect to Ring Eiendomsmegling AS of NOK 0.8 million (NOK 0.6 million after tax) The board considers the bank group and Storebrand Bank ASA's capital situation to be good given the risk profile and proposes the following allocation of the profit for the year to the bank's general meeting:

(NOK million)	
Group contribution after tax	-165.2
Transferred from other equity	22,3
Total allocations	**-142,9**

STRATEGY AND OUTLOOK FOR 2019

In 2019, the Storebrand Bank group will continue to work on improving the business profitability, combined with growth within strategic segments in the retail market. The development in the housing market in different parts of the country will be closely monitored. The bank will also prioritise maintaining a moderate to low risk profile with a good balance sheet and funding composition.

In the retail market, the bank will continue to work on developing attractive products and digital services that support Storebrand's focus on sustainability. Improving competitiveness through better efficiency is a priority and the bank shall continue to reduce costs and increase the degree of automation in customer- and work processes.

Sound management of the bank's credit and liquidity risk, and control of the operational risk in key work processes will also be a vital focus in 2019. The bank will continue to closely monitor developments in non-performing loans and loan losses. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market, particularly in Oslo, are regarded as the key risk factors that can affect the results of the Storebrand Bank group in 2019.

Lysaker, 12 February 2019
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Heidi Skaaret - Chairman of the Board -	Jostein Dalland - Deputy Chairman -	Inger Roll-Matthiesen - Board Member -
Leif Helmich Pedersen - Board Member -	Vivi Gevelt - Board Member -	Maria Skotnes - Board Member -
		Bernt H. Uppstad - CEO -

Notes to the account

Storebrand Bank Group

Profit and loss account
1 January - 31 December

(NOK million)	Note	2018	2017
Interest income on financial instruments at amortised cost		55.3	679.4
Interest income on financial instruments at fair value		660.3	49.9
Interest expense		-340.0	-355.3
Net interest income	10	**375.6**	**374.0**
Fee and commission income from banking services		121.8	91.0
Fee and commission expense for banking services		-11.3	-15.0
Net fee and commission income	11	**110.5**	**76.0**
Net gains on financial instruments valued at amortised cost	10	-3.1	-5.5
Net gains on other financial instruments	10	8.8	59.2
Total other operating income		**5.7**	**53.7**
Staff expenses	13, 14	-94.4	-105.8
General administration expenses	13	-60.4	-59.8
Other operating costs	12, 13, 25, 26	-109.5	-134.6
Total operating costs		**-264.2**	**-300.2**
Operating profit before loan losses		**227.5**	**203.5**
Losses on loans, guarantees and unused credits	15	-28.7	-9.4
Profit before tax		**198.7**	**194.2**
Tax	16	-51.3	-48.1
Result after tax sold/discontinued operations		-0.1	-0.3
Profit for the year		**147.3**	**145.8**
Profit for the year is attributable to:			
Portion attributable to shareholders		138.0	135.1
Portion attributable to additional Tier 1 capital holders		9.3	10.6
Profit for the year		**147.3**	**145.8**

Statement of comprehensive income

(NOK million)	Note	2018	2017
Profit for the year		147.3	145.8
Other result elements not to be classified to profit/loss			
Pension experience adjustments	14	-0.2	0.4
Tax on pension experience adjustments	16	0.1	-0.1
Total other result elements not to be classified to profit/loss		**-0.2**	**0.3**
Other result elements that may be classified to profit/loss			
Change in fair value of financial instruments valued at fair value through other comprehensive income (OCI)		19.6	7.6
Total other result elements that may be classified to profit/loss		**19.6**	**7.6**
Total comprehensive income		**166.7**	**153.7**
Total comprehensive income for the period is attributable to:			
Portion attributable to shareholders		157.5	143.0
Portion attributable to additional Tier 1 capital holders		9.3	10.6
Total comprehensive income		**166.7**	**153.7**

Storebrand Bank Group
Statement of financial position
31 December

ASSETS

(NOK million)	Note	2018	2017
Cash and deposits with central banks	4	376.0	472.2
Loans to and deposits with credit institutions	4, 8, 17	318.1	313.5
Net loans to customers	4, 8, 17, 23	28,459.7	27,257.0
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8	41.7	40.8
Bonds and other fixed-income securities	4, 8, 18, 20	2,697.9	3,213.5
Derivatives	4, 5, 8, 21	95.1	179.8
Bonds at amortised cost	4, 8, 19	694.0	380.4
Tangible assets	26		0.1
Intangible assets and goodwill	25	76.3	71.4
Deferred tax assets	16	5.1	16.1
Other current assets	17	42.2	37.3
Total assets		**32,806.2**	**31,982.2**

Storebrand Bank Group
Statement of financial position
31 December

LIABILITIES AND EQUITY

(NOK million)	Note	2018	2017
Liabilities to credit institutions	5, 8, 17	2.4	155.0
Deposits from and due to customers	5, 17, 27	14,419.4	14,628.0
Other financial liabilities:			
Derivatives	5, 8, 17, 21	72.0	138.6
Commercial papers and bonds issued	5, 8, 17	15,715.4	14,304.2
Other liabilities	5, 17, 30	110.4	109.9
Provision for accrued expenses and liabilities	29	8.1	6.0
Deferred tax liabilities	16	0.3	
Pension liabilities	14	6.0	11.6
Subordinated loan capital	5, 8, 17	276.3	276.1
Total liabilities		**30,610.3**	**29,629.3**
Other paid-in share capital		1,590.9	1,590.9
Retained earnings		429.1	536.0
Additional Tier 1 capital		176.0	226.0
Total equity	**33**	**2,196.0**	**2,352.9**
Total liabilities and equity		**32,806.2**	**31,982.2**

Lysaker, 12 February 2019
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Heidi Skaaret
Chairman of the Board

Jostein Dalland
Deputy Chairman

Leif Helmich Pedersen
Board Member

Inger Roll-Matthiesen
Board Member

Vivi Gevelt
Board Member

Maria Skotnes
Board Member

Bernt H. Uppstad
CEO

Storebrand Bank Group
Consolidated Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
	Paid-in equity				Other equity			
Equity at 31.12.2016	960.6	156.0	474.3	1,590.9	729.4	729.4	226.0	2,546.3
Profit for the period					135.1	135.1	10.6	145.8
Pension experience adjustments (see note 14)					0.3	0.3		0.3
Total other result elements not to be clas-sified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.3**	**0.0**	**0.3**
Unrealised gain/loss financial instruments available for sale					7.6	7.6		7.6
Total other result elements that may be classified to profit/loss					**7.6**	**7.6**		**7.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**143.0**	**143.0**	**10.6**	**153.7**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.7	2.7		2.7
Payment to additional Tier 1 holders						0.0	-10.7	-10.7
Group contribution paid					-339.0	-339.0		-339.0
Other changes					-0.1	-0.1		-0.1
Equity at 31.12.2017	**960.6**	**156.0**	**474.3**	**1,590.9**	**536.0**	**536.0**	**226.0**	**2,352.9**
Effect of implementing IFRS 9 in equity 01.01.2018					-12.7	-12.7		-12.7
Profit for the period					138.0	138.0	9.3	147.3
Pension experience adjustments (see note 14)					-0.2	-0.2		-0.2
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**-0.2**	**0.0**	**-0.2**
Unrealised gain/loss financial instruments available for sale					19.6	19.6		19.6
Total other result elements that may be classified to profit/loss					**19.6**	**19.6**		**19.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**157.5**	**157.5**	**9.3**	**166.7**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.3	2.3	-50.0	-47.7
Payment to additional Tier 1 holders						0.0	-9.2	-9.2
Group contribution paid					-254.0	-254.0		-254.0
Equity at 31.12.2018	**960.6**	**156.0**	**474.3**	**1,590.9**	**429.1**	**429.1**	**176.0**	**2,196.0**

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly to total comprehensive income. Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

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

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

For further information on the group's fulfilment of the capital requirements, see note 33

Storebrand Bank Group
Statement of cash flow
1 January - 31 December

(NOK million)	Note	2018	2017
Cash flow from operations			
Receipts of interest, commissions and fees from customers		850.5	839.8
Payments of interest, commissions and fees to customers		-95.5	-117.7
Net disbursement/payments on customer loans		-1,185.6	-6.7
Net receipts/payments of deposits from banking customers		-208.6	-610.4
Net receipts/payments - securities		238.9	833.5
Payments of operating costs		-368.3	-414.6
Net cash flow from operating activities		**-768.6**	**523.8**
Cash flow from investment activities			
Net payments on purchase/sale of fixed assets etc.	25, 26	-19.8	-3.9
Net cash flow from investment activities		**-19.8**	**-3.9**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-2,746.0	-3,474.0
Receipts - new loans and issuing of bond debt		3,471.3	3,897.9
Payments - interest on loans		-223.3	-252.7
Receipts - subordinated loan capital		0.0	150.0
Payments - repayments of subordinated loan capital		0.0	-150.0
Payments - interest on subordinated loan capital		-7.3	-10.1
Receipts - Tier 1 capital		100.0	0.0
Payments - repayments of Tier 1 capital		-150.0	0.0
Payments - interest on additional Tier 1 capital		-9.2	-11.0
Net receipts/payments of liabilities to credit institutions		553.4	-251.7
Payments - group contribution		-292.0	-369.2
Net cash flow from financing activities		**696.8**	**-470.8**
Net cash flow in the period		**-91.6**	**49.1**
Cash and bank deposits at the start of the period		785.6	736.6
Cash and bank deposits at the end of the period		**694.0**	**785.6**
Cash and deposits with central banks		376.0	472.2
Loans to and deposits with credit institutions		318.1	313.5
Total cash and bank deposits in the balance sheet		**694.0**	**785.6**

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

OPERATIONAL ACTIVITIES
A substantial part of the activities in a financial group will be classified as operational.

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

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

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

Notes
Storebrand Bank Group

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on the Oslo Stock Exchange. The consolidated financial statements for 2018 were approved by the Board of Directors on 12 February 2019.

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian market. The bank's main target group is persons who have an occupational pension with Storebrand. These customers are also members of the group's loyalty programme, Storebrand Fordel. The bank's offerings are also integrated with the group's loyalty programme. Storebrand Bank ASA comprises the business areas of Corporate Market, Retail Market and Treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

The asset side of the Storebrand Bank group's statement of financial position primarily consists of financial instruments. Loans to customers with variable interest are measured as debt instruments at fair value through other comprehensive income (OCI), while loans to customers with fixed interest are measured at fair value through profit or loss. Shares and derivatives are measured at fair value through profit or loss. Other financial assets are measured at amortised cost. Capitalised intangible assets are also included on the statement of financial position. Intangible assets are measured at acquisition cost less any amortisation, and are tested for impairment at least annually. The liabilities side of the Storebrand Bank group's statement of financial position comprises, for the most part, financial instruments (liabilities).

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have had a significant impact on the consolidated financial statements have been implemented in 2018.

NEW ACCOUNTING STANDARDS THAT ENTERED INTO EFFECT IN 2018.

IFRS9
IFRS 9 Financial Instruments replaced the current IAS 39. IFRS 9 is applicable from 1 January 2018. IFRS 9 covers recognition, classification and measurement, impairment, derecognition and general hedge accounting. Implementation of IFRS 9 has significantly impacted accounting of financial instruments in Storebrand Banks groups`s consolidated financial statements. Storebrand Bank group did not early adopt the standard.

Transitional rules
IFRS 9 is applied retrospectively, with the exception of hedge accounting. Retrospective application means that Storebrand Bank group has calculated the opening balance for 1 January 2018 as if the company always has applied the new principles. Storebrand Bank group has not restated the comparative figures for 2017 in the interim consolidated financial statements of fourth quarter 2018 due to IFRS 9. The effects of the new principles on the opening balance for 2018 are recognised in equity.

Storebrand Bank group has chosen to introduce hedge accounting pursuant to IFRS 9, which includes similar hedging instruments used under IAS 39.

Implementation of IFRS 9 has changed recognition, classification and measurement of financial instruments and impairment of financial assets in Storebrand Banks group`s consolidated financial statements. The introduction of IFRS 9 has resulted in significant changes in standards pertaining to note information for financial instruments, IFRS 7 Financial Instruments – disclosures.

Classification and measurement of financial instruments

Financial assets

Under IFRS 9, financial assets shall be classified into three measurement categories: fair value through profit and loss, fair value through other comprehensive income (OCI) and at amortised cost. The classification is based on whether the instruments are held in a business modelfor the purpuse to receive contractual cash flows, for both to receive contractual cash flows and for sale or in another business model, and whether contractual cash flows are solely payments of principal and interest on specified dates (pass the SPPI-test, "Solely payment of principal and interest"). Debt instruments are all financial assets that are not derivatives or equity instruments.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that consist solely of payment of principal and interest on specified dates and which are held in a business model for the purpose of receiving contractual cash flows shall be measured at amortised cost. Instruments with contractual cash flows that are solely payments of principal and interest (SPPI) on specified dates and which are held in a business model for the purpose of receiving contractual cash flows and for sale shall be measured at fair value through OCI, with interest income, foreign currency effects and impairments through profit or loss. Any value adjustments through other OCI are recycled through to profit or loss on sale or other disposal of the assets. Other debt instruments are measured at fair value through profit or loss. This applies to instruments with cash flows that are not only payment of principal and interest, and instruments held in a business model where the main objective is not receipt of contracted cash flows.

Instruments that are to be measured at amortised cost or at fair value through OCI may be designated for measurement at fair value through profit or loss if this eliminates or significantly reduces an accounting mismatch.

Derivatives and investments in equity instruments

In principle, all derivatives shall be measured at fair value with all fair value adjustments recognised in profit or loss; but derivatives designated as hedging instruments shall be recognised in accordance with the principles governing hedge accounting. Investments in equity instruments shall be measured at fair value in the balance sheet. Adjustments in value must as a general rule be reported in profit or loss, but an equity instrument not held for trading purposes and which is not a conditional consideration after a transfer of business may be designated as measured at fair value with value changes presented in OCI.

Changes to classification and measurement of financial assets

Storebrand Bank group's financial assets, which were measured at fair value under IAS 39, are also measured at fair value under IFRS 9. The following changes were made to the classification of the company's financial assets when implementing IFRS 9:

Accounts receivables and cash equivalents

The instruments were previously classified as Loans and Receivables measured at amortised cost under IAS 39, and are held to receive contractual cash flows consisting exclusively of the payment of interest and principal amounts on specified dates. The instruments are classified as debt instruments at amortised cost under IFRS 9.

Loans to and receivables from customers with variable interest

The instruments were previously classified as Loans and Receivables measured at amortised cost under IAS 39, but are now measured as debt instruments at fair value through OCI. Storebrand Bank group expects not only to hold the instruments to receive contractual cash flows, but also to sell substantial units relatively often.

Loans to and receivables from customers with fixed interest

The instruments were previously classified as At fair value through profit or loss according to the fair value option (FVO) in order to eliminate or substantially reduce the accounting mismatch that would otherwise have arisen since interest rate derivatives have been entered into to bring the exposure back to variable interest loans. IFRS 9 allows for several alternative classification options for these types of instruments that include terms for early payment, as well as the possibility of negative compensation. Measurement at fair value through profit or loss will still eliminate or substantially reduce accounting mismatch that would otherwise have arisen. Storebrand Bank group has chosen to classify loans with fixed interest rates at fair value with change in value through profit or loss under IFRS 9.

Shares and units

Storebrand Bank group has an investment that was classified under IAS 39 as Available for Sale, measured at fair value with changes in value through OCI. The Available for Sale category in IAS 39 has not been continued for IFRS 9. Shares classified as Available for Sale must therefore be classified and measured either at fair value with change in value through profit or loss, or at fair value through OCI without reclassification under IFRS 9. It was decided to classify the investment at fair value with change in value through profit or loss in accordance with IFRS 9.

Storebrand Bank group has investments which, under IAS 39, were classified as At fair value through profit or loss according to the fair value option (FVO) based on the portfolio being followed up on a fair value basis. The issuer classifies these investments as equity instruments. Under IFRS 9, the investments are classified as equity instruments and measured at fair value through profit or loss.

Bonds and securities - Long-term liquidity portfolio
The instruments were previously classified as Loans and receivables measured at amortised cost under IAS 39. The purpose of the portfolio is liquidity management and Storebrand Bank group holds the instruments to receive cash flows consisting solely payments of principal and interest of the principal amount outstanding at specified dates. Sale can occur if this is expected to increase future returns, but is not part of the business model and is expected to be very limited. The instruments are therefore classified at amortised cost under IFRS 9.

Bonds and securities - Short-term liquidity portfolio
The instruments were previously classified as At fair value through profit or loss according to the fair value option (FVO). The purpose of the portfolio is liquidity management and Storebrand Bank group holds the instruments to receive cash flows consisting solely payments of principal and interest of the principal amount outstanding on specified dates and for sale. The portfolio is held to continually have satisfactory liquidity allocated to strategies and policies and is freely traded to be best placed in terms of liquidity and to maximise the return within specified frameworks. The frequency and volume will vary a great deal. FVO under IAS 39 was used when the portfolio was followed up on fair value basis. The business model has not been changed and it is therefore mandatory under IFRS 9 to classify the portfolio at fair value with change in value through profit or loss.

Financial liabilities
There are no changes in the classification and measurement of Storebrand Bank ASA's financial liabilities arising from the implementation of IFRS 9. Financial liabilities that are not derivatives are measured at amortised cost. Financial derivatives that are liabilities are measured as financial derivatives that are assets.

Hedge accounting
IFRS 9 simplifies the requirements pertaining to hedge accounting in that hedge effectiveness is linked more closely to the management's risk management. The 80–125 per cent hedge effectiveness requirement has been removed and replaced by more qualitative requirements, including that there must be an economic relationship between the hedging instrument and the hedged item, and that credit risk must not dominate the value adjustments in the hedging instrument. Hedging documentation is still required.

Changes in write-downs on lending
In IAS 39, impairment losses on loans were only recognised when there was objective evidence that a loss event had occurred following initial recognition. Under IFRS 9, the loss provisions are recognised based on expected credit loss (ECL). The general model for write-down on financial assets in IFRS 9 applies to financial assets measured at amortised cost or at fair value with changes in value through OCI, and which had not accrued credit losses at initial recognition. Loan commitments, financial guarantee contracts that are not measured at fair value through profit or loss and lease receivables are also included.

The measurement of the provision for expected losses in the general model depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and when the credit risk has not increased significantly following initial recognition, provisions must be made for 12 months expected loss. 12 months expected loss is the loss that is expected to occur over the economic life of the instrument, but that cannot be linked to events that occur during the first 12 months. If the credit risk has increased significantly since initial recognition, provisions must be made for expected losses over the entire economic life. Expected credit losses are calculated based on the present value of all cash flows over the remaining expected economic life, i.e. the difference between the contractual cash flows in accordance with the contract and the cash flow that is expected to be received, discounted by the effective interest on the instruments.

In addition to the general model, there are separate principles for issued loans, including renegotiated loans that are treated as new loans and purchased loans for which credit losses are accrued at initial recognition. An effective interest rate shall be calculated for these that takes into account expected credit losses and, in the event of changes in expected cash flows, the change must be discounted by the originally stipulated effective interest rate and charged to the income statement. Thus, for these assets there is no need to monitor whether there has been a significant increase in the credit risk after initial recognition because expected losses over the entire economic life will be taken into account regardless.

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 gross carrying amount before loss provisions.

A simplified model is used for accounts receivables without significant financing components, where provisions are made for expected loss over the entire economic life from initial recognition. As an accounting principle, Storebrand Bank group has chosen to also use the simplified model for accounts receivables with significant financing elements and lease receivables.

Effects of the transition to IFRS 9
In connection of transition to IFRS 9, Storebrand Bank group conducted a detailed analysis of business models and associated cash flow characteristics for the correct classification and measurement of their financial instruments under IFRS 9.

See section 7 below for more detailed information on the classification of financial instruments according to the principles in IFRS 9.

MEASUREMENT CATEGORIES AND BOOK VALUES FOR FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IAS 39 AND IFRS 9 AS OF 1 JANUARY 2018 ARE PRESENTED BELOW:

(NOK million)	Note	Classification according to IAS 39	Classification according to IFRS 9	Book value according to IAS 39 31 December 2017	Book value according to IFRS 9 1 January 2018
Cash and deposits with central banks		AC	AC	472	472
Loans to and deposits with credit institutions		AC	AC	313	313
Loans to and deposits with credit institutions - reverse repurchase agreements		FVP&L (FVO)	AC	0	0
Loans to and receivables from customers - floating interest		AC	FVOCI	26,677	26,669
Loans to and receivables from customers - fixed interest		FVP&L (FVO)	FVP&L (FVO)	580	580
Equity instruments- trading		FVOCI (TFS)	FVP&L	14	14
Equity instruments- non-trading		FVP&L (FVO)	FVP&L	27	27
Bonds and other fixed-income securities		FVP&L (FVO)	FVP&L (FVO)	3,214	3,214
Bonds and other fixed-income securities		AC	AC	380	380
Liabilities to credit institutions		AC	AC	155	155
Liabilities to credit institutions - repurchase agreements		FVP&L (FVO)	AC	0	0
Deposits from and due to customers		AC	AC	14,628	14,628
Commercial papers and bonds issued		AC	AC	14,304	14,304
Fianancial derivatives		FVP&L/Hedge accounting	FVP&L/Hedge accounting	41	41
Subordinated loan capital/ Additional Tier 1 capital		AC	AC	502	502

THE TABLE BELOW SHOWS CHANGES IN BOOK VALUES FOR FINANCIAL INSTRUMENTS WITH CHANGED CLASSIFICATION AND MEASUREMENT DUE TO TRANSITION FROM IAS 39 TO IFRS 9 AS OF 1 JANUARY 2018:

(NOK million)	Book value according to IAS 39 31 December 2017	Change due to reclassification	Change due to remeasurement ECL	Book value according to IFRS 9 1 January 2018
Loans and receiveavbles and instruments held to maturity according to IAS 39 which will be measured at amortised cost according to IFRS 9	670		4	673
Debt instruments classified as available for sale according to IAS 39 which will be measured at amortised cost according to IFRS 9				0
Total instruments measured at amortised cost according to IFRS 9	**670**	**0**	**4**	**673**
Loans and receivables and instruments held to maturity according to IAS 39 which will be measured at fair value over other comprehensive income (OCI) according to IFRS 9	26,388	-24	12	26,376
Debt instruments classified as available for sale according to IAS 39 which will be measured at fair value over other comprehensive income (OCI) according to IFRS 9.				0
Total instruments measured at fair value over OCI according to IFRS 9	**26,388**	**-24**	**12**	**26,376**
Loans and receivables and instruments at fair value through profit & loss according to IAS 39 which will be measured at fair value through profit & loss according to IFRS 9	3,794			3,794
Debt instruments classified at fair value through profit & loss according to IAS 39 which will be measured at fair value through profit & loss according to IFRS 9				0
Total instruments measured at fair value through profit & loss according to IFRS 9	**3,794**	**0**	**0**	**3,794**
Total	**30,851**	**-24**	**15**	**30,843**
Financial guarantee agreements	20		-4	15
Loan committments	2,007			2,007
Total financiel guarantees and loan commitments	**2,027**	**0**	**-4**	**2,023**

IFRS 15

The new standard IFRS 15 for recognising revenue from contracts with customers entered into force from 1 January 2018, and replaced the current IAS 18. Revenue recognition in the Storebrand Bank group are primarily regulated by IFRS 9. Revenue that will be recognised under Other Income is assessed in relation to IFRS 15.

The implementation of IFRS 15 have no significant impact on the result in Storebrand Bank group's consolidated financial statements.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT

IFRS 16

IFRS 16 Leases raplaces the current standard IAS 17 and comes into force from 1 January 2019. IFRS 16 sets out principles for recognition, measurement, presentation and publication of leases. The new leasing standard will not entail any major changes for lessors, but will entail substantial changes for lessees' accounting. IFRS 16 requires that lessees shall in principle recognise all lease contracts in the balance sheet in accordance with a simplified model similar to the accounting of financial leases under IAS 17. The present value of the total lease payments shall be recognised as a liability and an asset that reflect the right of use of the asset in the lease period. The recognised asset is amortised over the lease period, and the depreciation cost is recognised in the income statement on an ongoing basis as an operating cost. Interest charges on the lease commitment are recognised as a financial cost.

IFRS 16 can be implemented either in accordance with the full retrospective method or modified retrospective method, and Storebrand has selected the modified retrospective method. This means that comparable figures are not restated and the effect is entered in the balance sheet for the implementation year of 2019. Upon implementation, the right of use of the asset and liability will be the same amount and will not have any effect on equity.

Storebrand Bank group has no lease agreements according to IFRS 16 at year end 2018.

5. CONSOLIDATION

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

Storebrand Boligkreditt AS and Ring Eiendomsmegling AS are subsidiaries that are owned directly by Storebrand Bank ASA. Bjørndalen Panorama AS og MPV 7 Holding AS was discontinued in 2017.

ELIMINATION OF INTERNAL TRANSACTIONS

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

6. BUSINESS COMBINATIONS

The acquisition method is applied when accounting for acquisition of businesses. The consideration is measured at fair value. The direct acquisition expenses are recognised when they arise, when the exception of expenses related to raising debt or equity (new issues).

When making investments, a decision is made as to whether the purchase constitutes acquisition of a business pursuant to IFRS 3. When such acquisitions are not regarded as an acquisition of a business, the acquisition method pursuant to IFRS 3 Business Combinations is not applied, and a provision is not set aside for deferred tax as would have occurred in a business combination.

7. INCOME RECOGNITION

INTEREST INCOME – BANKING

Interest income related to loans and bonds is recognised in the income statement using the effective interest method. See Section 9 for more information.

INCOME FROM FINANCIAL ASSETS

Income from financial assets is described in Section 9.

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.

8. GOODWILL AND INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are measured at the acquisition cost less accumulated amortisation and any write-downs. The useful life and amortisation method are measured each year. If new intangible assets are carried, it must be possible to prove that it is likely that future economic benefits that can be attributed to the asset will pass to the group. In addition, the must be possible to estimate the cost price of the asset reliably. Impeirment needs will be assessed if there are indications of an impairment in value, and the impairment of intangible assets and reversal of impairment will otherwise be handled in the same manner as described for tangible fixed assets.

9. FINANCIAL INSTRUMENTS

9-1. GENERAL POLICIES AND DEFINITIONS

RECOGNITION AND DERECOGNITION

Financial assets and liabilities are included in the statement of financial position from such time Storebrand Bank group 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 valued 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 right to the cash flows from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e once the contractual liability has been fulfilled, cancelled or has expired.

MODIFIED ASSETS AND LIABILITIES

If terms of an existing financial asset or obligation are modified or changed, the instrument is treated as a new financial asset if the renegotiated terms are substantially different from the old terms. If the terms are substantially different, the old financial asset or liability is derecognised and a new financial asset or liability is recognised. In general, a loan is considered to be a new financial asset if new loan documentation is issued and a new credit granting process is undertaken, resulting in new loan terms and conditions.

If the modified instrument is not considered to be substantially different from the existing instrument, the instrument is treated as a continuation of the existing instrument in terms of accounting. In the event of modification that is treated as a continuation of the existing instrument in the accounts, the new cash flows are discounted with the instrument's original effective interest rate, and any difference compared with the existing book value is recognised.

AMORTISED COST

For financial instruments measured at amortised cost, interest recognised in the income statement is calculated using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all contractual terms of the financial instruments (for example, early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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.

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

IMPAIRMENT OF FINANCIAL ASSETS

The general model for impairment of financial assets in IFRS 9 will apply to 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 and loss, and lease receivables are also encompassed by the model. Measurement of the allowance for expected loss in the general model depends on whether the credit risk has increased significantly since initial recognition.

In addition to the general model, there are separate principles for issued, 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 loss, 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 whole lifetime are taken into account.

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

9-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

- Financial assets measured at amortised cost
- Financial assets measured at fair value with value change through other earnings 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 the following condition is met:

- it is primarily procured or contracted 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 booked at amortised cost using the effective interest method.

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

A financial asset is classified and measured at fair value through OCI if the following condition is met:

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

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

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

A significant share of Storebrands Bank ASA's financial instruments are classified in the category 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
- such classification reduces the mismatch in the measurement or recognition that would otherwise arise due to different rules for measuring assets and liabilities.

9-3. IMPAIRMENT - GENERAL METHOD

In the purpose of estimating the expected credit loss (ECL), models for the probability of default (PD), loss given defaults (LGD) and exposure at default (EAD) have been developed. The models are derived from similar models used for the internal capital adequacy assessment process. For IFRS 9 purposes, the models are positioned in the macro economy and expectations going forward, which is why the PD, LGD and EAD models are "point in time" (PIT) models. These differ from the "through the cycle" (TTC) models used for capital adequacy purposes. The risk parameters for IFRS 9 are also calibrated to assess the future to an even greater extent. As the future is uncertain, different future scenarios are used to compute PDs, LGDs and EADs for the commitments. The various future scenarios have different weights that are determined based on a perspective of the business cycle and forecasts. The final expected credit loss per commitment will be a weighted average of the expected credit losses in the different scenarios. The total expected credit loss for the portfolio is the sum of the weighted credit losses per commitment.

In the PD model, financial factors are a significant explanatory variable along with the customer's behavioural data. The model is statistically developed based on logistic regression. Loan-to-asset value is a significant factor in the LGD model. For EAD, the most significant factors are the amount of the loan for amortising loans and the amount of credit for lines of credit. The models are validated on a yearly basis.

Evaluations of future developments have a particular impact on PD and LGD estimates.

Storebrand Bank group makes use of future scenarios to calculated expected credit losses. The bank bases its assessments of future scenarios on future scenarios presented by Norges Bank in the Financial Stability Report and on assessments from Statistics Norway (SSB). The scenarios build on the current macroeconomic situation, macroeconomic forecasts and the macroeconomic impact on the credit risk in the bank's commitments. The forecasts affect the probability of default, the exposure and the degree of loss.

Factors such as unemployment, wage growth and interest rates are significant to PD. Rising unemployment and interest rates weaken the portfolio's serviceability, and lower wage growth also weakens serviceability, thus increasing the PD. Macro variables can impact the risk parameters in different directions, and this impact can be vastly different for the individual customers in the portfolio. Average PD will increase during recessions.

All other factors being equal, recessions weaken house-price trends. This will affect the loan-to-asset value and thus also LGD. For several commitments, the loss ratio is very small given the current market prices. The increase in LGD when house prices decline is greater than the reduction in LGD when house prices rise. The nonlinearity of ECL is taken into account by estimating ECL in various scenarios.

Stress tests and sensitivity tests are used to assess ECL. Sensitivity assessments of stage migration risk are done by assessing the change in ECL if a few commitments migrate from stage 1 to 2. Sensitivity analyses are conducted in ICAAP and carried out on a regular basis.

The portfolio's ECL is deemed sensitive to changes in observed defaults, losses and expected maturities of the financial assets. The individual estimates are also subject to model uncertainty. Among other factors, the uncertainty arises from estimates of the extent and development of different macro variables in the future in the individual macro scenarios and the impact of the various future prospects on a few parameters.

DEFINITION OF DEFAULT

A loan facility/line of credit is deemed in default if the scheduled payment of an instalment and/or interest on loans is overdue by more than 90 days or the lines of credit are overdrawn for more than 90 days and the amount is not immaterial. NOK 2000 is deemed a material amount.

A loan facility/line of credit is also deemed in default if individual impairments of the commitment have been implemented (see the section on the definition of credit loss).

Storebrand Bank group assesses default at line-of-credit /loan-facility level for customers in the Retail market.

For Corporate market customers, defaults are assessed at customer level. In the Corporate market, the entire customer commitment is deemed in default if a loan facility/line of credit is in default.

Default is defined pursuant to internal credit-risk assessments, credit risk models and reporting. The credit risk models are developed at loan-facility/line-of-credit 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 done for commitments with objective evidence of loss and that the loss 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 likely, 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 ECL). Model-based impairment depends on the stage to which the commitment belongs, parameter estimates for PD, EAD, LGD and expected maturity.

CALCULATING ECL

The classification and changing of stages are described below.

Stage 1

The starting point for all financial assets is stage 1. Stage 1 includes all financial instruments that have not had a significant increase in credit risk since initial recognition. In any event, financial assets with a low credit risk will be in stage 1. A low credit risk includes loan facilities/lines of credit in the Retail market with a probability of default below 0.75%. For Corporate market commitments, a low credit risk is defined as a probability of default at customer level of less than 0.75 %. In stage 1, the expected credit loss is calculated over 12 months.

Stage 2

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition, but which are not in default or do not have objective evidence of loss. The expected credit loss for financial assets in stage 2 is calculated over the expected maturity of the asset. Expected maturity varies from contractual maturity and is estimated as a historically observed maturity.

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 an individual impairment must be done 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 the period of payment is sufficiently long 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.

CALCULATION OF INTEREST
Interest income is calculated by the net commitment for commitments with individual impairments. For other commitments, interest is calculated for the entire commitment.

SIGNIFICANT INCREASE IN CREDIT RISK
A significant increase in credit risk is assessed according to the probability of default for the commitment at the time of measurement in relation to initial recognition. The assessment is done on the basis of both changes in the probability of default over the expected economic life and changes in PD over the next 12 months. Assessments are done in relation to 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 done at the time of measurement in relation to the time of initial recognition.

Commitments for which scheduled payment is overdue for 30 days or more are assessed, irrespective of whether this has caused a significant increase in the credit risk. This is similarly true of commitments where forbearance has been granted.

EXPECTED MATURITY
Expected maturity is estimated for different commitments. The expected maturity is significant because for commitments whose credit risk has significantly increased, including defaulted commitments, i.e. commitments in stage 2 and stage 3, the expected credit loss must 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.

The expected maturity is calculated for different products. The expected maturity is estimated at about 5 years for amortising loans and 6 years for lines of credit. For credit cards, the expected maturity at the time of loan approval is estimated to be 9 years and 9 years for overdraft accounts. The expected maturity is also contractual maturity for top-up loans (loan share besides LTV of 70%), building credit and bridging financing. The expected maturity is reassessed and validated on a regular basis.

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.

CLASSIFICATION INTO PORTFOLIOS
The Retail market portfolio is classified into

i) Mortgages and home-owner loans
II) Credit cards
III) Other credit agreements

The Corporate market portfolio is not divided further, and the assessment is done manually (regardless of stage).

9-4. BONDS AT AMORTISED COST

Bonds measured at amortised cost are measured at amortised cost using an effective interest method. See the description above concerning Financial instruments and amortised cost how the effective interest is calculated.

9-5. DERIVATIVES

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified either as an asset or a liability with changes in fair value through profit or loss.

The majority of the derivatives used on an ongoing basis for asset management fall into this category.

9-6. HEDGE ACCOUNTING

FAIR VALUE HEDGING

Storebrand Bank group uses fair value hedging, where the items hedged are financial assets and financial 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 adjusts the carrying amount of the hedged item and is recognised through profit or loss

9-7. FINANCIAL LIABILITIES

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

10. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Bank ASA has defined contribution pension as pension scheme. The scheme is recognised in accordance with IAS 19. Storebrand participates in the Norwegian AFP scheme (collective agreement pension). The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable liabilities and costs for accounting purposes.

10-1. DEFINED BENEFIT SCHEME

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

Actuarial gains and losses and the effects of changes in assumptions are recognised in other comprehensive income in the income statement for the period in which they occur. Storebrand Bank ASA has insured and uninsured pension schemes. The insured scheme in Norway is managed by Storebrand Livsforsikring AS. Employees who resign before reaching retirement age or leave the scheme will be issued ordinary paid-up policies.

10-2. DEFINED-CONTRIBUTION SCHEME

The defined contribution pension scheme involves the company in paying an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. Storebrand Bank ASA does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined-contribution pension schemes are recognised directly in the financial income statements.

11. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The group's tangible fixed assets and intangible assets comprise equipment, fixtures and fittings and IT systems. Equipment, fixtures and fittings and IT systems are valued at acquisition cost less accumulated depreciation and any impairment.

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

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

12. 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 group'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 net when there is a legal right to offset taxable assets and liabilities and Storebrand Bank group is capable of and intends to settle payable taxes net.

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

The Storebrand Bank group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (23 or 25 per cent).

13. PROVISION FOR GROUP CONTRIBUTIONS AND DIVIDENDS

Pursuant to IAS 10, which deals with events after the balance sheet date, proposed dividends/group contributions are classified as equity until approved by the general meeting.

14. LEASING

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

15. STATEMENT OF CASH FLOWS

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

Note 2 - Critical accounting estimates and judgements

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

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

IMPAIRMENT LOSSES ON LENDING

Loans valued at amortised cost or at fair value through OCI, 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 impact 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. Various valuation techniques are applied to these investments in order to determine the fair value. They 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 also 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 lives are tested annually for impairment. The test's valuation method requires estimating the cash flows that arise in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are measured annually to ensure that the method and time period used correspond with economic realities.

CONTINGENT LIABILITIES

Companies in the Storebrand Bank group 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 Bank ASA 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 an advisory management group and the individual units are responsible for risk management in their respective areas.

The Credit Committee is appointed by the CEO and chaired by the Chief Credit Officer. The committee considers the risk exposure and sets parameters for the credit approval process.

The Balance Sheet Management Committee is chaired by the general manager. The committee works with balance sheet management and risk management of liquidity and financing.

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

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.
Managers at the bank, the CEO of Storebrand Boligkreditt AS and managers in the Storebrand group's areas that provide services for the bank, submit annual confirmation documenting the unit's risk management activities.

SECOND LINE OF DEFENCE

Storebrand Bank ASA 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 bank's board. In terms of function the independent control functions are affiliated with the group CRO, who is 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.

RISK MANAGEMENT

The risk strategy reflects how much credit risk the bank group is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy and growth. Credit policies establish general principles for granting credit. The bank group'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.

Credit risk is assessed in relation to the capacity and willingness of customers to service debt and potential security. The bank uses credit risk models to conduct risk classifications of customers with regard to probability of default and loss given default.

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. Financial derivatives permitted by the bank are outlined in policy documents.

RISK CONTROL

The most important control of credit risk is carried out and administered by the credit manager, who has ongoing responsibility for making sure that established procedures in the credit areas comply with the adopted risk profile and external guidelines, and that they are adhered to on a day-to-day basis. The credit manager will contribute to ensure the credit expertise in the organisation.

Exposure relating to trade in financial derivatives for customers is monitored by Back Office. Price development is monitored in respect of the customer's situation, cleared lines and breach clauses. The Middle Office conducts running spot checks with regard to this.

Trades with counterparties made by Treasury are checked by the Middle Office in accordance with dedicated procedures and work descriptions.

The Chief Risk Officer (CRO) reports to the board on credit risk trends on an ongoing basis.

MAXIMUM CREDIT EXPOSURE

(NOK million)	Book value	Guarantees, unused credits and loan commitments	2018 Maximum credit exposure	2017 Maximum credit exposure
Loans to and deposits with credit institutions and the central bank	376.0		376.0	785.6
Loans to customers at amortised cost	338.7		338.7	26,746.4
Bonds and commercial papers at amortised cost	694.0		694.0	380.4
Total financial instruments at amortised cost	**1,408.7**	**0.0**	**1,408.7**	**27,912.4**
Equities	41.7		41.7	40.8
Loans to customers at fair value through profit and loss	220.2		220.2	580.0
Bonds and commercial papers at fair value through profit and loss	2,697.9		2,697.9	3,213.5
Interest swaps	95.1		95.1	179.8
Total financial instruments at fair value through profit and loss	**3,055.0**	**0.0**	**3,055.0**	**4,014.2**
Loans to customers at fair value through other comprehensive income (OCI)	27,947.4		27,947.4	
Total financial instruments at fair value through other comprehensive income (OCI)	**27,947.4**	**0.0**	**27,947.4**	**0.0**
Gross exposure with credit risk	**32,411.2**	**0.0**	**32,411.2**	**31,926.5**
Loan loss provisions	-46.7	-7.9	-54.6	-69.3
Net exposure with credit risk	**32,364.5**	**-7.9**	**32,356.6**	**31,857.2**
Other current assets without credit risk	441.8			
Total assets	**32,806.2**			

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 2018 Fair value	Total 2017 Fair value
Sovereign and Government Guaranteed bonds	507.9	253.0				760.9	764.2
Credit bonds							50.5
Mortgage and asset backed bonds	1,937.0					1,937.0	2,398.9
Total	**2,444.9**	**253.0**	**0.0**	**0.0**	**0.0**	**2,697.9**	**3,213.5**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	8.8	0.9				9.7	15.9
Change in vaule recognised in the profit and loss during the period	-5.8	-0.4				-6.2	16.1

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 2018 Fair value	Total 2017 Fair value
Public issuers and/or Government Guaranteed bonds	237.1	157.5				394.6	280.6
Mortgage and asset backed bonds	300.7					300.7	100.3
Total	**537.8**	**157.5**	**0.0**	**0.0**	**0.0**	**695.3**	**380.9**

AAA AA A BBB NIG Total Total
Fair Fair Fair Fair Fair 2018 2017
(NOK million) value value value value value Fair value Fair value

Rating classes are based on Standard & Poors.

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

CREDIT RISK PER COUNTERPARTY

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2018 Fair value	Total 2017 Fair value
Norway	376.0					376.0	472.2
Total deposits with central bank	**376.0**					**376.0**	**472.2**
Norway		252.2				252.2	263.8
Denmark			65.9			65.9	49.7
Total loans to and deposits with credit institutions		**252.2**	**65.9**			**318.1**	**313.5**
Total loans to and deposits with credit institutions and central bank	**376.0**	**252.2**	**65.9**			**694.0**	**785.6**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the Corporate Market is just under NOK 31 million. In addition, there are guarantees of approximately NOK 1,2 million. Furthermore, loans of approximately NOK 65 million are under management, which are syndicated to Storebrand Livsforsikring AS.

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

As at the end of 2018, the corporate market lending portfolio consisted of two loans. Both loans are secured by real estate mortgages. The first loan is for approximately NOK 9 million and is considered to have excellent security, with a loan-to-value ratio of less than 10%. The second loan of just under NOK 22 million has identified impairment of NOK 9 million.
The losses that have been recorded are considered to be adequate. The bank does not believe that new losses will be forthcoming from these loans at this time.

RETAIL MARKET

Retail customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, the customers are checked regarding policy regulations and the customers are scored using a scoring model. The private portfolio is primarily secured by mortgage in residential and recreational properties.

The Storebrand Bank group has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Mortgage loans are classified according to the bank's master scale, consisting of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans. The classification of home loans is automatically updated on a monthly basis. As at the end of 2018, about 61 per cent of the EAD was linked to home loans in risk class A, while approximately 2 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes.

When arranging home loans, the Storebrand Bank group collects information of significance to the value of the property. Each quarter the bank obtains an updated, independent valuation of residential properties from Eiendomsverdi AS. For homes where Eiendomsverdi AS does not have an up to date valuation (for example, certain housing cooperative apartments, owner-tenant apartments and some leisure properties) the most recently updated market value is used until further notice. When 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 don't have information regarding the property's market value, the value recorded at the time of entering into the contract (the deposit value) will be used. Loans such as those mentioned here constitute just under 1 per cent of the total portfolio exposure.

In the retail market, most of the loans are secured by way of home mortgages. NOK 28.1 billion has been lent in home loans, with a further NOK 2.1 billion in undrawn credit facilities. Total commitments in residential property are therefore about NOK 30,2 billion.

The weighted average loan-to-value ratio is 57.6 per cent for home mortgage loans. Approximately 89 per cent of loans have a loan-to-value ratio lower than 80 per cent and approximately 99 per cent are lower than 100 per cent. Approximately 46 per cent of the home mortgage loans have a loan-to-value ratio within 60 per cent.

The portfolio is regarded as having a low to moderate credit risk in accordance with the bank's risk appetite.

There is largely good security on non-performing loans that are not impaired for retail market customers. The average loan-to-value ratio for these loans is 50 per cent. Home loans/residential mortgage products that are part of the volume of non-performing loans total NOK 41 million. Approximately NOK 38 million of this is within a loan-to-value ratio of 80 per cent and all loans are within a loan-to-value ratio of 85 per cent. The security is also good on home loans/residential mortgage products between 1 and 90 days past due. Assets pledged as collateral are sold in the retail market. They are not taken over by the bank.

In the credit card portfolio, about NOK 250 million has been drawn, and approximately NOK 1 billion is available as unused credit facilities. For credit accounts, about NOK 60 million has been drawn, and approximately NOK 250 million is available as unused credit facilities.

COMMITMENTS PER CUSTOMER GROUP

2018

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Development of building projects						0.0
Sale and operation of real estate		18.5		1.2		19.6
Service providers		9.4			0.3	9.7
Wage-earners	333.7	27,795.1	216.9		3,334.9	31,680.6
Other	5.0	124.5	3.3	0.3	26.5	159.6
Total	338.7	27,947.4	220.2	1.4	3,361.7	31,869.5
Provision for expected loss Stage 1	-1.8	-1.2			-4.6	-7.6
Provision for expected loss Stage 2	-2.2	-1.4			-3.3	-6.9
Provision for expected loss Stage 3	-18.9	-21.2				-40.1
Total loans to and due from customers	**315.8**	**27,923.7**	**220.2**	**1.4**	**3,353.7**	**31,814.9**

2017

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Development of building projects				2.1		2.1
Sale and operation of real estate	29.3			17.4		46.7
Service providers	319.7				0.4	320.1
Wage-earners	26,300.6		571.8	0.3	3,451.6	30,324.3
Other	96.7		8.3		22.0	126.9
Total	26,746.4	0.0	580.0	19.7	3,474.0	30,820.1
Loan loss provisions on individual loans *)	-42.8					-42.8
Loan loss provisions on groups of loans *)	-26.5					-26.5
Total loans to and due from customers	**26,677.0**	**0.0**	**580.0**	**19.7**	**3,474.0**	**30,750.8**

*) According to IAS 39

Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

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

AVERAGE VOLUME ENGAGEMENT PER CUSTOMER GROUP

2018 (NOK million)	Average volume loans to and deposits from customers *)	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects		1.0		1.0
Sale and operation of real estate	23.9	9.3		33.2
Service providers	164.6		0.4	164.9
Wage-earners	27,609.1	0.1	3,393.2	31,002.4
Other	118.9	0.1	24.2	143.2
Total	**27,916.4**	**10.6**	**3,417.9**	**31,344.8**

*) Based on total loans per 31 December 2018.

2017 (NOK million)	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects	11.2	2.1		13.3
Sale and operation of real estate	501.7	19.4		521.0
Service providers	458.3		2.0	460.3
Wage-earners	26,258.4	0.2	3,486.8	29,745.4
Other	100.4		22.4	122.8
Total	**27,329.9**	**21.7**	**3,511.3**	**30,862.8**

COMMITMENTS PER GEOGRAPHICAL AREA

2018 (NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Model based provisions for loan losses*)	Net defaulted and loss-exposed loans
Eastern Norway	243.1	21,496.9	157.0	1.4	2,590.8	24,489.2	56.5	42.5	99.0	17.6	11.7	69.7
Western Norway	56.5	4,134.3	50.2		533.5	4,774.5	9.3	6.2	15.5	2.5	4.3	8.7
Southern Norway	11.1	501.1	9.7		52.9	574.7	1.1		1.1		0.7	0.3
Mid-Norway	11.8	757.5			91.3	860.7	1.9	3.6	5.5	0.6	0.8	4.2
Northern Norway	13.6	962.4			69.5	1,045.4	1.6	2.9	4.5	0.6	1.1	2.8
Rest of world	2.7	95.3	3.3		23.7	125.0	0.3		0.3		0.2	0.1
Total	**338.7**	**27,947.4**	**220.2**	**1.4**	**3,361.7**	**31,869.5**	**70.6**	**55.3**	**125.9**	**21.2**	**18.8**	**85.8**

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

2017										
(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impair-ment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses *)	Net defaulted and loss-exposed loans
Eastern Norway	20,180.1	407.2	19.7	2,642.9	23,249.9	101.0	104.4	205.3	40.3	165.1
Western Norway	4,278.2	120.5		582.1	4,980.8	43.5	9.3	52.8	1.8	51.0
Southern Norway	495.7	17.7		62.9	576.4	0.5		0.5		0.5
Mid-Norway	873.9	14.4		93.0	981.4	3.7	0.5	4.2	0.5	3.8
Northern Norway	827.3	11.9		71.2	910.3	1.1	0.2	1.3	0.2	1.1
Rest of world	91.1	8.3		21.9	121.3	0.6		0.6		0.6
Total	**26,746.4**	**580.0**	**19.7**	**3,474.0**	**30,820.1**	**150.4**	**114.4**	**264.8**	**42.8**	**222.0**

*) According to IAS 39

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2018						
(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	9.2	24.9			3.8	37.9
1 - 3 months	0.7	150.9			35.3	186.8
3 months - 1 year	15.4	383.8		1.2	137.8	538.2
1 - 5 years	6.4	1,912.7			852.2	2,771.3
More than 5 years	307.1	25,475.1	220.2	0.3	2,332.5	28,335.3
Total	**338.7**	**27,947.4**	**220.2**	**1.4**	**3,361.7**	**31,869.5**

2017						
(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	55.2			0.5	24.3	80.0
1 - 3 months	90.8			2.3	55.0	148.0
3 months - 1 year	654.5			15.8	283.7	954.0
1 - 5 years	1,850.4			1.2	838.1	2,689.7
More than 5 years	24,675.4			0.0	2,272.9	26,948.4
Total	**27,326.4**	**0.0**	**0.0**	**19.7**	**3,474.0**	**30,820.1**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

2018

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	1.8	143.2	9.7		1.0	155.8
Overdue 31 - 60 days	3.5	47.0	3.3		0.2	54.0
Overdue 61- 90 days	1.3	0.5			0.1	1.9
Overdue more than 90 days	29.6	41.0			0.4	71.0
Total	**36.1**	**231.7**	**13.0**	**0.0**	**1.8**	**282.7**
Engagements overdue more than 90 days by geographical area:						
Eastern Norway	18.9	37.7			0.3	56.8
Western Norway	6.7	2.6				9.3
Southern Norway	1.1					1.1
Mid-Norway	1.2	0.7			0.1	2.0
Northern Norway	1.6					1.6
Rest of world	0.3					0.3
Total	**29.6**	**41.0**	**0.0**	**0.0**	**0.4**	**71.0**

2017

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	356.6		22.8		3.4	382.8
Overdue 31 - 60 days	100.9				1.0	101.9
Overdue 61- 90 days	50.3					50.4
Overdue more than 90 days	143.3		7.1		2.3	152.7
Total	**651.1**	**0.0**	**29.9**	**0.0**	**6.8**	**687.8**
Engagements overdue more than 90 days by geographical area:						
Eastern Norway	95.4		5.6		2.3	103.2
Western Norway	42.0		1.5			43.6
Southern Norway	0.5					0.5
Mid-Norway	3.7					3.7
Northern Norway	1.1					1.1
Rest of world	0.6					0.6
Total	**143.3**	**0.0**	**7.1**	**0.0**	**2.3**	**152.7**

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 specific loan is considered as non-performing without taking into account the customers other engagements.

CREDIT RISK PER CUSTOMER GROUP

(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
				2018			
Development of building projects			0.0		0.0		0.0
Sale and operation of real estate	18.5		18.5	9.1	9.3		-10.5
Service providers			0.0		0.0		-8.9
Wage-earners	36.8	68.8	105.6	29.7	75.9		16.6
Other		1.8	1.8	1.3	0.5		0.1
Total	**55.3**	**70.6**	**125.9**	**40.1**	**85.8**	**0.0**	**-2.7**

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

(NOK million)	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
				2017			
Development of building projects			0.0		0.0		0.0
Sale and operation of real estate	29.3		29.3	19.6	9.7		9.3
Service providers	42.3		42.3	8.9	33.4		8.9
Wage-earners	40.9	149.7	190.6	13.0	177.6		-2.8
Other	1.8	0.7	2.5	1.2	1.3		-0.1
Total	**114.4**	**150.4**	**264.8**	**42.8**	**222.0**	**0.0**	**15.3**

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

	Lending to customers		Liquidity portfolio	
(NOK million)	2018	2017	2018	2017
Book value maximum exposure for credit risk	220.2	580.0	2,697.9	3,213.5
Book value of related credit derivatives that reduce credit risk				
Collateral				
Net credit risk	**220.2**	**580.0**	**2,697.9**	**3,213.5**
This year's change in fair value of financial assets due to change in credit risk	2.9	4.4	3.6	18.4
Accumulated change in fair value of financial assets due to change in credit risk				
This year's change in value of related credit derivatives				
Accumulated change in value of related credit derivatives				

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

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

CREDIT RISK DERIVATIVES

The purpose of the use of financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The bank's risk strategies and policies establish limits for how much credit risk the bank group is willing to accept. Storebrand Bank ASA hedges all customer derivative trades by opposite derivatives to minimise foreign exchange and interest rate exposure. The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies. Net credit exposure for 2018 is NOK 23.1 million, see note 21.

CREDIT RISK PER COUNTERPARTY

			2018			
	AAA	AA	A	BBB	NIG	Total 2018
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		4.2	39.8	51.1		95.1
Total		**4.2**	**39.8**	**51.1**		**95.1**
Change in value:						
Total change in value on the balance sheet		4.2	0.7	51.1		56.0
Change in value recognised in the profit and loss during period		-5.5	38.9	-30.8		2.5

CREDIT RISK PER COUNTERPARTY

			2017			
	AAA	AA	A	BBB	NIG	Total 2018
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		9.8	88.5	81.5		179.8
Total		**9.8**	**88.5**	**81.5**		**179.8**
Change in value:						
Total change in value on the balance sheet		9.8	88.5	81.5		179.8
Change in value recognised in the profit and loss during period		-10.8	-37.3	-26.2		-74.4

EQUITY OPTIONS, INTEREST RATE SWAPS, BASIS SWAPS AND FORWARD FOREIGN EXCHANGE CONTRACTS

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

Note 5 - Liquidity risk

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.

RISK MANAGEMENT

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

Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position 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 Treasury function is responsible for the bank's liquidity management, and the Middle Office monitors and reports on the utilisation of limits pursuant to the liquidity policy. Risk management prepares liquidity forecasts.

RISK CONTROL

The means of controlling liquidity risk include monthly reports of the liquidity indicators and monitoring developments in the bank's maturity profile. Both are included in the CRO's ongoing reporting to the board. The liquidity policy specifies which liquidity indicators are followed. The Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILITIES

(NOK million)	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	2.4					2.4	2.4
Deposits from and due to customers	14,419.4					14,419.4	14,419.4
Commercial papers and bonds issued	253.7	667.7	8,808.6	6,849.7		16,579.7	15,715.4
Other liabilities	110.4					110.4	110.4
Subordinated loan capital	2.0	129.2	156.7			287.8	276.3
Undrawn credit limits	3,361.7					3,361.7	0.0
Loan commitments	1,671.8					1,671.8	0.0
Total financial liabilities 2018	**19,821.4**	**796.8**	**8,965.3**	**6,849.7**	**0.0**	**36,433.2**	**30,523.9**
Derivatives related to funding 31.12.2018	**11.3**	**-54.1**	**-0.1**	**0.0**	**0.0**	**-42.8**	**23.1**
Total financial liabilities 2017	22,374.7	684.9	6,593.4	6,291.7	0.0	35,944.6	29,473.2

The amounts includes accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2018 are used to calculate interest costs for lending with FRN conditions.
The maturity overview does not take account of the fact that the loans have extended maturity date, i.e. the original maturity date is used.
Deposits from and liabilities to customers are on call deposits or deposits locked in for less than 6 months.

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million) ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Dated subordinated loan capital						
NO0010714314	Storebrand Bank ASA	125.0	NOK	Floating	09.07.2019	125.8
NO0010786510	Storebrand Bank ASA	150.0	NOK	Floating	22.02.2022	150.5
Total subordinated loan capital 2018						**276.3**
Total subordinated loan capital 2017						276.1

SPECIFICATION OF LIABILITES TO CREDIT INSTITUTIONS

(NOK million)	2018	2017
Total liabilites to credit institutions without fixed maturity at amortised cost	**2.4**	**5.0**
Repurchase agreements, maturity 2018		150.0
Total liabilities to credit institutions with fixed maturity at fair value (FVO)	**0.0**	**150.0**
Total liabilities to credit institutions	**2.4**	**155.0**

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

(NOK million) ISIN nummer	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Bond loans						
NO0010660806	Storebrand Bank ASA	300.0	NOK	Fixed	08.10.2019	306.2
NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	499.3
NO0010729387	Storebrand Bank ASA	600.0	NOK	Floating	14.01.2020	602.0
NO0010758980	Storebrand Bank ASA	179.0	NOK	Floating	04.03.2019	179.3
NO0010787963	Storebrand Bank ASA	500.0	NOK	Floating	26.09.2019	500.1
NO0010794217	Storebrand Bank ASA	400.0	NOK	Floating	29.05.2020	400.5
NO0010831571	Storebrand Bank ASA	400.0	NOK	Floating	06.09.2021	400.0
Total bond loands		**2,879.0**				**2,887.4**
Covered bonds						
NO0010548373	Storebrand Boligkreditt AS	1,250.0	NOK	Fixed	28.10.2019	1,293.3
NO0010736903	Storebrand Boligkreditt AS	2,500.0	NOK	Floating	17.10.2019	2,498.8
NO0010760192	Storebrand Boligkreditt AS	4,000.0	NOK	Floating	16.06.2021	3,514.8
NO0010786726	Storebrand Boligkreditt AS	4,000.0	NOK	Floating	15.06.2022	4,018.4
NO0010813959	Storebrand Boligkreditt AS	2,500.0	NOK	Floating	20.06.2023	1,502.6
Total covered bonds		**14,250.0**				**12,828.0**
Total commercial papers and bonds issued 2018		**17,129.0**				**15,715.4**
Total commercial papers and bonds issued 2017		14,475.0				14,304.2

For issued covered bonds, a regulatory requirement for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent for bonds issued before 21 June 2017 apply. In 2018 all covenants are fulfilled

FINANCING ACTIVITIES - CHANGES DURING THE YEAR

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(NOK million)	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2018	276.1	155.0	14,304.2
New loans / bond debt issued	150.0	2.4	4,708.0
Repayment of loans/liabilities	-150.0	-155.0	-2,536.5
Changes in accrued interest	0.2		-760.2
Book value 31.12.2018	**276.3**	**2.4**	**15,715.4**

2017

(NOK million)	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2017	277.2	407.2	13,521.0
New loans / bond debt issued	150.0	155.0	4,293.6
Repayment of loans/liabilities	-150.0	-407.2	-3,474.0
Changes in accrued interest	-1.1		-3.2
Other			-33.2
Book value 31.12.2017	**276.1**	**155.0**	**14,304.2**

Note 6 - Market risk

Market risk is risk of a change in value due to financial market prices or volatility differing from what was expected.

RISK MANAGEMENT

The risk strategy sets general limits for market risk. Storebrand Bank group's market risk mostly are related to spread risk in the liquidity portfolio and interest rate risk. The bank is exposed to market risk in equity instruments and currency to a lesser degree. Market risk policies specify limits for market risk that the bank group is willing to accept. The bank group's market risk is primarily managed and controlled through daily monitoring of risk exposure pursuant to the policy and continuous analyses of outstanding positions. Credit spread risk is regulated through ceilings on investments. The exposure limits are reviewed and renewed by the board at least once a year. The size of these limits is set on the basis of stress tests and analyses of market movements.

RISK CONTROL

The Middle Office is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. Market risk indicators that are followed are described in the interest rate risk policy, counterparty 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 at 31 December 2018:

Effect on accounting income

(NOK million)	2017	2018
Interest rate -1,0%	1.7	10.2
Interest rate +1,0%	-1.7	-10.2

Effect on accounting result/equity [1)]

(NOK million)	2017	2018
Interest rate -1,0%	1.7	10.2
Interest rate +1,0%	-1.7	-10.2

1) Before taxes.

Financial interest rate risk

(NOK million)	2017	2018
Interest rate -1,0%	11.3	14.1
Interest rate +1,0%	-11.3	-14.1

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

See also note 22 regarding foreign exchange risk.

Note 7 - Operational risk

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.

RISK MANAGEMENT

Operational risk is being controlled and reduced 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 followed-up through the management's risk review, with documentation of risks, measures and follow-up of incidents. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the board.

RISK CONTROL

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.
In order to be able to identify problem areas internally, the bank 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.
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. In addition to this, the compliance function and internal auditor carry out spot checks in a number of the most important work processes. The results are reported to the bank's management and the board.

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.

RISK MANAGEMENT

The compliance risk in Storebrand Bank is managed through instructions for the compliance function. The function's main responsibility is to support the company's board and management in complying with relevant laws and regulations by independently identifying, evaluating, monitoring and reporting compliance risk. The function must perform preventive work by advising and ensuring that effective processes have been established for information and the implementation of current and future rules. The compliance function must have a risk-based approach.

RISK CONTROL

The compliance function performs control activities in order to ensure actual compliance.

Note 8 - Valuation of financial instruments

Storebrand Bank group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices 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 Bank group carries out continual checks to safeguard the quality of market data that has been collected from external sources. These types of checks will generally involve comparing multiple sources as well as controlling and assessing the likelihood of unusual changes.

The Storebrand group categorises financial instruments 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 in directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified in level 2.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE ACCORDING TO THE DEFINITION FOR LEVEL 2

Investments classified as level 3 primarily includes fixed-rate loans and the investment in VN Norge AS.

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

Under shares, it is primarily the investment in VN Norge AS that the bank has received in connection with the tax-free conversion of VISA Norge FLI. As at the end of the year, the value of the shares was adjusted in accordance with the change in price of the C-shares in VISA Inc. The shares are appraised at fair value through profit or loss and changes in value are included in the ordinary result .

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

The fair value of bonds is based on normal valuation techniques. Cash flows are discounted 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.

	Level 1	Level 2	Level 3				
(NOK million)	Quoted prices	Observable assumptions	Non-observable assumptions	Fair value 31.12.2018	Fair value 31.12.2017	Book value 31.12.2018	Book value 31.12.2017
Financial assets							
Loans to and deposits with credit institutions		318.1		318.1	313.5	318.1	313.5
Loans to customers - corporate market					299.1		322.9
Loans to customers - retail market		315.8		315.8	26,354.1	315.8	26,354.2
Bonds classified as Loans and receivables		695.3		695.3	380.9	694.0	380.4
Total financial assets 31.12.2018	**0.0**	**1,329.2**	**0.0**	**1,329.2**		**1,327.9**	
Total financial assets 31.12.2017	0.0	27,347.6	0.0		27,347.6		27,370.9
Financial liabilities							
Liabilities to credit institutions		2.4		2.4	155.0	2.4	155.0
Deposits from and due to customers		14,419.4		14,419.4	14,628.0	14,419.4	14,628.0
Commercial papers and bonds issued		15,735.5		15,735.5	14,341.1	15,715.4	14,304.2
Subordinated loan capital		277.4		277.4	279.0	276.3	276.1
Total financial liabilities 31.12.2018	**0.0**	**30,434.6**	**0.0**	**30,434.6**		**30,413.5**	
Total financial liabilities 31.12.2017	0.0	29,105.4	0.0		29,403.1		29,363.3

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

(NOK million)	Level 1 Quoted prices	Level 1 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2018	Book value 31.12.2017
Financial assets					
Equities		26.4	15.3	41.7	40.8
Total equities 31.12.2018	**0.0**	**26.4**	**15.3**	**41.7**	
Total equities 31.12.2017		27.0	13.8		40.8
Loans to customers - corporate market				0.0	0.0
Loans to customers - retail market			220.2	220.2	580.0
Total loans to customers 31.12.2018	**0.0**	**0.0**	**220.2**	**220.2**	
Total loans to customers 31.12.2017			580.0		580.0
Government and government guaranteed bonds		760.9		760.9	764.2
Credit bonds				0.0	50.5
Mortgage and asset backed bonds		1,937.0		1,937.0	2,398.9
Total bonds 31.12.2018	**0.0**	**2,697.9**	**0.0**	**2,697.9**	
Total bonds 31.12.2017		3,213.5			3,213.5
Interest derivatives		23.1		23.1	41.2
Total derivatives 31.12.2018	**0.0**	**23.1**	**0.0**	**23.1**	
Derivatives with a positive fair value		95.1		95.1	179.8
Derivatives with a negative fair value		-72.0		-72.0	-138.6
Total derivatives 31.12.2017		41.2			41.2
Financial liabilities					
Liabilities to credit institutions					
Liabilities to credit institutions 31.12.2018				**0.0**	
Liabilities to credit institutions 31.12.2017					0.0

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

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

(NOK million)	Level 1 Quoted prices	Level 1 Quoted prices	Level 3 Non-observable assumptions	Book value 31.12.2018	Book value 31.12.2017
Loans to customers - corporate market			17.3	17.3	
Loans to customers - retail market			27,906.3	27,906.3	
Total loans to customers	**0.0**	**0.0**	**27,923.7**	**27,923.7**	**0.0**

Due to transition to IFRS 9 from 1 January 2018, a significant proportion of the loan portfolio has been reclassified from amortised cost to fair value through other comprehensive income (OCI). There are no requirement for restating comparable figures in 2018.

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

(NOK million)	Equities	Loans to customers at fair value through profit and loss	Loans to customers at fair value through other comprehen-sive income (OCI)
Book value 01.01.2018	13.8	580.0	26,382.5
Net gains/losses on financial instruments	1.5	-5.3	20.7
Supply / disposal		110.1	14,323.3
Sales / due settlements		-464.5	-12,802.9
Book value 31.12.2018	**15.3**	**220.2**	**27,923.6**

SENSITIVITY ANALYSIS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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.

Equities
This item consist of shares in VN Norge AS which the bank have received in connection with a taxfree conversion of VISA Norge FLI. At the end of the year, the value of the shares were changed according to changes in share price of C-shares in VISA Inc. The shares are valued at fair value through profit and loss and changes in value are included in pofit and loss.

	Floating loans to customers		**Floating loans to customers**		**Equities**	
	Fair value through other comprehensive income (OCI)		Fair value through other comprehensive income (OCI)			
	Change in market spread		Change in market spread		Change in value	
Increase/reduction in fair value	+ 10 bp	- 10 bp	+ 25 bp	- 25 bp	+ 25 bp	- 25 bp
Increase/reduction in fair value at 31.12.2018 (MNOK)	**-3.2**	**3.2**	**-8.0**	**8.0**	**-2.7**	**2.7**
Increase/reduction in fair value at 31.12.2017 (MNOK)					0.3	-0.3

Comparable figures are not presented regarding floating loans to customers. Storebrand Bank ASA have changed accounting principles in 2018 why 2017 figures would be comparable to figures this year.

Note 9 - Segment

ANALYSIS OF PROFIT AND LOSS ACCOUNT BY SEGMENT:

	Corporate		Retail		Treasury/other		Total	
(NOK million)	2018	2017	2018	2017	2018	2017	2018	2017
Profit and loss items:								
Net interest income	3.7	21.3	382.5	366.0	-10.7	-13.4	375.6	374.0
Net fee and commission income	0.3	-0.3	110.2	76.3			110.5	76.0
Other income	-13.5				19.2	53.7	5.7	53.7
Total operating costs	-7.2	-19.4	-257.0	-280.9			-264.2	-300.2
Operating profit before loan losses	**-16.8**	**1.7**	**235.8**	**161.5**	**8.5**	**40.3**	**227.5**	**203.5**
Loan losses	-3.5	0.1	-23.0	-9.5	-2.2		-28.7	-9.4
Ordinary profit from continuing operations	**-20.3**	**1.8**	**212.8**	**152.0**	**6.2**	**40.3**	**198.8**	**194.1**
Ordinary profit from discontinued businesses	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.3**	**-0.1**	**-0.3**
Balance sheet items:								
Gross loans to customers	29.0	359.8	28,477.4	26,941.0		25.6	28,506.4	27,326.4
Loan loss provisions	-11.7	-36.9	-35.1	-32.4			-46.7	-69.3
Net customer loans	17.3	322.9	28,442.3	26,908.5	0.0	25.6	28,459.7	27,257.0
Deposits from and due to customers	7.6	234.8	14,345.8	14,361.4	66.0	31.8	14,419.4	14,628.0
Key figures:								
Net interest income as % of total assets	2.76 %	1.69 %	1.22 %	1.20 %			1.16 %	1.14 %
Cost/income ratio	-76 %	92 %	52 %	63 %			54 %	60 %
Deposits from customers as % of gross loans	26 %	65 %	50 %	53 %			51 %	54 %
Total level of provisioning	48 %	49 %	41 %	33 %			42 %	40 %

Storebrand Bank is a commercial bank with the head office at Lysaker in the council of Bærum. The group's activities mainly take place in Norway.

DESCRIPTION OF THE SEGMENTS:

Corporate market: The segment includes corporate customers' deposits and loans, mainly property owners and developers. All capital market business for customers within the bank's corporate market segment is presented under the corporate market segment. Storebrand Bank ASA has decided to wind up the corporate market at the bank. The winding up of operations will be gradual and controlled.

Retail market: Deposits from and loans to retail market customers, including credit cards, and deposits from corporate customers without property interests. Loans primarily comprise home mortgages. The segment includes loans in Storebrand Boligkreditt AS. All capital market business for customers within the bank's retail market segment is presented under the retail market segment.

Treasury / Other: Income and expenses that are not directly attributable are allocated to the segments on the basis of the assumed resource use. The elimination of double entries refers primarily to customer transactions that are carried out across the segments. The effects of financial risk management and the liquidity portfolio have not been allocated to the business areas and are reported under Treasury / Other.

Note 10 - Net income from financial instruments

(NOK million)	2018	2017
Net interest income		
Interest on financial assets valued at amortised cost		
Interest on loans to credit institutions	6.4	6.0
Interest on loans to customers	43.1	668.6
Interest on commercial papers, bonds and other interest-bearing securities	6.0	4.9
Total interest on financial assets valued at amortised cost	**55.5**	**679.4**
Interest on financial assets valued at fair value through other comprehensive income (OCI)		
Interest on loans to customers	608.6	
Total interest on financial assets valued at fair value through other comprehensive income (OCI)	**608.6**	**0.0**
Interest on financial assets valued at fair value through profit and loss		
Interest on commercial papers, bonds and other interest-bearing securities	38.7	41.5
Interest on loans to customers	11.1	6.8
Other interest income	1.6	1.5
Total interest on financial assets valued at fair value through profit and loss	**51.4**	**49.9**
Total interest income	**715.5**	**729.3**
Interest on financial liabilities valued at amortised cost		
Interest on debt to credit institutions	-0.9	-1.1
Interest on deposits from customers	-84.1	-103.0
Interest on securities issued	-235.9	-227.8
Interest on subordinated loan capital	-7.5	-8.9
Other interest expenses	-11.6	-12.7
Total interest on financial liabilities valued at amortised cost	**-340.0**	**-353.5**
Interest on financial liabilities valued at fair value through profit and loss		
Interest on debt to credit institutions		-1.8
Total interest on financial liabilities valued at fair value through profit and loss	**0.0**	**-1.8**
Total interest expenses	**-340.0**	**-355.3**
Net interest income	**375.6**	**374.0**

(NOK million)	2018	2017
Net income and gains from financial assets and liabilities at fair value:		
Equity instruments at fair value through profit and loss		
Net gains/losses on realisation of equity investments		-0.7
Net change in fair value of equity investments	2.3	2.0
Total equity instruments at fair value through profit and loss	**2.4**	**1.3**
Commercial papers and bonds at fair value through profit and loss		
Realised gain/loss on commercial papers and bonds	4.6	5.6
Unrealised gain/loss on commercial papers and bonds	-6.2	16.1
Total gain/loss on commercial papers and bonds at fair value through profit and loss	**-1.5**	**21.7**
Loans to customers at fair value through profit and loss		
Net gain/loss on loans to customers at fair value through profit and loss	-7.5	7.0
Reclassified realised gain/loss on loans to customers at fair value through other comprehensi-ve income (OCI)		
Total gain/loss on loans to customers at fair value through profit and loss	**-7.5**	**7.0**
Liabilities to credit institutions and other funding at fair value through profit and loss		
Unrealised gain/loss on liabilities to credit institutions and other funding		0.5
Total gain/loss on liabilities to credit institutions and other funding at fair value through profit and loss	**0.0**	**0.5**
Financial derivatives and foreign exchange at fair value through profit and loss		
Realised gain/loss on financial derivatives	-14.0	3.4
Unrealised gain/loss on financial derivatives	31.7	27.9
Total financial derivatives and foreign exchange at fair value through profit and loss	**17.7**	**31.3**
Net income and gains from financial assets and liabilities at fair value through profit and loss	**11.0**	**61.7**
Fair value hedging		
Unrealised gain/loss on derivatives and bonds issued	-2.2	-2.5
Net gain/loss on fair value hedging	**-2.2**	**-2.5**
Commercial papers and bonds at amortised cost		
Realised gain/loss on commercial papers and bonds		1.4
Total gain/loss on commercial papers and bonds at amortised cost	**0.0**	**1.4**
Bonds issued at amortised cost		
Realised gain/loss on bonds issued	-3.2	-6.9
Total gain/loss on bonds issued at amortised cost	**-3.2**	**-6.9**
Net income and gains from financial assets and liabilities at amortised cost	**-3.1**	**-5.5**
Net income and gains from financial assets and liabilities		
Net income and gains from financial assets and liabilities at fair value	**5.7**	**53.7**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	-8.9	27.0
Financial assets classified as held for trading	-19.2	47.1
Changes in fair value of assets due to changes in credit risk	6.5	0.3
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		-0.1
Financial liabilities classified as held for trading		

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

Note 11 - Net commission income

(NOK MILLION)	2018	2017
Fees related to banking operations	50.4	35.8
Commissions from saving products		0.5
Fees from and management of loans	71.5	54.6
Total fees and commissions receivable *)	**121.8**	**91.0**
Fees and commissions payable relating to banking operations	-8.7	-11.6
Commissions payable on saving products		-0.1
Other fees and commissions payable	-2.6	-3.2
Total fees and commissions payable **)	**-11.3**	**-15.0**
Net commission income	**110.5**	**76.0**
*) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account	50.4	90.5
**) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account	-11.3	-14.8

Note 12 - Remuneration paid to auditors

Remuneration excluding value added tax:

NOK Thousand	2018	2017
Statutory audit	-431	-574
Other reporting duties	-309	-281
Other non-audit services		-10
Total	**-740**	**-865**

Storebrand group have changed external auditors in 2018.
Remuneration paid to auditors in 2018 includes cost to both PWC and Deloitte.

Note 13 - Operating expenses

(NOK million)	2018	2017
Ordinary wages and salaries	-64.8	-70.0
Employer's social security contributions	-14.8	-15.0
Pension cost (see note 14)	-6.9	-13.9
Other staff expenses	-7.8	-6.9
Total staff expenses	**-94.4**	**-105.8**
IT expenses	-59.5	-58.9
Office operation and other general administration expenses	-1.0	-0.9
Total general administration expenses	**-60.4**	**-59.8**
Depreciation and write-downs fixed assets and intangible assets (see note 25 and 26)	-15.0	-13.5
Operating expenses on rented premises	-10.2	-10.0
Foreign services (see note 11)	-4.1	-8.3
Inter-company charges for services [1)]	-70.0	-86.5
Sold services to group companies	0.9	-0.6
Other operating expenses	-11.0	-15.5
Total other operating expenses	**-109.5**	**-134.6**
Total operating expenses	**-264.2**	**-300.2**

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

Note 14 - Pensions

Storebrand group has country-specific pension schemes.

Storebrand's employees in Norway have e defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:
- Saving starts from the first krone of salary
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 96,883 at 31 December 2018)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved.
- Savings rate for salary over 12 G is 20 per cent.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2018. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.

Employees who were on sick leave and partiality disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

(NOK million)	2018	2017
Present value of insured pension liabilities incl employer's NI contribution	13.1	14.9
Fair value of pension assets	-13.3	-14.7
Net pension liabilities/assets insured scheme	-0.3	0.2
Present value of unsecured liabilities	6.3	11.4
Net pension liabilities recognised in statement of financial position	**6.0**	**11.6**

Includes employer contributions on net under-financed liabilities in the gross liabilities

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2018	2017
Pension liabilities	6.0	11.6

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2018	2017
Net pension liabilities 01.01 incl provision for employer's NI contribution	26.3	46.9
Pensions earned in the period incl provision for employer's NI contribution	0.4	0.6
Pension cost recognised in the period	0.7	1.0
Estimate deviations	-2.2	-19.0
Gain/loss on insurance reductions	-2.9	3.4
Pensions paid	-2.8	-6.5
Employer's NI contribution reversed	-0.1	-0.1
Net pension liabilities 31.12	**19.3**	**26.3**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2018	2017
Pension assets at fair value 01.01	14.7	33.3
Expected return	0.3	0.7
Estimate deviation	-2.4	-18.6
Premiums paid	0.8	0.8
Pensions paid		-1.4
Employer's NI contribution pension assets	-0.1	-0.1
Net pension assets 31.12	**13.3**	**14.7**
Expected premium payments (pension assets) in 2019:	0.3	
Expected premium payments (contributions) in 2019:	6.1	
Expected AFP early retirement scheme payments in 2019:	1.5	
Expected payments from operations (uninsured scheme) in 2019:	2.8	

PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE COMPOSED AT 31.12:

	2018	2017
Real estate	14 %	12 %
Bonds at amortised cost	36 %	32 %
Loans	14 %	12 %
Equities and units	12 %	15 %
Bonds	24 %	27 %
Other short-term financial assets	1 %	
Total	**100 %**	**100 %**

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance AS.

Realised return on assets	2.2 %	4.9 %

NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

(NOK million)	2018	2017
Current service cost incl provision for employer's NI contribution	0.4	0.6
Net interest cost/expected return	0.3	0.3
Changes to pension scheme	-2.9	3.4
Total for defined benefit schemes	**-2.2**	**4.3**
The period's payment to contribution scheme	8.0	8.2
The period's payment to contractual pension	1.1	1.5
Net pension cost recognised in profit and loss account in the period	**6.9**	**13.9**

Net pension cost includes payroll tax of employer contribution and is included in operating expenses. See note 13.

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2018
Actuarial loss (gain) - change in discount rate	-0.5
Actuarial loss (gain) - experienced DBO	-1.7
Loss (gain) - experience Assets	2.2
Investment management cost	0.2
Remeasurements loss (gain) in the period	**0.2**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY 31.12

	31.12.2018	31.12.2017
Discount rate	2.8 %	2.6 %
Expected return	2.5 %	2.3 %
Expected earnings growth	2.5 %	2.3 %
Expected annual increase in pensions payment	0.0 %	0.0 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

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

In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market.

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

Actuarial assumptions:
In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. A new mortality basis K2013 for group pension insurance in life insurance companies and pension funds was introduced effective from 2014. Storebrand has used the mortality table K2013BE (best estimate) for the actuarial calculations as at 31 December 2018.

Note 15 - Losses on loans, guarantees and unused credits

(NOK million)	2018	2017
The periods change in impairment losses stage 1	0.0	
The periods change in impairment losses stage 2	-4.4	
The periods change in impairment losses stage 3	8.1	
Change in loan loss provisions on individual loans for the period (IAS 39)		-15.2
Change in loan loss provisions on groups of loans for the period (IAS 39)		11.7
Realises losses	-35.7	
Realised losses on commitments specifically provided for previously (IAS 39)		-2.5
Realised losses on commitments not specifically provided for previously (IAS 39)		-4.9
Recoveries on previously realised losses	2.8	1.5
Credit loss on interest-bearing securities	-0.1	
Other changes	0.6	
Loss expense for the period	**-28.7**	**-9.4**

Provisions for loan losses and losses for period have been calculated according with the new accounting principles in IFRS 9 and are based on expected credit loss (ECL) with use of a three-stage method.

Comparable figures for 2017 are reported in accordance with IAS 39 and modelled losses are not directly comparable with figures for 2018.

Note 16 - Tax

TAX CHARGE FOR THE YEAR

(NOK million)	2018	2017
Tax payable in the balance sheet	-37.5	-38.0
Tax payable in equity	-2.3	-2.6
Tax payable in OCI	-0.1	0.1
Changes in deferred tax/deferred tax asset	-11.4	-7.6
Total tax cost	**-51.3**	**-48.1**

TAX PAYABLE IN THE BALANCE SHEET

(NOK million)	2018	2017
Tax payable	-37.5	-38.0
Tax payable in the balance sheet (note 30)	**-37.5**	**-38.0**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

(NOK million)	2018	2017
Ordinary pre-tax profit	198.7	194.1
Expected tax on income at nominal rate	-49.7	-48.5
Tax effect of:		
Realised shares	-0.4	0.5
Permanent differences	-1.3	
Change in tax rules		-0.1
Tax charge	**-51.3**	**-48.1**

The tax charge also reflects tax effects related to earlier years.

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

(NOK million)	2018	2017
Tax-increasing temporary differences		
Financial instruments	10.2	
Total tax-increasing temporary differences	**10.2**	**0.0**
Tax-reducing temporary differences		
Pensions	-6.2	-11.6
Financial instruments		-32.1
Fixed assets	-22.7	-13.1
Provisions	-0.1	-8.6
Total tax-reducing temporary differences	**-29.0**	**-65.3**
Losses/allowances carried forward		
Base for deferred tax/tax assets	**-18.8**	**-65.3**
Write-down of deferred tax asset		
Net base for deferred tax and deferred tax asset	**-18.8**	**-65.3**
Net deferred asset/liability	**4.8**	**16.3**
Change in deferred tax asset due to liquidation of Bjørndalen Panorama AS		-0.3
Net deferred asset/liability in the balance sheet	**4.8**	**16.1**

In December 2017, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 24 per cent to 23 per cent effective from 1 January 2018. In December 2018 the Storting agreed to reduce the company tax from 23 per cent to 22 per cent effective form 1 January 2019. At the same time, the Storting agreed to continue the financial tax rate of 25 per cent. Therefore, for companies subject to the financial tax, the company tax rate will continue at the 2016 level (25 per cent).

Since Storebrand Bank ASA has activities within “Section K” (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets. The Storebrand Bank group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalizing deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate is used that is applicable for the individual companies (22 or 25 per cent).

ANALYSIS OF TAX PAYABLE AND DEFERRED TAX APPLIED INTO OCI:

(NOK million)	2018	2017
Pension experience adjustments		0.1
Total	**0.0**	**0.1**

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

Note 17 - Classification of financial assets and liabilities

(NOK million)	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income (OCI)	Total
Financial assets				
Cash and deposits with central banks	376.0			376.0
Loans to and deposits with credit institutions	318.1			318.1
Equity instruments		41.7		41.7
Bonds and other fixed-income securities	694.0	2,697.9		3,391.9
Derivatives		95.1		95.1
Lending to customers	315.8	220.2	27,923.7	28,459.7
Other current assets	42.2			42.2
Total financial assets 2018	**1,746.1**	**3,055.0**	**27,923.7**	**32,724.8**
Total financial assets 2017	27,880.4	4,000.4	13.8	31,894.6
Financial liabilities				
Deposits from and due to credit institutions	2.4			2.4
Deposits from and due to customers	14,419.4			14,419.4
Commercial papers and bonds issued	15,715.4			15,715.4
Derivatives		72.0		72.0
Other liabilities	110.4			110.4
Subordinated loan capital	276.3			276.3
Total financial liabilities 2018	**30,523.9**	**72.0**	**0.0**	**30,595.9**
Total financial liabilities 2017	29,473.2	138.6	0.0	29,611.7

Note 18 - Bonds and other fixed-income securities at fair value through profit and loss account

(NOK MILLION)	2018 Fair value	2017 Fair value
Sovereign and Government Guaranteed bonds	760.9	764.2
Credit bonds		50.5
Mortgage and asset backed bonds	1,937.0	2,398.9
Total bonds and other fixed-income securities at fair value through the profit and loss account	**2,697.9**	**3,213.5**
Modified duration	0.20	0.23
Average effective yield per 31.12.	1.23 %	0.83 %

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 19 - Bonds at amortised cost

	2018		2017	
(NOK million)	Book value	Fair value	Book value	Fair value
Public issuers and Government Guaranteed Bonds	393.9	394.6	130.2	130.3
Mortgage and asset backed bonds	300.2	300.7	250.2	250.6
Total bonds at amortised cost	**694.0**	**695.3**	**380.4**	**380.9**
Modified duration		0.18		0.16
Average effective yield per 31.12.		1.35 %		0.74 %

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.

The securities are reported as "Loans and receivables" based upon the assessed liquidity in the financial investment at the date of recognition.

Note 20 - Buyback agreements (repo agreements)

	2018	2017
(NOK million)	Book value	Book value
Transferred bonds still recognised on the statement of financial position		
Liabilities related to the assets		
Total Buyback agreements	**0.0**	**0.0**

The bank group has not entered into any repurchase agreements per 31 December 2018.

Note 21 - Financial derivatives

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

Gross nominal volume primarily provides information on scope, while net nominal volume provides a certain expression of risk positions. However, the nominal volume for different instruments is not necessarily comparable, considering the risk exposure. As opposed to gross nominal volume, the calculation of net nominal volume also takes into account the sign for the instrument's market risk exposure, by differing between so-called asset positions and liability positions.

An asset position in a share derivative implies a positive change in value if share prices rise. For interest derivatives, an asset position implies a positive change in value if interest rates are reduced – as is the case with bonds. An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase. The average gross nominal volume is based on daily calculations of gross nominal volume.

					Net amounts taken into account netting agreements		
(NOK million)	Gross nom. volume [1]	Gross recognised financial assets	Gross recognised debt	Net financial assets / debt in the balance sheet	Fin. assets	Fin. debt	Net amount
Interest derivatives [2]	2,953.5	95.1	72.0				23.1
Currency derivatives	8.0						
Total derivatives 31.12.2018	**2,961.5**	**95.1**	**72.0**	**0.0**	**0.0**	**0.0**	**23.1**
Total derivatives 31.12.2017	4,656.9	179.8	138.6	0.0	0.0	0.0	41.2

1) Values at 31.12

2) Interest derivatives include accrued, not due, interest.

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

(NOK million)	Recognised assets	Recognised liabilities	Net assets	Collateral Cash (+/-)	Collateral Securities (+/-)	Net exposure
Investments subject to netting agreements	44.0	72.0	-28.0		-150.0	122.0
Investments not subject to netting agreements	51.1		51.1			
Total 2018	**95.1**	**72.0**	**23.1**			

Note 22 - Foreign exchange risk

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	Statement of financial position items		Currency forwards	Net position	
(NOK million)	Assets	Liabilities	Net sale	in currency	in NOK
CHF	0.2	0.1	0.0		0.1
DKK	0.6	0.6	0.4		0.0
EUR	15.1	15.3	-0.8		-0.3
GBP	1.6	1.6	0.4		0.0
SEK	1.5	1.8		-0.3	-0.3
USD	18.4	18.3	-5.2		0.2
Other					0.1
Total net currency positions 2018					**-0.3**
Total net currency positions 2017					-1.0

The permitted limit for the bank's foreign exchange position is 0.50% of primary capital, which is approximately NOK 10 million at present.

Note 23 - Loan portfolio and guarantees

	2018	2017
(NOK million)	Book value	Book value *)
Loans to customers at amortised cost	338.7	26,746.4
Loans to customers at fair value through profit and loss	220.2	580.0
Loans to customers at fair value through other comprehensive income (OCI)	27,947.4	
Total gross loans to customers	**28,506.4**	**27,326.4**
Loan loss provisions on individual loans (IAS 39)		-42.8
Loan loss provisions on groups of loans (IAS 39)		-26.5
Provision for expected loss Stage 1	-3.0	
Provision for expected loss Stage 2	-3.7	
Provision for expected loss Stage 3	-40.1	
Net loans to customers	**28,459.7**	**27,257.0**

*) According to IAS 39

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

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT AMORTISED COST

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2018	249.3	27.9	18.2	295.5
Transfer to stage 1	6.3	-6.1	-0.2	0.0
Transfer to stage 2	-23.3	23.5	-0.2	0.0
Transfer to stage 3	-8.5	-3.3	11.8	0.0
New loans	41.0	6.6	3.8	51.4
Derecognition	-13.6	-7.1	-6.5	-27.2
Other changes	11.3	4.8	3.1	19.1
Gross loans to customers valued at amortised cost 31.12.2018	**262.4**	**46.2**	**30.1**	**338.7**

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

(NOK million)	Steg 1	Steg 2	Steg 3	Sum brutto utlån
Gross loans 01.01.2018	25,074.8	1,214.4	137.9	26,427.1
Transfer to stage 1	329.7	-329.7		0.0
Transfer to stage 2	-773.3	784.7	-11.4	0.0
Transfer to stage 3	-13.8	-32.3	46.1	0.0
New loans	10,202.3	227.6	2.1	10,432.1
Derecognition	-7,918.6	-306.7	-76.5	-8,301.7
Other changes	-578.6	-28.8	-2.5	-609.9
Gross loans to customers valued at fair value through other comprehensive income (OCI) 31.12.2018	**26,322.4**	**1,529.3**	**95.8**	**27,947.4**

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT FAIR VALUE THROUGH PROFIT AND LOSS (PL)

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2018	521.5	58.5		580.0
Transfer to stage 1				0.0
Transfer to stage 2	-8.2	8.2		0.0
Transfer to stage 3				0.0
New guarantees and unused credits	89.9	9.1		99.0
Dereceognition	-401.8	-48.8		-450.6
Other changes	-8.1	-0.1		-8.2
Gross loans to customers at fair value through profit and loss (PL) 31.12.2018	**193.3**	**26.9**	**0.0**	**220.2**

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNSUED CREDITS

(NOK million)	Stage 1	Stage 2	Stage 3	Total exposure
Maximum exposure 01.01.2018	3,430.5	45.8	17.5	3,493.8
Transfer to stage 1	16.0	-16.0		0.0
Transfer to stage 2	-83.6	84.8	-1.2	0.0
Transfer to stage 3	-1.8	-0.2	2.0	0.0
New guarantees and unused credits	264.6	8.5		273.1
Dereceognition	-403.5	-6.3	-16.2	-426.0
Other changes	29.9	-5.8	-1.9	22.2
Maximum exposure 31.12.2018	**3,252.2**	**110.8**	**0.1**	**3,363.1**

Note 24 - Loan loss provisions on loans, guarantees and unused credits

(NOK million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL - no objective eviden-ce of impairment	Stage 3 Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions 31 December 2017 according to IAS 39				69.3
Effect of implementation IFRS 9				-11.0
Loan loss provisions IFRS 9 at 1 January 2018	7.6	2.5	48.2	58.3
Transfer to stage 1 (12-month ECL)	0.7	-0.7	0.0	0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)	-0.9	0.9	0.0	0.0
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)	-0.1	-0.1	0.3	0.0
Net remeasurement of loan losses	-0.4	3.0	0.9	3.5
New financial assets originated or purchased	1.5	0.5	0.1	2.2
Financial assets that have been derecognised	-0.8	-0.5	-14.8	-16.1
ECL changes of balances on financial assets without changes in stage in the period	0.1	0.8	-0.2	0.7
Financial assets written off during the period	-0.1	-0.1	-12.0	-12.2
Changes in models/risk parameters	0.0	0.5	17.7	18.3
Loan loss provisions at 31 December 2018	**7.6**	**6.9**	**40.1**	**54.6**
Loan loss provisions on loans to customers valued at amortised cost	1.8	2.2	18.9	22.9
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	1.2	1.4	21.2	23.8
Loan loss provisions on guarantees and unused credit limits	4.6	3.3		7.9
Total loans loss provisions	**7.6**	**6.9**	**40.1**	**54.6**

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 Bank group has not any expected loan loss provisions related to loans to the central bank, credit institutions, commercial papers and bonds.

Note 25 - Intangible assets

(NOK million)	IT-systems	Book value 2018	Book value 2017
Acquisition cost at 01.01	141.8	141.8	148.9
Additions in the period:			
Purchased separately	19.8	19.8	3.9
Disposals in the period	-15.0	-15.0	-11.0
Acquisition cost at 31.12	**146.6**	**146.6**	**178.4**
Accumulated depreciation and write-downs at 01.01	70.4	70.4	68.7
Depreciation in the period (see note 13)	13.6	13.6	12.6
Disposals in the period	-15.0	-15.0	-11.0
Write-downs in the period	1.3	1.3	0.0
Accumulated depreciation and write-downs at 31.12	**70.3**	**70.3**	**70.4**
Book value at 31.12	**76.3**	**76.3**	**71.4**

Intangible assets are depreciated on a linear basis over periods from two to ten years.

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

Note 26 - Fixed assets

(NOK million)	Fixtures & fittings	Book value 2018	Book value 2017
Book value at 01.01	0.1	0.1	1.0
Depreciation (see note 13)	-0.1	-0.1	-0.9
Book value at 31.12	**0.0**	**0.0**	**0.1**
Opening acquisition cost	10.2	10.2	10.2
Closing acquisition cost	10.2	10.2	10.2
Opening accumulated depreciation and write-downs	10.0	10.0	9.1
Closing accumulated depreciation and write-downs	10.1	10.1	10.0

For each class of fixed assets:	
Method for measuring cost price	Acquisition cost
Depreciation method	linear
Depreciation period and economic life	2 - 8 years

Depreciation of fixed assets is included in the line "Other operating costs" in the profit and loss account, see note 13.
There are no restrictions on rights to fixed assets. No fixed assets have been pledged as collateral for liabilities.

Note 27 - Deposits from and due to customers

(NOK million)	2018 Book value	2017 Book value
Deposits from customers without agreed maturity	13,610.9	14,067.7
Term loans and deposits from customers with agreed maturity	810.2	560.3
Total deposits from customers	**14,421.1**	**14,628.0**

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

DEPOSITS FROM CUSTOMERS PER SECTOR AND INDUSTRY CLASSIFICATION AND GEOGRAPHICAL DISTRIBUTION

(NOK million)	2018 Book value	2017 Book value
Sector and industry classification		
Development of building projects	20.2	32.6
Sale and operation of real estate	727.7	742.7
Service providers	982.6	1,013.5
Wage-earners	11,518.0	11,598.3
Other	1,172.6	1,240.9
Total	**14,421.1**	**14,628.0**
Geographic distribution		
Eastern Norway	10,997.9	11,133.1
Western Norway	1,754.5	1,832.1
Southern Norway	282.3	274.4
Mid-Norway	443.6	443.2
Northern Norway	617.6	601.4
Rest of world	325.3	343.7
Total	**14,421.1**	**14,628.0**

Note 28 - Hedge accounting

Storebrand Bank group has chosen to transition to IFRS 9 for hedge accounting, but expects to keep hedging at the current level. There will thus be no accounting effects when transitioning to the new standard.
The Storebrand Bank group'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 group 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 90% 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.

	2018			2017			
	Contract/ nominal value	Fair value [1]		Contract/ nominal value		Fair value [1]	
(NOK million)	0-3 years	Assets	Liabilities	0-3 years	3-5 years	Assets	Liabilities
Interest rate swaps	2,050.0	40.3		1,550.0	500.0	95.1	
Total interest rate derivatives	2,050.0	40.3	0.0	1,550.0	500.0	95.1	0.0
Total derivatives	**2,050.0**	**40.3**	**0.0**	**1,550.0**	**500.0**	**95.1**	**0.0**

	Contract/ nominal value	Hedging value [1]		Contract/ nominal value		Hedging value [1]	
(NOK million)	0-3 years	Assets	Liabilities	0-3 years	3-5 years	Assets	Liabilities
Total underlying items	2,050.0		2,095.5	2,050.0	500.0		2,142.0
Hedging effectiveness - prospective			95.3 %				99.6 %

Gain/loss on fair value hedging: [2]

	2018	2017
(NOK million)	Gain/loss	Gain/loss
On hedging instruments	-53.5	-35.7
On items hedged	51.3	33.2

1) Book value at 31.12.

2) Amounts included in the line "Net gains on financial instruments valued at amortised cost".

Note 29 - Provisions

(NOK million)	Provisions for restructuring 2018	2017
Provisions 1.1.	6.0	7.3
Provisions during the period		4.6
Provisions used during the period	-5.9	-5.9
Total provisions 31 December	**0.1**	**6.0**
Classified as:		
Provision for accrued expenses and liabilities	0.1	6.0
Guarantees on provisions for individual loan losses	7.9	
Total provisions for accrued expenses and liabilities	**8.0**	**6.0**

This provision is related to the cost reduction program in Storebrand and mainly concerns costs related to headcount reductions. The provision has been considered in accordance with IAS 37, and the restructuring plan has been announced to all parties affected by the changes.

Note 30 - Other liabilities

(NOK million)	2018 Book value	2017 Book value
Money transfers	28.1	17.5
Accrued expenses and prepaid income	17.3	27.4
Accounts payable	11.5	4.8
Tax payable (see note 16)	37.5	38.0
Other debt	16.0	22.3
Total other liabilities	**110.4**	**109.9**

Note 31 - Off balance sheet liabilities and contingent liabilities

(NOK million)	2018	2017
Guarantees	1.4	19.7
Undrawn credit limits	3,361.7	3,474.0
Loan commitments retail market	1,671.8	2,007.2
Total contingent liabilities	**5,034.9**	**5,501.0**

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

Note 32 - Collateral

The banking group has not received any collateral except securities pledged as collateral for F-loans in Norges Bank.

COLLATERAL AND SECURITY PLEDGED

(NOK million)	2018	2017
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	803.7	887.8
Booked value of securities pledged as collateral in other financial institutions	50.3	302.1
Total	**854.0**	**1,189.9**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank.

LOAN SECURITY AT STOREBRAND BOLIGKREDITT AS

Of the total lending of NOK 28.1 billion in the bank group, NOK 18.5 billion is loans in Storebrand Boligkreditt AS. The loans in Storebrand Boligkreditt AS have been mortgaged in connection with the issuing of covered bonds (covered bond rate) in Storebrand Boligkreditt AS. Storebrand Boligkreditt AS has over-collateralisation (OC) of 29 per cent. The company must maintain the applicable OC that the rating agency requires if the company wishes to retain the current AAA rating. This requirement was 20.12 per cent at the end of 2018. The statutory OC is 2 per cent. Through commitments from previous prospectuses for covered bond issues, the company is obligated to maintain OC of up to 9.5 per cent until these securities mature. Storebrand Boligkreditt AS has security that is NOK1.2 billion more than what the present rating requires. Storebrand Bank ASA therefore considers the security to be adequate.

Note 33 - Capital adequacy

Capital adequacy calculations are subject to special consolidation rules in accordance with the regulation on consolidated application of the capital adequacy rules etc. (the "Consolidation Regulation"). The Storebrand Bank group is defined pursuant to Section 5 of the Consolidation Regulation as a financial group comprising solely or mainly undertakings other than insurance companies.

NET PRIMARY CAPITAL

(NOK million)	2018	2017
Share capital	960.6	960.6
Other equity	1,235.4	1,392.3
Total equity	**2,196.0**	**2,352.9**
Additional Tier 1 capital included in total equity	-176.0	-225.0
Accrued interest on capital instruments included in total equity		-1.0
Total equity included in Core Equity Tier 1 (CET1)	**2,020.0**	**2,126.9**
Deductions:		
AVA adjustments	-31.1	-4.1
Intangible assets	-76.3	-71.4
Deferred tax asset		
Provision for group contribution to Storebrand ASA	-114.8	-254.0
Addition:		
Group contribution received from Storebrand ASA	69.8	
Core Equity Tier 1 (CET1)	**1,867.5**	**1,797.4**
Additional Tier 1 capital:		
Capital instruments eligible as Tier 1 capital	175.0	225.0
Addition		
Tier 1 capital	**2,042.5**	**2,022.4**
Tier 2 capital		
Subordinated loans	275.0	275.0
Tier 2 capital deductions		
Eligible capital (Tier 1 capital + Tier 2 capital)	**2,317.5**	**2,297.4**

MINIMUM CAPITAL REQUIREMENT

(NOK million)	2018	2017
Credit risk	910.9	899.3
Of which:		
Local and regional authorities	1.0	4.0
Institutions	6.8	9.3
Loans secured in residential real estate*)	788.1	780.1
Retail market	52.4	48.2
Loans past-due	17.0	20.7
Covered bonds	17.9	20.0
Other	27.8	17.0
Total minimum requirement for credit risk	**910.9**	**899.3**
Operational risk	70.3	71.4
CVA risk	0.8	4.7
Deductions		
Loan loss provisions on groups of loans		-2.1
Minimum requirement for net primary capital	**982.0**	**973.3**

*According to the Capital Requirements Regulation (CRR), exposures to corporates are secured lending transactions where real estate is used as collateral.

CAPITAL ADEQUACY

	2018	2017
Capital ratio	18.9 %	18.9 %
Tier 1 capital ratio	16.7 %	16.6 %
Core equity Tier 1 (CET1) capital ratio	15.2 %	14.8 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (Tier 1 capital + Tier 2 capital) are 12 per cent and 15.5 per cent.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	2018	2017
Credit risk	11,386.6	11,240.9
Of which:		
Local and regional authorities	12.8	50.4
Corporations *)	0.0	0.1
Institutions	84.7	116.0
Loans secured in residential real estate *)	9,851.2	9,751.0
Retail market	654.9	602.9
Loans past-due	212.1	258.8
Covered bonds	223.5	249.7
Other	347.4	212.0
Total minimum requirement for credit risk	**11,386.6**	**11,240.7**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	878.6	892.5
CVA risk	9.8	59.3
Deductions		
Loan loss provisions on groups of loans		-26.5
Minimum requirement for net primary capital	**12,274.9**	**12,166.0**

*According to the Capital Requirements Regulation (CRR), exposures to corporates are secured lending transactions where real estate is used as collateral.

Note 34 - Changes in the Group's composition

Storebrand Bank ASA decided to wind up ownership of Ring Eiendomsmegling AS and subsidiaries in December 2011. The result, assets and liabilities for Ring Eiendomsmegling AS have been classified as sold / wound up business in the bank's consolidated financial statements.

Note 35 - Related parties

TRANSACTIONS WITH GROUP COMPANIES

(NOK million)	2018 Other group companies [1]	2017 Other group companies [1]
Services sold	75.1	56.6
Services purchased	76.1	93.0
Due from	13.9	
Liabilities to	3.6	4.6

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

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

LOANS SOLD TO STOREBRAND LIVSFORSIKRING AS

Storebrand Bank ASA has sold mortgages to sister company Storebrand Livsforsikring AS. In 2018, there has been sold loans of total NOK 8,1 billion. The total portfolio of loans sold as of 31 December 2018 is NOK 28.7 billion. As the buyer, Storebrand Livsforsikring AS has acquired both cash flows and most of the risk and control. The loans were therefore derecognised in the bank's balance sheet in accordance with IFRS9. Storebrand Bank ASA receives management fees for the work being done with the sold portfolio. The bank has recognised NOK 68.1 million as revenue in the accounts for 2018.

OTHER RELATED PARTIES

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities.
The terms for transactions with senior employees and related parties are stipulated in notes 38 for Storebrand Bank ASA.

LOANS TO EMPLOYEES

(NOK million)	2018	2017
Loans to employees of Storebrand Bank ASA	57.0	129.3
Loans to employees of Storebrand group excl. Storebrand Bank ASA	1,288.7	1,229.8

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to and individual of up to NOK 7 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance.
Loans in excess of NOK 7 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

NUMBER OF EMPLOYEES

	2018	2017
Number of employees at 31 December	105	106
Number of employees expressed as full-time equivalent positions	104	105

Storebrand Bank ASA

Profit and loss account

1 January - 31 December

(NOK million)	Note	2018	2017
Interest income on financial instruments at amortised cost		103.4	358.2
Interest income on financial instruments at fair value		285.4	50.8
Interest expense		-164.6	-188.4
Net interest income	10	**224.2**	**220.6**
Fee and commission income from banking services		189.9	150.8
Fee and commission expense for banking services		-11.2	-14.7
Net fee and commission income	11	**178.7**	**136.1**
Net gains on financial instruments valued at amortised cost	10	-1.4	1.3
Net gains on financial instruments	10	15.0	62.0
Other income	12	64.4	75.4
Total other operating income		**78.0**	**138.7**
Staff expenses	14, 15	-94.0	-105.6
General administration expenses	14	-60.2	-59.6
Other operating costs	13, 14, 27, 28	-106.2	-129.6
Total operating costs		**-260.5**	**-294.9**
Operating profit before loan losses		**220.4**	**200.5**
Losses on loans, guarantees and unused credits	16	-28.2	-6.9
Profit before tax		**192.2**	**193.6**
Tax	17	-49.3	-49.3
Profit for the year		**142.9**	**144.3**
Profit for the year is attributable to:			
Portion attributable to shareholders		133.6	133.7
Portion attributable to additional Tier 1 capital holders		9.3	10.6
Profit for the year		**142.9**	**144.3**
Transfers and allocations:			
Transferred to/from other equity		-97.2	109.7
Group contribution received		69.8	
Provision for group contribution		-115.5	-254.0
Total transfers and allocations		**-142.9**	**-144.3**

Statement of comprehensive income

(NOK million)	Note	2018	2017
Profit for the year		142.9	144.3
Other result elements not to be classified to profit/loss			
Pension experience adjustments	15	-0.2	0.4
Tax on pension experience adjustments	17	0.1	-0.1
Total other result elements not to be classified to profit/loss		**-0.2**	**0.3**
Other result elements that may be classified to profit/loss			
Change in fair value of financial instruments valued at fair value through other comprehensive income (OCI)		19.6	7.6
Total other result elements that may be classified to profit/loss		**19.6**	**7.6**
Total comprehensive income		**162.3**	**152.2**
Total comprehensive income for the period is attributable to:			
Portion attributable to shareholders		153.0	141.6
Portion attributable to additional Tier 1 capital holders		9.3	10.6
Total comprehensive income		**162.3**	**152.2**

Storebrand Bank ASA
Statement of financial position
31 December

ASSETS

(NOK million)	Note	2018	2017
Cash and deposits with central banks	4, 18	376.0	472.2
Loans to and deposits with credit institutions	4, 8, 18	3,071.8	2,358.1
Net loans to customers	4, 18, 25	9,975.0	12,719.5
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8, 18	41.7	40.8
Bonds and other fixed-income securities	4, 8, 18, 20, 22	4,167.1	3,458.6
Derivatives	4, 5, 8, 18, 23, 31	55.6	92.6
Bonds at amortised cost	4, 18, 21	694.0	380.4
Tangible assets	28		0.1
Intangible assets and goodwill	27	76.3	71.4
Deferred tax assets	17	4.5	13.7
Other current assets	18, 29	1,571.1	1,143.1
Total assets		**20,033.0**	**20,750.4**

Storebrand Bank ASA
Statement of financial position
31 December

LIABILITIES AND EQUITY

(NOK million)	Note	2018	2017
Liabilities to credit institutions	5, 8, 18, 22	2.4	155.0
Deposits from and due to customers	5, 18, 30	14,421.1	14,629.9
Other financial liabilities:			
Derivatives	8, 18, 23, 31	72.0	138.6
Commercial paper and bonds issued	6, 18, 31	2,887.4	3,115.6
Other liabilities	5, 18, 33	283.9	386.1
Provisions for accrued expenses and liabilities	32	8.1	6.0
Pension liabilities	15	6.0	11.6
Subordinated loan capital	4, 17	276.3	276.1
Total liabilities		**17,957.3**	**18,718.8**
Paid-in capital		1,832.2	1,762.4
Retained earnings		67.6	43.2
Additional Tier 1 capital		176.0	226.0
Total equity	36	**2,075.8**	**2,031.6**
Total liabilities and equity		**20,033.0**	**20,750.4**

Lysaker, 12 February 2019
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Heidi Skaaret
Chairman of the Board

Jostein Dalland
Deputy Chairman

Leif Helmich Pedersen
Boardmember

Inger Roll-Matthiesen
Boardmember

Vivi Gevelt
Boardmember

Maria Skotnes
Boardmember

Bernt H. Uppstad
CEO

Storebrand Bank ASA

Statement of changes in equity

	Paid-in equity				Other equity			
(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
Equity at 31.12.2016	960.6	156.0	645.9	1,762.4	152.9	152.9	226.0	2,141.4
Profit for the period					133.7	133.7	10.6	144.3
Pension experience adjustments (see note 15)					0.3	0.3		0.3
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.3**	**0.0**	**0.3**
Unrealised gain/loss financial instruments available for sale					7.6	7.6		7.6
Total other result elements that may be classified to profit/loss					**7.6**	**7.6**	**0.0**	**7.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**141.6**	**141.6**	**10.6**	**152.2**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.7	2.7		2.7
Payment to additional Tier 1 holders							-10.7	-10.7
Provision for group contribution					-254.0	-254.0		-254.0
Equity at 31.12.2017	**960.6**	**156.0**	**645.9**	**1,762.4**	**43.2**	**43.2**	**226.0**	**2,031.6**
Effect of implementing IFRS 9 in equity 01.01.2018					-15.5	-15.5		-15.5
Profit for the period					133.6	133.6	9.3	142.9
Pension experience adjustments (see note 15)					-0.2	-0.2		-0.2
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**-0.2**	**0.0**	**-0.2**
Unrealised gain/loss financial instruments available for sale					19.6	19.6		19.6
Total other result elements that may be classified to profit/loss					**19.6**	**19.6**		**19.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**153.0**	**153.0**	**9.3**	**162.3**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.3	2.3	-50.0	-47.7
Payment to additional Tier 1 holders							-9.2	-9.2
Group contribution received			69.8	69.8		0.0		69.8
Provision for group contribution					-115.5	-115.5	0.0	-115.5
Equity at 31.12.2018	**960.6**	**156.0**	**715.6**	**1,832.2**	**67.6**	**67.6**	**176.0**	**2,075.8**

The entire share capital of NOK 960.6 million made up of 64,037,183 shares (of nominal value NOK 15) is owned by Storebrand ASA.
The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly to total comprehensive income. Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

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

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

For further information on the group's fulfilment of the capital requirements, see note 36.

Storebrand Bank ASA
Statement of cash flow
1 January - 31 December

(NOK million)	Note	2018	2017
Cash flow from operations			
Receipts of interest, commissions and fees from customers		510.9	518.9
Payments of interest, commissions and fees to customers		-95.5	-117.7
Net disbursement/payments on customer loans		2,749.9	1,163.3
Net receipts/payments of deposits from banking customers		-208.8	-618.1
Net receipts/payments - securities		-965.0	843.0
Payments of operating costs		-301.7	-340.2
Net cash flow from operating activities		**1,689.9**	**1,449.2**
Cash flow from investment activities			
Net receipts on sale of subsidiaries and associated companies	19	0.0	2.6
Net payments on purchase/capitalisation of subsidiaries	19	-315.0	-0.2
Net payments on purchase/sale of fixed assets etc.	27, 28	-19.8	-3.9
Net cash flow from investment activities		**-334.8**	**-1.5**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-621.0	-409.0
Receipts - new loans and issuing of bond debt		400.0	900.0
Payments - interest on loans		-81.5	-85.4
Receipts - subordinated loan capital		0.0	150.0
Payments - repayments of subordinated loan capital		0.0	-150.0
Payments - interest on subordinated loan capital		-7.3	-10.1
Receipts - Tier 1 capital		100.0	0.0
Payments - repayments of Tier 1 capital		-150.0	0.0
Payments - interest on additional Tier 1 capital		-9.2	-11.0
Net receipts/payments of liabilities to credit institutions		-152.6	-251.7
Receipts - group contribution		81.9	62.0
Payments - group contribution / dividends		-297.8	-498.6
Net cash flow from financing activities		**-737.6**	**-303.8**
Net cash flow in the period		**617.5**	**1,143.9**
Cash and bank deposits at the start of the period		2,830.2	1,686.3
Cash and bank deposits at the end of the period		**3,447.7**	**2,830.2**
Cash and deposits with central banks		376.0	472.2
Loans to and deposits with credit institutions		3,071.8	2,358.1
Total cash and bank deposits in the balance sheet		**3,447.7**	**2,830.2**

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

OPERATIONAL ACTIVITIES
A substantial part of the activities in a financial group will be classified as operational.

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

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

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

See note 34 for information regarding undraft credit facilities.

Notes
Storebrand Bank ASA

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on the Oslo Stock Exchange. The company's financial statements for 2018 were approved by the Board of Directors on 12 February 2019.

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian market. The bank's main target group is persons who have an occupational pension with Storebrand. These customers are also members of the group's loyalty programme, Storebrand Fordel. The bank's offerings are also integrated with the group's loyalty programme. Storebrand Bank ASA comprises the business areas of Corporate Market, Retail Market and Treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

Storebrand Bank ASA's financial statements are presented using simplified application of International Financial Reporting Standards (IFRS) in accordance to The Norwegian Accounting Act and Section 1-6 in the Norwegian regulations for the Annual accounts of banks and finance companies etc. and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

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

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

The asset side of the Storebrand Bank ASA's statement of financial position primarily consists of financial instruments. Loans to customers with variable interest are measured as debt instruments at fair value through other comprehensive income (OCI), while loans to customers with fixed interest are measured at fair value through profit or loss. Shares and derivatives are measured at fair value through profit or loss. Other financial assets are measured at amortised cost. Capitalised intangible assets are also included on the statement of financial position. Intangible assets are measured at acquisition cost less any amortisation, and are tested for impairment at least annually. The liabilities side of the Storebrand Bank ASA's statement of financial position comprises, for the most part, financial instruments (liabilities).

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have had a significant impact on the financial statements have been implemented in 2018.

NEW ACCOUNTING STANDARDS THAT ENTERED INTO EFFECT IN 2018.

IFRS 9
IFRS 9 Financial Instruments replaced the current IAS 39. IFRS 9 is applicable from 1 January 2018. IFRS 9 covers recognition, classification and measurement, impairment, derecognition and general hedge accounting. Implementation of IFRS 9 has significantly impacted accounting of financial instruments in Storebrand Bank ASAs financial statements. Storebrand Bank ASA did not early adopt the standard.

Transitional rules
IFRS 9 is applied retrospectively, with the exception of hedge accounting. Retrospective application means that Storebrand Bank ASA has calculated the opening balance for 1 January 2018 as if the company always has applied the new principles. Storebrand Bank ASA has not restated the comparative figures for 2017 in the interim financial statements of fourth quarter 2018 due to IFRS 9. The effects of the new principles on the opening balance for 2018 are recognised in equity.

Storebrand Bank ASA has chosen to introduce hedge accounting pursuant to IFRS 9, which includes similar hedging instruments used under IAS 39.

Implementation of IFRS 9 has changed recognition, classification and measurement of financial instruments and impairment of financial assets in Storebrand Banks ASA`s financial statements. The introduction of IFRS 9 has resulted in significant changes in standards pertaining to note information for financial instruments, IFRS 7 Financial Instruments – disclosures.

Classification and measurement of financial instruments

Financial assets

Under IFRS 9, financial assets shall be classified into three measurement categories: fair value through profit or loss, fair value through other comprehensive income (OCI) and at amortised cost. The classification is based on whether the instruments are held in a business modelfor the purpuse to receive contractual cash flows, for both to receive contractual cash flows and for sale or in another business model, and whether contractual cash flows are solely payments of principal and interest on specified dates (pass the SPPI-test, "Solely payment of principal and interest"). Debt instruments are all financial assets that are not derivatives or equity instruments.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that consist solely of payment of principal and interest on specified dates and which are held in a business model for the purpose of receiving contractual cash flows shall be measured at amortised cost. Instruments with contractual cash flows that are solely payments of principal and interest (SPPI) on specified dates and which are held in a business model for the purpose of receiving contractual cash flows and for sale shall be measured at fair value through OCI, with interest income, foreign currency effects and impairments through profit or loss. Any value adjustments through other OCI are recycled through to profit or loss on sale or other disposal of the assets. Other debt instruments are measured at fair value through profit or loss. This applies to instruments with cash flows that are not only payment of principal and interest, and instruments held in a business model where the main objective is not receipt of contracted cash flows.

Instruments that are to be measured at amortised cost or at fair value through OCI may be designated for measurement at fair value through profit or loss if this eliminates or significantly reduces an accounting mismatch.

Derivatives and investments in equity instruments

In principle, all derivatives shall be measured at fair value with all fair value adjustments recognised in profit or loss; but derivatives designated as hedging instruments shall be recognised in accordance with the principles governing hedge accounting. Investments in equity instruments shall be measured at fair value in the balance sheet. Adjustments in value must as a general rule be reported in profit or loss, but an equity instrument not held for trading purposes and which is not a conditional consideration after a transfer of business may be designated as measured at fair value with value changes presented in OCI.

Changes to classification and measurement of financial assets

Storebrand Bank ASA's financial assets, which were measured at fair value under IAS 39, are also measured at fair value under IFRS 9. The following changes were made to the classification of the company's financial assets when implementing IFRS 9:

<u>Accounts receivables and cash equivalents</u>

The instruments were previously classified as Loans and Receivables measured at amortised cost under IAS 39, and are held to receive contractual cash flows consisting exclusively of the payment of interest and principal amounts on specified dates. The instruments are classified as debt instruments at amortised cost under IFRS 9.

<u>Loans to and receivables from customers with variable interest</u>

The instruments were previously classified as Loans and Receivables measured at amortised cost under IAS 39, but are now measured as debt instruments at fair value through OCI. Storebrand Bank ASA expects not only to hold the instruments to receive contractual cash flows, but also to sell substantial units relatively often.

<u>Loans to and receivables from customers with fixed interest</u>

The instruments were previously classified as At fair value through profit or loss according to the fair value option (FVO) in order to eliminate or substantially reduce the accounting mismatch that would otherwise have arisen since interest rate derivatives have been entered into to bring the exposure back to variable interest loans. IFRS 9 allows for several alternative classification options for these types of instruments that include terms for early payment, as well as the possibility of negative compensation. Measurement at fair value through profit or loss will still eliminate or substantially reduce accounting mismatch that would otherwise have arisen. Storebrand Bank ASA has chosen to classify loans with fixed interest rates at fair value with change in value through profit or loss under IFRS 9.

<u>Shares and units</u>

Storebrand Bank ASA has an investment that was classified under IAS 39 as Available for Sale, measured at fair value with changes in value through OCI. The Available for Sale category in IAS 39 has not been continued for IFRS 9. Shares classified as Available for Sale must therefore be classified and measured either at fair value with change in value through profit or loss, or at fair value through OCI without reclassification under IFRS 9. It was decided to classify the investment at fair value with change in value through profit or loss in accordance with IFRS 9.

Storebrand Bank ASA has investments which, under IAS 39, were classified as At fair value through profit or loss according to the fair value option (FVO) based on the portfolio being followed up on a fair value basis. The issuer classifies these investments as equity instruments. Under IFRS 9, the investments are classified as equity instruments and measured at fair value through profit or loss.

Bonds and securities - Long-term liquidity portfolio
The instruments were previously classified as Loans and receivables measured at amortised cost under IAS 39. The purpose of the portfolio is liquidity management and Storebrand Bank ASA holds the instruments to receive cash flows consisting solely payments of principal and interest of the principal amount outstanding at specified dates. Sale can occur if this is expected to increase future returns, but is not part of the business model and is expected to be very limited. The instruments are therefore classified at amortised cost under IFRS 9.

Bonds and securities - Short-term liquidity portfolio
The instruments were previously classified as At fair value through profit or loss according to the fair value option (FVO). The purpose of the portfolio is liquidity management and Storebrand Bank ASA holds the instruments to receive cash flows consisting solely payments of principal and interest of the principal amount outstanding on specified dates and for sale. The portfolio is held to continually have satisfactory liquidity allocated to strategies and policies and is freely traded to be best placed in terms of liquidity and to maximise the return within specified frameworks. The frequency and volume will vary a great deal. FVO under IAS 39 was used when the portfolio was followed up on fair value basis. The business model has not been changed and it is therefore mandatory under IFRS 9 to classify the portfolio at fair value with change in value through profit or loss.

Financial liabilities
There are no changes in the classification and measurement of Storebrand Bank ASA's financial liabilities arising from the implementation of IFRS 9. Financial liabilities that are not derivatives are measured at amortised cost. Financial derivatives that are liabilities are measured as financial derivatives that are assets.

Hedge accounting
IFRS 9 simplifies the requirements pertaining to hedge accounting in that hedge effectiveness is linked more closely to the management's risk management. The 80–125 per cent hedge effectiveness requirement has been removed and replaced by more qualitative requirements, including that there must be an economic relationship between the hedging instrument and the hedged item, and that credit risk must not dominate the value adjustments in the hedging instrument. Hedging documentation is still required.

Changes in write-downs on lending
In IAS 39, impairment losses on loans were only recognised when there was objective evidence that a loss event had occurred following initial recognition. Under IFRS 9, the loss provisions are recognised based on expected credit loss (ECL). The general model for write-down on financial assets in IFRS 9 applies to financial assets measured at amortised cost or at fair value with changes in value through OCI, and which had not accrued credit losses at initial recognition. Loan commitments, financial guarantee contracts that are not measured at fair value through profit or loss and lease receivables are also included.

The measurement of the provision for expected losses in the general model depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and when the credit risk has not increased significantly following initial recognition, provisions must be made for 12 months expected loss. 12 months expected loss is the loss that is expected to occur over the economic life of the instrument, but that cannot be linked to events that occur during the first 12 months. If the credit risk has increased significantly since initial recognition, provisions must be made for expected losses over the entire economic life. Expected credit losses are calculated based on the present value of all cash flows over the remaining expected economic life, i.e. the difference between the contractual cash flows in accordance with the contract and the cash flow that is expected to be received, discounted by the effective interest on the instruments.

In addition to the general model, there are separate principles for issued loans, including renegotiated loans that are treated as new loans and purchased loans for which credit losses are accrued at initial recognition. An effective interest rate shall be calculated for these that takes into account expected credit losses and, in the event of changes in expected cash flows, the change must be discounted by the originally stipulated effective interest rate and charged to the income statement. Thus, for these assets there is no need to monitor whether there has been a significant increase in the credit risk after initial recognition because expected losses over the entire economic life will be taken into account regardless.

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 gross carrying amount before loss provisions.

A simplified model is used for accounts receivables without significant financing components, where provisions are made for expected loss over the entire economic life from initial recognition. As an accounting principle, Storebrand Bank ASA has chosen to also use the simplified model for accounts receivables with significant financing elements and lease receivables.

Effects of the transition to IFRS 9
In connection of transition to IFRS 9, Storebrand Bank ASA conducted a detailed analysis of business models and associated cash flow characteristics for the correct classification and measurement of their financial instruments under IFRS 9.

See section 7 below for more detailed information on the classification of financial instruments according to the principles in IFRS 9.

MEASUREMENT CATEGORIES AND BOOK VALUES FOR FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IAS 39 AND IFRS 9 AS OF 1 JANUARY 2018 ARE PRESENTED BELOW:

(NOK million)	Classification according to IAS 39	Classification according to IFRS 9	Book value according to IAS 39 31 December 2017	Book value according to IFRS 9 1 January 2018
Cash and deposits with central banks	AC	AC	472	472
Loans to and deposits with credit institutions	AC	AC	2,358	2,358
Loans to and deposits with credit institutions - reverse purchase agreements	FVP&L (FVO)	AC	0	0
Loans to and receivables from customers - floating interest	AC	FVOCI	12,139	12,128
Loans to and receivables from customers - fixed interest	FVP&L (FVO)	FVP&L (FVO)	580	580
Equity instruments- trading	FVOCI (TFS)	FVP&L	14	14
Equity instruments- non-trading	FVP&L (FVO)	FVP&L	27	27
Bonds and other fixed-income securities	FVP&L (FVO)	FVP&L (FVO)	3,459	3,459
Bonds and other fixed-income securities	AC	AC	380	380
Liabilities to credit institutions	AC	AC	155	155
Liabilities to credit institutions - repurchase agreements	FVP&L (FVO)	AC	0	0
Deposits from and due to customers	AC	AC	14,630	14,630
Commercial papers and bonds issued	AC	AC	3,116	3,116
Fianancial derivatives	FVP&L/Hedge accounting	FVP&L/Hedge accounting	-46	-46
Subordinated loan capital/ Additional Tier 1 capital	AC	AC	502	502

THE TABLE BELOW SHOWS CHANGES IN BOOK VALUES FOR FINANCIAL INSTRUMENTS WITH CHANGED CLASSIFICATION AND MEASUREMENT DUE TO TRANSITION FROM IAS 39 TO IFRS 9 AS OF 1 JANUARY 2018:

(NOK million)	Book value according to IAS 39 31 December 2017	Change due to reclassification	Change due to remeasurement ECL	Book value according to IFRS 9 1 January 2018
Loans and receiveavbles and instruments held to maturity according to IAS 39 which will be measured at amortised cost according to IFRS 9	670		4	673
Debt instruments classified as available for sale according to IAS 39 which will be measured at amortised cost according to IFRS 9				0
Total instruments measured at amortised cost according to IFRS 9	**670**	**0**	**4**	**673**
Loans and receivables and instruments held to maturity according to IAS 39 which will be measured at fair value over other comprehensive income (OCI) according to IFRS 9	11,850	-24	9	11,836
Debt instruments classified as available for sale according to IAS 39 which will be measured at fair value over other comprehensive income (OCI) according to IFRS 9.				0
Total instruments measured at fair value over OCI according to IFRS 9	**11,850**	**-24**	**9**	**11,836**
Loans and receivables and instruments at fair value through profit & loss according to IAS 39 which will be measured at fair value through profit & loss according to IFRS 9	4,039			4 039
Debt instruments classified at fair value through profit & loss according to IAS 39 which will be measured at fair value through profit & loss according to IFRS 9				0
Total instruments measured at fair value through profit & loss according to IFRS 9	**4,039**	**0**	**0**	**4,039**
Total	**16,558**	**-24**	**13**	**16,547**
Financial guarantee agreements	20		-4	15
Loan committments	2,007			2,007
Total financiel guarantees and loan commitments	**2,027**	**0**	**-4**	**2,023**

IFRS 15

The new standard IFRS 15 for recognising revenue from contracts with customers entered into force from 1 January 2018, and replaced the current IAS 18. Revenue recognition in the Storebrand Bank ASA are primarily regulated by IFRS 9. Revenue that will be recognised under Other Income is assessed in relation to IFRS 15.

The implementation of IFRS 15 have no significant impact on the result in Storebrand Bank ASA's financial statements.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT

IFRS 16

IFRS 16 Leases raplaces the current standard IAS 17 and comes into force from 1 January 2019. IFRS 16 sets out principles for recognition, measurement, presentation and publication of leases. The new leasing standard will not entail any major changes for lessors, but will entail substantial changes for lessees' accounting. IFRS 16 requires that lessees shall in principle recognise all lease contracts in the balance sheet in accordance with a simplified model similar to the accounting of financial leases under IAS 17. The present value of the total lease payments shall be recognised as a liability and an asset that reflect the right of use of the asset in the lease period. The recognised asset is amortised over the lease period, and the depreciation cost is recognised in the income statement on an ongoing basis as an operating cost. Interest charges on the lease commitment are recognised as a financial cost.

IFRS 16 can be implemented either in accordance with the full retrospective method or modified retrospective method, and Storebrand has selected the modified retrospective method. This means that comparable figures are not restated and the effect is entered in the balance sheet for the implementation year of 2019. Upon implementation, the right of use of the asset and liability will be the same amount and will not have any effect on equity.

Storebrand Bank ASA has no lease agreements according to IFRS 16 at year end 2018.

5. INCOME RECOGNITION

INTEREST INCOME – BANKING

Interest income related to loans and bonds is recognised in the income statement using the effective interest method. See Section 7 for more information.

INCOME FROM FINANCIAL ASSETS

Income from financial assets is described in Section 7.

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. INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are measured at the acquisition cost less accumulated amortisation and any impairment. The useful life and amortisation method are reviewed at each financial closing. If new intangible assets are carried, it must be possible to prove that it is likely that future economic benefits that can be attributed to the asset will pass to the company. In addition, it must be possible to estimate the cost price of the asset reliably. An impairment test is performed when there are indications of impairment, and the impairment of intangible assets and reversal of impairment will otherwise be handled in the same manner as described for tangible fixed assets.

7. FINANCIAL INSTRUMENTS

7-1. GENERAL POLICIES AND DEFINITIONS

RECOGNITION AND DERECOGNITION

Financial assets and liabilities are included in the statement of financial position from such time Storebrand Bank ASA 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 valued 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 right to the cash flows from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e once the contractual liability has been fulfilled, cancelled or has expired.

MODIFIED ASSETS AND LIABILITIES

If terms of an existing financial asset or obligation are modified or changed, the instrument is treated as a new financial asset if the renegotiated terms are substantially different from the old terms. If the terms are substantially different, the old financial asset or liability is derecognised and a new financial asset or liability is recognised. In general, a loan is considered to be a new financial asset if new loan documentation is issued and a new credit granting process is undertaken, resulting in new loan terms and conditions.

If the modified instrument is not considered to be substantially different from the existing instrument, the instrument is treated as a continuation of the existing instrument in terms of accounting. In the event of modification that is treated as a continuation of the existing instrument in the accounts, the new cash flows are discounted with the instrument's original effective interest rate, and any difference compared with the existing book value is recognised.

AMORTISED COST

For financial instruments measured at amortised cost, interest recognised in the income statement is calculated using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all contractual terms of the financial instruments (for example, early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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.

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

IMPAIRMENT OF FINANCIAL ASSETS

The general model for impairment of financial assets in IFRS 9 will apply to 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 and loss, and lease receivables are also encompassed by the model. Measurement of the allowance for expected loss in the general model depends on whether the credit risk has increased significantly since initial recognition.

In addition to the general model, there are separate principles for issued, 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 loss, 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 whole lifetime are taken into account.

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

7-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

- Financial assets measured at amortised cost
- Financial assets measured at fair value with value change through other earnings 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 the following condition is met:

- it is primarily procured or contracted 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 booked at amortised cost using the effective interest method.

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

A financial asset is classified and measured at fair value through OCI if the following condition is met:

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

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

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

A significant share of Storebrands Bank ASA's financial instruments are classified in the category 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
- such classification reduces the mismatch in the measurement or recognition that would otherwise arise due to different rules for measuring assets and liabilities.

7-3. IMPAIRMENT - GENERAL METHOD

In the purpose of estimating the expected credit loss (ECL), models for the probability of default (PD), loss given defaults (LGD) and exposure at default (EAD) have been developed. The models are derived from similar models used for the internal capital adequacy assessment process. For IFRS 9 purposes, the models are positioned in the macro economy and expectations going forward, which is why the PD, LGD and EAD models are "point in time" (PIT) models. These differ from the "through the cycle" (TTC) models used for capital adequacy purposes. The risk parameters for IFRS 9 are also calibrated to assess the future to an even greater extent. As the future is uncertain, different future scenarios are used to compute PDs, LGDs and EADs for the commitments. The various future scenarios have different weights that are determined based on a perspective of the business cycle and forecasts. The final expected credit loss per commitment will be a weighted average of the expected credit losses in the different scenarios. The total expected credit loss for the portfolio is the sum of the weighted credit losses per commitment.

In the PD model, financial factors are a significant explanatory variable along with the customer's behavioural data. The model is statistically developed based on logistic regression. Loan-to-asset value is a significant factor in the LGD model. For EAD, the most significant factors are the amount of the loan for amortising loans and the amount of credit for lines of credit. The models are validated on a yearly basis.

Evaluations of future developments have a particular impact on PD and LGD estimates.

Storebrand Bank ASA makes use of future scenarios to calculated expected credit losses. The bank bases its assessments of future scenarios on future scenarios presented by Norges Bank in the Financial Stability Report and on assessments from Statistics Norway (SSB). The scenarios build on the current macroeconomic situation, macroeconomic forecasts and the macroeconomic impact on the credit risk in the bank's commitments. The forecasts affect the probability of default, the exposure and the degree of loss.

Factors such as unemployment, wage growth and interest rates are significant to PD. Rising unemployment and interest rates weaken the portfolio's serviceability, and lower wage growth also weakens serviceability, thus increasing the PD. Macro variables can impact the risk parameters in different directions, and this impact can be vastly different for the individual customers in the portfolio. Average PD will increase during recessions.

All other factors being equal, recessions weaken house-price trends. This will affect the loan-to-asset value and thus also LGD. For several commitments, the loss ratio is very small given the current market prices. The increase in LGD when house prices decline is greater than the reduction in LGD when house prices rise. The nonlinearity of ECL is taken into account by estimating ECL in various scenarios.

Stress tests and sensitivity tests are used to assess ECL. Sensitivity assessments of stage migration risk are done by assessing the change in ECL if a few commitments migrate from stage 1 to 2. Sensitivity analyses are conducted in ICAAP and carried out on a regular basis.

The portfolio's ECL is deemed sensitive to changes in observed defaults, losses and expected maturities of the financial assets. The individual estimates are also subject to model uncertainty. Among other factors, the uncertainty arises from estimates of the extent and development of different macro variables in the future in the individual macro scenarios and the impact of the various future prospects on a few parameters.

DEFINITION OF DEFAULT

A loan facility/line of credit is deemed in default if the scheduled payment of an instalment and/or interest on loans is overdue by more than 90 days or the lines of credit are overdrawn for more than 90 days and the amount is not immaterial. NOK 2000 is deemed a material amount.

A loan facility/line of credit is also deemed in default if individual impairments of the commitment have been implemented (see the section on the definition of credit loss).

Storebrand Bank ASA assesses default at line-of-credit /loan-facility level for customers in the Retail market.

For Corporate market customers, defaults are assessed at customer level. In the Corporate market, the entire customer commitment is deemed in default if a loan facility/line of credit is in default.

Default is defined pursuant to internal credit-risk assessments, credit risk models and reporting. The credit risk models are developed at loan-facility/line-of-credit 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 done for commitments with objective evidence of loss and that the loss 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 likely, 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 ECL). Model-based impairment depends on the stage to which the commitment belongs, parameter estimates for PD, EAD, LGD and expected maturity.

CALCULATING ECL

The classification and changing of stages are described below.

Stage 1

The starting point for all financial assets is stage 1. Stage 1 includes all financial instruments that have not had a significant increase in credit risk since initial recognition. In any event, financial assets with a low credit risk will be in stage 1. A low credit risk includes loan facilities/lines of credit in the Retail market with a probability of default below 0.75%. For Corporate market commitments, a low credit risk is defined as a probability of default at customer level of less than 0.75 %. In stage 1, the expected credit loss is calculated over 12 months.

Stage 2

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition, but which are not in default or do not have objective evidence of loss. The expected credit loss for financial assets in stage 2 is calculated over the expected maturity of the asset. Expected maturity varies from contractual maturity and is estimated as a historically observed maturity.

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 an individual impairment must be done 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 the period of payment is sufficiently long 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.

Calculation of interest
Interest income is calculated by the net commitment for commitments with individual impairments. For other commitments, interest is calculated for the entire commitment.

Significant increase in credit risk
A significant increase in credit risk is assessed according to the probability of default for the commitment at the time of measurement in relation to initial recognition. The assessment is done on the basis of both changes in the probability of default over the expected economic life and changes in PD over the next 12 months. Assessments are done in relation to 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 done at the time of measurement in relation to the time of initial recognition.

Commitments for which scheduled payment is overdue for 30 days or more are assessed, irrespective of whether this has caused a significant increase in the credit risk. This is similarly true of commitments where forbearance has been granted.

EXPECTED MATURITY
Expected maturity is estimated for different commitments. The expected maturity is significant because for commitments whose credit risk has significantly increased, including defaulted commitments, i.e. commitments in stage 2 and stage 3, the expected credit loss must 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.

The expected maturity is calculated for different products. The expected maturity is estimated at about 5 years for amortising loans and 6 years for lines of credit. For credit cards, the expected maturity at the time of loan approval is estimated to be 9 years and 9 years for overdraft accounts. The expected maturity is also contractual maturity for top-up loans (loan share besides LTV of 70%), building credit and bridging financing. The expected maturity is reassessed and validated on a regular basis.

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.

CLASSIFICATION INTO PORTFOLIOS
The Retail market portfolio is classified into

i) Mortgages and home-owner loans
II) Credit cards
III) Other credit agreements

The Corporate market portfolio is not divided further, and the assessment is done manually (regardless of stage).

7-4. BONDS AT AMORTISED COST

Bonds measured at amortised cost are measured at amortised cost using an effective interest method. See the description above concerning Financial instruments and amortised cost how the effective interest is calculated.

7-5. DERIVATIVES

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified either as an asset or a liability with changes in fair value through profit or loss.

The majority of the derivatives used on an ongoing basis for asset management fall into this category.

7-6. HEDGE ACCOUNTING

FAIR VALUE HEDGING
Storebrand Bank ASA uses fair value hedging, where the items hedged are financial assets and financial 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 adjusts the carrying amount of the hedged item and is recognised through profit or loss.

7-7. FINANCIAL LIABILITIES

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

8. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Bank ASA has defined contribution pension as pension scheme. The scheme is recognised in accordance with IAS 19. Storebrand participates in the Norwegian AFP scheme (collective agreement pension). The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable liabilities and costs for accounting purposes.

8-1. DEFINED BENEFIT SCHEME

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

Actuarial gains and losses and the effects of changes in assumptions are recognised in other comprehensive income in the income statement for the period in which they occur. Storebrand Bank ASA has insured and uninsured pension schemes. The insured scheme in Norway is managed by Storebrand Livsforsikring AS. Employees who resign before reaching retirement age or leave the scheme will be issued ordinary paid-up policies.

8-2. DEFINED-CONTRIBUTION SCHEME

The defined contribution pension scheme involves the company in paying an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. Storebrand Bank ASA does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined-contribution pension schemes are recognised directly in the financial income statements.

9. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The company's tangible fixed assets and intangible assets comprise equipment, fixtures and fittings and IT systems. Equipment, fixtures and fittings and IT systems are valued at acquisition cost less accumulated depreciation and impairment.

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

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

10. TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised 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 Storebrand Bank ASA'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 net when there is a legal right to offset taxable assets and liabilities and Storebrand Bank ASA is capable of and intends to settle payable taxes net.

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

11. PROVISION FOR GROUP CONTRIBUTIONS AND DIVIDENDS

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

12. LEASING

A lease is classified as a finance lease if it essentially transfers the risk and rewards incident to ownership. Other leases are classified as operating leases. Storebrand Bank ASA has no finance leases according to IAS 17.

13. STATEMENT OF CASH FLOWS

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

Note 2 - Critical 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 they 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.

IMPAIRMENT LOSSES ON LENDING

Loans valued at amortised cost or at fair value through OCI, 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 impact 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. Various valuation techniques are applied to these investments in order to determine the fair value. They 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 also 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 lives are tested annually for impairment. The test's valuation method requires estimating the cash flows that arise in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are measured annually to ensure that the method and time period used correspond with economic realities.

CONTINGENT LIABILITIES

Companies in the Storebrand Bank ASA 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 Bank ASA 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 an advisory management group and the individual units are responsible for risk management in their respective areas.

The Credit Committee is appointed by the CEO and chaired by the Chief Credit Officer. The committee considers the risk exposure and sets parameters for the credit approval process.

The Balance Sheet Management Committee is chaired by the general manager. The committee works with balance sheet management and risk management of liquidity and financing.

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

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.
Managers at the bank, the CEO of Storebrand Boligkreditt AS and managers in the Storebrand group's areas that provide services for the bank, submit annual confirmation documenting the unit's risk management activities.

SECOND LINE OF DEFENCE

Storebrand Bank ASA 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 bank's board. In terms of function the independent control functions are affiliated with the group CRO, who is 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.

RISK MANAGEMENT

The risk strategy reflects how much credit risk the bank group is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy and growth. Credit policies establish general principles for granting credit. The bank group'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.

Credit risk is assessed in relation to the capacity and willingness of customers to service debt and potential security. The bank uses credit risk models to conduct risk classifications of customers with regard to probability of default and loss given default.

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. Financial derivatives permitted by the bank are outlined in policy documents.

RISK CONTROL

The most important control of credit risk is carried out and administered by the credit manager, who has ongoing responsibility for making sure that established procedures in the credit areas comply with the adopted risk profile and external guidelines, and that they are adhered to on a day-to-day basis. The credit manager will contribute to ensure the credit expertise in the organisation.

Exposure relating to trade in financial derivatives for customers is monitored by Back Office. Price development is monitored in respect of the customer's situation, cleared lines and breach clauses. The Middle Office conducts running spot checks with regard to this.

Trades with counterparties made by Treasury are checked by the Middle Office in accordance with dedicated procedures and work descriptions.

The Chief Risk Officer (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	2018 Maximum credit exposure	2017 Maximum credit exposure
Loans to and deposits with credit institutions and the central bank	376.0		376.0	2,830.2
Loans to customers at amortised cost	338.7		338.7	12,204.1
Bonds and commercial papers at amortised cost	694.0		694.0	380.4
Total financial instruments at amortised cost	**1,408.7**	**0.0**	**1,408.7**	**15,414.8**
Equities	41.7		41.7	40.8
Loans to customers at fair value through profit and loss	220.2		220.2	580.0
Bonds and commercial papers at fair value through profit and loss	4,167.1		4,167.1	3,458.6
Interest swaps	55.6		55.6	92.6
Total financial instruments at fair value through profit and loss	**4,484.6**	**0.0**	**4,484.6**	**4,172.1**
Loans to customers at fair value through other comprehensive income (OCI)	9,461.4		9,461.4	
Total financial instruments at fair value through other comprehensive income (OCI)	**9,461.4**	**0.0**	**9,461.4**	**0.0**
Gross exposure with credit risk	**15,354.8**	**0.0**	**15,354.8**	**19,586.8**
Loan loss provisions	-45.5	-7.9	-53.4	-64.6
Net exposure with credit risk	**15,309.4**	**-7.9**	**15,301.4**	**19,522.2**
Other current assets without credit risk	4,723.7			
Total assets	**20,033.0**			

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 2018 Fair value	Total 2017 Fair value
Sovereign and Government Guaranteed bonds	467.6	253.0				720.6	723.3
Corporate bonds						0.0	50.5
Mortgage and asset backed bonds	3,446.5					3,446.5	2,684.9
Total	**3,914.0**	**253.0**	**0.0**	**0.0**	**0.0**	**4,167.1**	**3,458.6**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	10.4	0.9				11.2	16.6
Change in value recognised in the profit and loss during period	-4.9	-0.4				-5.4	16.1

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 2018 Fair value	Total 2017 Fair value
Public issuers and Government Guaranteed Bonds	237.1	157.5				394.6	280.6
Mortgage and asset backed bonds	300.7					300.7	100.3
Total	**537.8**	**157.5**	**0.0**	**0.0**	**0.0**	**695.3**	**380.9**

Rating classes are based on Standard & Poors.

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

CREDIT RISK PER COUNTERPARTY

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2018 Fair value	Total 2017 Fair value
Norway	376.0					376.0	472.2
Total deposits with central bank	**376.0**	**0.0**	**0.0**	**0.0**	**0.0**	**376.0**	**472.2**
Norway		18.2		3,001.7		3,020.0	2,308.4
Denmark			51.8			51.8	49.7
Total loans to and deposits with credit institutions	**0.0**	**18.2**	**51.8**	**3,001.7**	**0.0**	**3,071.8**	**2,358.1**
Total loans to and deposits with credit institutions and central bank	**376.0**	**18.2**	**51.8**	**3,001.7**	**0.0**	**3,447.7**	**2,830.2**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the Corporate market is just under NOK 31 million. In addition, there are guarantees of approximately NOK 1,2 million. Furthermore, loans of approximately NOK 65 million are under management, which are syndicated to Storebrand Livsforsikring AS.

As a result of group prioritizations regarding use of capital at Storebrand and a strategic assessment of the future direction of the group, the Corporate market segment at the bank is no longer prioritised as a core activity, and is being wound up.

As at the end of 2018, the corporate market lending portfolio consisted of two loans. Both loans are secured by real estate mortgages. The first loan is for approximately NOK 9 million and is considered to have excellent security, with a loan-to-value ratio of less than 10%. The second loan of just under NOK 22 million has identified impairment of NOK 9 million.
The losses that have been recorded are considered to be adequate. The bank does not believe that new losses will be forthcoming from these loans at this time.

RETAIL MARKET

Retail customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, the customers are checked regarding policy regulations and the customers are scored using a scoring model. The private portfolio is primarily secured by mortgage in residential and recreational properties.

Storebrand bank has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Mortgage loans are classified according to the bank's master scale, consisting of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans. The classification of home loans is automatically updated on a monthly basis. As at the end of 2018, about 53 per cent of the EAD was linked to home loans in risk class A, while approximately 3 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes.

When arranging home loans, the Storebrand bank group collects information of significance to the value of the property. Each quarter the bank obtains an updated, independent valuation of residential properties from Eiendomsverdi AS. For homes where Eiendomsverdi AS does not have an up to date valuation (for example, certain housing cooperative apartments, owner-tenant apartments and some leisure properties) the most recently updated market value is used until further notice. When 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 don't have information regarding the property's market value, the value recorded at the time of entering into the contract (the deposit value) will be used. Loans such as those mentioned here constitute just under 1 per cent of the total portfolio exposure.

In the retail market, most of the loans are secured by way of home mortgages. NOK 9.7 billion has been lent in home loans, with a further NOK 0.7 billion in undrawn credit facilities. Total commitments in residential property are therefore about NOK 10.3 billion.

The weighted average loan-to-value ratio is 59.7 per cent for home mortgage loans. Approximately 83 per cent of loans have a loan-to-value ratio lower than 80 per cent and approximately 99 per cent are lower than 100 per cent. Approximately 48 per cent of the home mortgage loans have a loan-to-value ratio within 60 per cent.

The portfolio is regarded as having a low to moderate credit risk in accordance with the bank's risk appetite.

There is largely good security on non-performing loans that are not impaired for retail market customers. The average loan-to-value ratio for these loans is 59 per cent. Home loans/residential mortgage products that are part of the volume of non-performing loans total NOK 16 million. Approximately NOK 13 million of this is within a loan-to-value ratio of 80 per cent and all loans are within a loan-to-value ratio of 85 per cent. The security is also good on home loans/residential mortgage products between 1 and 90 days past due. Assets pledged as collateral are sold in the retail market. They are not taken over by the bank.

In the credit card portfolio, about NOK 250 million has been drawn, and approximately NOK 1 billion is available as unused credit facilities. For credit accounts, about NOK 60 million has been drawn, and approximately NOK 250 million is available as unused credit facilities.

COMMITMENTS PER CUSTOMER GROUP

2018

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Development of building projects						0.0
Sale and operation of real estate		18.5		1.2		19.6
Service providers		8.5			0.3	8.9
Wage-earners	333.7	9,382.4	216.9		1,943.6	11,876.6
Other	5.0	52.1	3.3	0.3	16.6	77.3
Total	338.7	9,461.4	220.2	1.4	1,960.6	11,982.4
Provision for expected loss Stage 1	-1.8	-0.8			-4.6	-7.2
Provision for expected loss Stage 2	-2.2	-0.8			-3.3	-6.3
Provision for expected loss Stage 3	-18.9	-21.0				-39.9
Total loans to and due from customers	**315.8**	**9,438.9**	**220.2**	**1.4**	**1,952.6**	**11,929.0**

2017

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Development of building projects				2.1		2.1
Sale and operation of real estate	29.3			17.4		46.7
Service providers	318.8				0.4	319.2
Wage-earners	11,822.2		571.8	0.3	1,944.6	14,338.8
Other	33.7		8.3		14.6	56.6
Total	12,204.1	0.0	580.0	19.7	1,959.6	14,763.4
Loan loss provisions on individual loans *)	-41.4					-41.4
Loan loss provisions on groups of loans *)	-23.2					-23.2
Total loans to and due from customers	**12,139.5**	**0.0**	**580.0**	**19.7**	**1,959.6**	**14,699.0**

*) According to IAS 39.

Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

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

AVERAGE VOLUME ENGAGEMENT PER CUSTOMER GROUP

2018				
(NOK million)	Average volume loans to and deposits from customers *)	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects		1.0		1.0
Sale and operation of real estate	23.9	9.3		33.2
Service providers	163.7		0.4	164.1
Wage-earners	11,163.5	0.1	1,944.1	13,107.7
Other	51.2	0.1	15.6	66.9
Total	**11,402.3**	**10.6**	**1,960.1**	**13,372.9**

*) Based on total loans per 31 December 2018.

2017				
(NOK million)	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects	11.2	2.1		13.3
Sale and operation of real estate	501.7	19.4		521.0
Service providers	456.2		2.0	458.2
Wage-earners	12,359.8	0.2	1,869.1	14,229.0
Other	42.2		14.8	57.0
Total	**13,371.1**	**21.7**	**1,885.8**	**15,278.5**

COMMITMENTS PER GEOGRAPHICAL AREA

2018												
(NOK million)	Loans to custo-mers at amorti-sed cost	Loans to custo-mers at fair value through other compre-hensive income (OCI)	Loans to customers at fair value through profit and loss	Guaran-tees	Undrawn credit limits	Total commit-ments	Non-perfor-ming loans without evidence of impair-ment	Non-perfor-ming and loss-exposed loans with evidence of impair-ment	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	243.1	7,420.1	157.0	1.4	1,505.3	9,326.9	34.2	39.8	74.0	17.5	11.7	44.8
Western Norway	56.5	1,290.1	50.2		303.1	1,699.9	6.7	3.3	9.9	2.4	4.3	3.2
Southern Norway	11.1	142.5	9.7		33.7	197.0	1.1		1.1		0.7	0.3
Mid-Norway	11.8	304.4			58.8	375.0	1.8	3.6	5.4	0.6	0.8	4.1
Northern Norway	13.6	261.7			45.9	321.1	1.6	2.9	4.5	0.6	1.1	2.8
Rest of world	2.7	42.6	3.3		13.8	62.4	0.3	0.0	0.3		0.2	0.1
Total	**338.7**	**9,461.4**	**220.2**	**1.4**	**1,960.6**	**11,982.4**	**45.5**	**49.7**	**95.2**	**21.0**	**18.8**	**55.3**

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

2017

(NOK million)	Loans to customers at amortised cost *)	Loans to customers at fair value through OCI	Loans to customers at fair valute through profit and loss	Guaran-tees	Undrawn credit limits	Total commit-ments	Non-perfor-ming loans without evidence of impair-ment	Non-performing and loss-exposed loans with evidence of impair-ment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	9,212.8		407.2	19.7	1,497.4	11,137.1	55.8	94.2	150.0	39.3	110.7
Western Norway	1,927.1		120.5		316.7	2,364.3	28.5	2.6	31.0	1.4	29.7
Southern Norway	231.9		17.7		35.8	285.5	0.5	0.0	0.5	0.0	0.5
Mid-Norway	436.1		14.4		52.4	502.9	3.7	0.5	4.2	0.5	3.8
Northern Norway	364.7		11.9		42.8	419.4	1.1	0.2	1.3	0.2	1.1
Rest of world	31.5		8.3		14.5	54.3	0.4	0.0	0.4	0.0	0.4
Total	**12,204.1**	**0.0**	**580.0**	**19.7**	**1,959.6**	**14,763.4**	**90.0**	**97.5**	**187.5**	**41.4**	**146.1**

*) According to IAS 39.

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2018

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	9.2	11.1			0.5	20.8
1 - 3 months	0.7	110.0			5.4	116.1
3 months - 1 year	15.4	246.7		1.2	45.5	308.7
1 - 5 years	6.4	701.8			219.2	927.5
More than 5 years	307.1	8,391.8	220.2	0.3	1,689.9	10,609.3
Total	**338.7**	**9,461.4**	**220.2**	**1.4**	**1,960.6**	**11,982.4**

2017

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	17.2			0.5	2.1	19.9
1 - 3 months	61.4			2.3	16.8	80.4
3 months - 1 year	268.8		7.0	15.8	78.8	370.5
1 - 5 years	651.8		2.8	1.2	179.8	835.6
More than 5 years	11,204.9		570.2		1,682.0	13,457.1
Total	**12,204.1**	**0.0**	**580.0**	**19.7**	**1,959.6**	**14,763.4**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

2018

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	1.8	56.6	9.7		0.7	68.7
Overdue 31 - 60 days	3.5	25.1	3.3		0.2	32.0
Overdue 61- 90 days	1.3	0.5			0.1	1.9
Overdue more than 90 days	29.6	15.9			0.4	45.9
Total	**36.1**	**98.0**	**13.0**	**0.0**	**1.4**	**148.5**
Engagements overdue more than 90 days by geographical area:						
Eastern Norway	18.9	15.3			0.3	34.4
Western Norway	6.7					6.7
Southern Norway	1.1					1.1
Mid-Norway	1.2	0.6			0.1	1.9
Northern Norway	1.6					1.6
Rest of world	0.3					0.3
Total	**29.6**	**15.9**	**0.0**	**0.0**	**0.4**	**45.9**

2017

(NOK million)	Loans to customers at amortised cost*	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair value through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	175.6		22.8		2.6	201.0
Overdue 31 - 60 days	46.0				0.9	46.8
Overdue 61- 90 days	31.2					31.2
Overdue more than 90 days	82.9		7.1		0.5	90.5
Total	**335.7**	**0.0**	**29.9**	**0.0**	**3.9**	**369.5**
Engagements overdue more than 90 days by geographical area:						
Eastern Norway	50.2		5.6		0.4	56.2
Western Norway	27.0		1.5			28.5
Southern Norway	0.5					0.5
Mid-Norway	3.7					3.7
Northern Norway	1.1					1.1
Rest of world	0.4					0.5
Total	**82.9**	**0.0**	**7.1**	**0.0**	**0.5**	**90.5**

*) According to IAS 39.

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 specific loan is considered as non-performing without taking into account the customers other engagements.

CREDIT RISK PER CUSTOMER GROUP

	2018						
(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
Development of building projects							0.0
Sale and operation of real estate	18.5		18.5	9.1	9.3		-10.5
Service providers	0.0						-8.9
Wage-earners	31.2	43.7	74.9	29.4	45.5		17.8
Other		1.8	1.8	1.3	0.5		0.1
Total	**49.7**	**45.5**	**95.2**	**39.8**	**55.3**	**0.0**	**-1.6**

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

	2017						
(NOK million)	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses *)	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Development of building projects							0.0
Sale and operation of real estate	29.3		29.3	19.6	9.7		9.3
Service providers	42.3		42.3	8.9	33.4		8.9
Wage-earners	24.0	89.5	113.5	11.6	101.9		-1.3
Other	1.8	0.5	2.4	1.2	1.1		-0.1
Total	**97.5**	**90.0**	**187.5**	**41.4**	**146.1**	**0.0**	**16.8**

* According to IAS 39

REPOSSESSED ASSETS

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has not any repossessed assets at the end of 2018.

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

	Loans to customers		Liquidity portfolio	
(NOK million)	2018	2017	2018	2017
Book value maximum exposure for credit risk	220.2	580.0	4,167.1	3,458.6
Book value of related credit derivatives that reduce credit risk				
Collateral				
Net credit risk	**220.2**	**580.0**	**4,167.1**	**3,458.6**
This year's change in fair value of financial assets due to change in credit risk	2.9	4.4	3.6	20.6
Accumulated change in fair value of financial assets due to change in credit risk				
This year's change in value of related credit derivatives				
Accumulated change in value of related credit derivatives				

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

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

CREDIT RISK DERIVATIVES

The purpose of the use of financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The bank's risk strategies and policies establish limits for how much credit risk the bank group is willing to accept. Storebrand Bank hedges all customer derivative trades by opposite derivatives to minimise foreign exchange and interest rate exposure.

The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies.

CREDIT RISK PER COUNTERPARTY

			2018			
	AAA	AA	A	BBB	NIG	Total 2018
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		4.2	0.7	50.7		55.6
Total		**4.2**	**0.7**	**50.7**		**55.6**
Change in value:						
Total change in value on the balance sheet		4.2	0.7	50.7		55.6
Change in value recognised in the profit and loss during period		-5.5	-0.6	-30.8		-37.0

			2017			
	AAA	AA	A	BBB	NIG	Total 2018
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		9.8	1.3	81.5		92.6
Total		**9.8**	**1.3**	**81.5**		**92.6**
Change in value:						
Total change in value on the balance sheet		9.8	1.3	81.5		92.6
Change in value recognised in the profit and loss during period		-10.8	-1.5	-26.2		-38.5

EQUITY OPTIONS, INTEREST RATE SWAPS, BASIS SWAPS AND FORWARD FOREIGN EXCHANGE CONTRACTS
Derivatives are entered into for hedging purposes. Derivative transactions are entered into with counterparties that are "investment grade" rated.

Note 5 - Liquidity risk

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.

RISK MANAGEMENT

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

Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position 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 Treasury function is responsible for the bank's liquidity management, and the Middle Office monitors and reports on the utilisation of limits pursuant to the liquidity policy. Risk management prepares liquidity forecasts.

RISK CONTROL

The means of controlling liquidity risk include monthly reports of the liquidity indicators and monitoring developments in the bank's maturity profile. Both are included in the CRO's ongoing reporting to the board. The liquidity policy specifies which liquidity indicators are followed. The Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILITIES

(NOK million)	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	2.4					2.4	2.4
Deposits from and due to customers	14,421.1					14,421.1	14,421.1
Commercial papers and bonds issued	207.0	828.9	1,941.5			2,977.3	2,887.4
Other liabilities						0.0	283.9
Subordinated loan capital	4.0	128.3	10.3	151.4		294.0	276.3
Undrawn credit limits	1,960.6					1,960.6	0.0
Loan commitments	1,671.8					1,671.8	0.0
Total financial liabilities 2018	**18,266.9**	**957.2**	**1,951.8**	**151.4**	**0.0**	**21,327.2**	**17,871.2**
Derivatives related to funding 31.12.2018	**0.5**	**-2.5**	**-0.1**	**0.0**	**0.0**	**-2.1**	**-7.9**
Total financial liabilities 2017	18,944.1	561.3	2,502.2	666.6	0.0	23,488.5	18,562.7

The amounts includes accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2018 are used to calculate interest costs for lending with FRN conditions. The call date is used as the maturity date on subordinated loan capital. The maturity overview does not take account of the fact that the loans have extended maturity date, i.e. the original maturity date is used. Deposits from and liabilities to customers are on call deposits or deposits locked in for less than 6 months.

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million)

ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Dated subordinated loan capital						
NO0010714314	Storebrand Bank ASA	125.0	NOK	Floating	09.07.2019	125.8
NO0010786510	Storebrand Bank ASA	150.0	NOK	Floating	22.02.2022	150.5
Total subordinated loan capital 2018						**276.3**
Total subordinated loan capital 2017						276.1

SPECIFICATION OF LIABILITIES TO CREDIT INSTITUTIONS

(NOK million)	2018	2017
Total liabilities to credit institutions without fixed maturity at amortised cost	**2.4**	**5.0**
Short-term loans, maturity 2018	0.0	150.0
Total liabilities to credit institutions with fixed maturity at fair value (FVO)	**0.0**	**150.0**
Total liabilities to credit institutions	**2.4**	**155.0**

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

(NOK million) ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Bond loans						
NO0010660806	Storebrand Bank ASA	300.0	NOK	Fixed	08.10.2019	306.2
NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	499.3
NO0010729387	Storebrand Bank ASA	600.0	NOK	Floating	14.01.2020	602.0
NO0010758980	Storebrand Bank ASA	179.0	NOK	Floating	04.03.2019	179.3
NO0010787963	Storebrand Bank ASA	500.0	NOK	Floating	26.09.2019	500.1
NO0010794217	Storebrand Bank ASA	400.0	NOK	Floating	29.05.2020	400.5
NO0010831571	Storebrand Bank ASA	400.0	NOK	Floating	06.09.2021	400.0
Total commercial papers and bonds issued 2018						**2,887.4**
Total commercial papers and bonds issued 2017						3,115.6

FINANCING ACTIVITIES - CHANGES DURING THE YEAR

	2018		
(NOK million)	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2018	276.1	155.0	3,115.6
New loans / bond debt issued	150.0	2.4	900.0
Repayment of loans/liabilities	-150.0	-155.0	-409.0
Changes in accrued interest	0.2		-719.2
Book value 31.12.2018	**276.3**	**2.4**	**2,887.4**

	2017		
(NOK million)	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2017	277.2	407.2	2,625.2
New loans / bond debt issued	150.0	155.0	900.0
Repayment of loans/liabilities	-150.0	-407.2	-409.0
Changes in accrued interest	-1.1		-0.9
Other			0.4
Book value 31.12.2017	**276.3**	**155.0**	**3,115.6**

Note 6 - Market risk

Market risk is risk of a change in value due to financial market prices or volatility differing from what was expected.

RISK MANAGEMENT

The risk strategy sets general limits for market risk. Storebrand Bank group's market risk mostly are related to spread risk in the liquidity portfolio and interest rate risk. The bank is exposed to market risk in equity instruments and currency to a lesser degree. Market risk policies specify limits for market risk that the bank group is willing to accept. The bank group's market risk is primarily managed and controlled through daily monitoring of risk exposure pursuant to the policy and continuous analyses of outstanding positions. Credit spread risk is regulated through ceilings on investments. The exposure limits are reviewed and renewed by the Board at least once a year. The size of these limits is set on the basis of stress tests and analyses of market movements.

RISK CONTROL

The Middle Office is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. Market risk indicators that are followed are described in the interest rate risk policy, counterparty 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 at 31 December 2018:

Effect on accounting income

(NOK million)	Amount
Amount	0,9
Renter +1,0%	-0,9

Effect on accounting income [1)]

(NOK million)	Amount
Interest rate -1,0%	0.9
Interest rate +1,0%	-0.9

1) Før skatteeffekter

Financial interest rate risk

(NOK million)	Amount
Interest rate -1,0%	-5.6
Interest rate +1,0%	5.6

The note shows the accounting effects over a 12 month period, as well as the immediate financial effect of an immediate parallel interest rate change of + 1.0 percentage points and - 1.0 percentage point respectively. In calculating the accounting risk, note has been taken of the one-off effect such an immediate rate change has on the items that are recognised at fair value and the value of the security, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses. Items that would be affected by the one-time effect and are recorded at fair value are the investment portfolio, fixed interest rate loans, repurchase agreements 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. In calculating the financial effect, account has been taken of changes in market value of all items on the balance sheet that such an immediate interest rate change will lead to.

See also note 24 regarding foreign exchange risk.

Note 7 - Operational risk

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.

RISK MANAGEMENT

Operational risk is being controlled and reduced 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 followed-up through the management's risk review, with documentation of risks, measures and follow-up of incidents. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the board.

RISK CONTROL

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.
In order to be able to identify problem areas internally, the bank 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.
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. In addition to this, the compliance function and internal auditor carry out spot checks in a number of the most important work processes. The results are reported to the bank's management and the board.

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.

RISK MANAGEMENT

The compliance risk in Storebrand Bank is managed through instructions for the compliance function. The function's main responsibility is to support the company's board and management in complying with relevant laws and regulations by independently identifying, evaluating, monitoring and reporting compliance risk. The function must perform preventive work by advising and ensuring that effective processes have been established for information and the implementation of current and future rules. The compliance function must have a risk-based approach.

RISK CONTROL

The compliance function performs control activities in order to ensure actual compliance.

Note 8 - Valuation of financial instruments

Storebrand Bank ASA gjennomfører en omfattende prosess for å sikre en mest mulig markedsriktig verdifastsettelse av finansielle instrumenter. Storebrand Bank group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters, 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 Bank group carries out continual checks to safeguard the quality of market data that has been collected from external sources. These types of checks will generally involve comparing multiple sources as well as controlling and assessing the likelihood of unusual changes.

The Storebrand group categorises financial instruments 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 in directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified in level 2.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE ACCORDING TO THE DEFINITION FOR LEVEL 2
Investments classified as level 3 primarily includes fixed-rate loans and the investment in VN Norge AS.

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

Under shares, it is primarily the investment in VN Norge AS that the bank has received in connection with the tax-free conversion of VISA Norge FLI. As at the end of the year, the value of the shares was adjusted in accordance with the change in price of the C-shares in VISA Inc. The shares are appraised at fair value through profit or loss and changes in value are included in the ordinary result .

VALUATION OF FINANCIAL ASSETS AT AMORTISED COST

The fair value of bonds is based on normal valuation techniques. Cash flows are discounted 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.

	Level 1	Level 2	Level 3				
(NOK million)	Quoted prices	Observable assumptions	Non-observable assumptions	Fair value 31.12.2018	Fair value 31.12.2017	Book value 31.12.2018	Book value 31.12.2017
Financial assets							
Loans to and deposits with credit institutions		3,071.8		3,071.8	2,358.1	3,071.8	2,358.1
Loans to customers - corporate market					299.1	0.0	322.9
Loans to customers - retail market		315.8		315.8	11,816.6	315.8	11,816.6
Bonds classified as Loans and receivables		695.3		695.3	380.9	694.0	380.4
Total financial assets 31.12.2018	**0.0**	**4,082.9**	**0.0**	**4,082.9**		**4,081.6**	
Total financial assets 31.12.2017	0.0	14,854.6	0.0		14,854.6		14,878.0
Financial liabilities							
Deposits from and due to credit institutions		2.4		2.4	155.0	2.4	155.0
Deposits from and due to customers		14,421.1		14,421.1	14,629.9	14,421.1	14,629.9
Commercial papers and bonds issued		2,902.9		2,902.9	3,144.9	2,887.4	3,115.6
Subordinated loan capital		277.4		277.4	279.0	276.3	276.1
Total financial liabilities 31.12.2018	**0.0**	**17,603.8**	**0.0**	**17,603.8**		**17,587.2**	
Total financial liabilities 31.12.2017	0.0	18,208.9	0.0		18,208.9		18,176.6

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

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

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2018	Book value 31.12.2017
ASSETS:					
Equities		26.4	15.3	41.7	40.8
Total equities 31.12.2018	**0.0**	**26.4**	**15.3**	**41.7**	
Total equities 31.12.2017		27.0	13.8		40.8
Loans to customers - corporate market				0.0	0.0
Loans to customers - retail market			220.2	220.2	580.0
Total loans to customers 31.12.2018	**0.0**	**0.0**	**220.2**	**220.2**	
Total loans to customers 31.12.2017			580.0		580.0
Government and government guaranteed bonds		720.6		720.6	723.3
Corporate bonds				0.0	50.5
Mortgage and asset backed bonds		3,446.5		3,446.5	2,684.9
Total bonds 31.12.2018	**0.0**	**4,167.1**	**0.0**	**4,167.1**	
Total bonds 31.12.2017		3,458.6			**3,458.6**
Interest derivatives		-16.4		-16.4	-77.2
Total derivatives 31.12.2018	**0.0**	**-16.4**	**0.0**	**-16.4**	
Derivatives with a positive fair value		55.6		55.6	92.6
Derivatives with a negative fair value		-72.0		-72.0	-138.6
Total derivatives 31.12.2017		-45.9			-45.9
LIABILITIES:					
Liabilities to credit institutions					
Liabilities to credit institutions 31.12.2018				**0.0**	
Liabilities to credit institutions 31.12.2017					0.0

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

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2018	Book value 31.12.2017
Loans to customers - corporate market			17.3	17.3	
Loans to customers - retail market			9,421.6	9,421.6	
Total loans to customers	**0.0**	**0.0**	**9,438.9**	**9,438.9**	**0.0**

Due to transition to IFRS 9 from 1 January 2018, a significant proportion of the loan portfolio has been reclassified from amortised cost to fair value through other comprehensive income (OCI). There are no requirement for restating comparable figures in 2018.

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

(NOK million)	Equities	Loans to to customers at fair value through profit and loss	Loans to to customers at fair value through other comprehensive income (OCI)
Book value 01.01.2018	13.8	580.0	11,842.2
Net gains/losses on financial instruments	1.5	-5.3	20.0
Supply / disposal		110.1	5,840.2
Sales / due settlements		-464.5	-8,263.6
Book value 31.12.2018	**15.3**	**220.2**	**9,438.9**

SENSITIVITY ANALYSIS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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.

Equities
This item consist of shares in VN Norge AS which the bank have received in connection with a taxfree conversion of VISA Norge FLI. At the end of the year, the value of the shares were changed according to changes in share price of C-shares in VISA Inc. The shares are valued at fair value through profit and loss and changes in value are included in profit and loss.

	Floating loans to customers		**Floating loans to customers**		**Equities**	
	Fair value through other comprehensive income (OCI)		Fair value through other comprehensive income (OCI)			
	Change in market spread		Change in market spread		Change in value	
Increase/decrease in fair value	+ 10 bp	- 10 bp	+ 25 bp	- 25 bp	+ 25 bp	- 25 bp
Increase/reduction in fair value at 31.12.2018 (MNOK)	**-1.1**	**1.1**	**-2.7**	**2.7**	**0.3**	**-0.3**
Increase/reduction in fair value at 31.12.2017 (MNOK)					0.3	-0.3

Comparable figures are not presented regarding floating loans to customers. Storebrand Bank ASA have changed accounting principles in 2018 why 2017 figures would be comparable to figures this year.

Note 9 - Segment

The management’s segment reporting for Storebrand Bank ASA is only presented at group level.
See note 9 under the Storebrand Bank group.

Note 10 - Net income from financial instruments

(NOK million)	2018	2017
Net interest income		
Interest on financial assets valued at amortised cost		
Interest on loans to credit institutions	54.5	39.1
Interest on loans to customer	42.8	314.2
Interest on commercial papers, bonds and other interest-bearing securities	6.0	4.9
Total interest on financial assets valued at amortised cost	**103.4**	**358.2**
Interest on financial assets valued at fair value through other comprehensive income (OCI)		
Interest on loans to customer	215.4	
Total interest on financial assets valued at fair value through other comprehensive income (OCI)	**215.4**	**0.0**
Interest on financial assets valued at fair value through profit and loss		
Interest on commercial papers, bonds and other interest-bearing securities	57.3	42.5
Interest on loans to customer	11.1	6.8
Other interest income	1.6	1.5
Total interest on financial assets valued at fair value through profit and loss	**70.0**	**50.8**
Total interest income	**388.8**	**409.0**
Interest on financial liabilities valued at amortised cost		
Interest on debt to credit institutions	-0.9	-1.1
Interest on deposits from customers	-84.1	-103.0
Interest on securities issued	-60.5	-60.9
Interest on subordinated loan capital	-7.5	-8.9
Other interest expenses	-11.6	-12.7
Total interest on financial liabilities valued at amortised cost	**-164.6**	**-186.6**
Interest on financial liabilities valued at fair value through profit and loss		
Interest on debt to credit institutions		-1.8
Total interest on financial liabilities valued at fair value through profit and loss	**0.0**	**-1.8**
Total interest expenses	**-164.6**	**-188.4**
Net interest income	**224.2**	**220.6**

(NOK million)	2018	2017
Net income and gains from financial assets and liabilities		
Equity instruments at fair value through profit and loss		
Net gains/losses on realisation of equity investments		-0.7
Net change in fair value of equity investments	2.3	2.0
Total gain/loss on equity instruments at fair value through profit and loss	**2.4**	**1.3**
Commercial papers and bonds at fair value through profit and loss		
Realised gain/loss on commercial papers and bonds	7.2	5.5
Unrealised gain/loss on commercial papers and bonds	-5.4	16.1
Total gain/loss on commercial papers and bonds at fair value through profit and loss	**1.8**	**21.6**
Loans to customers at fair value throug profit and loss		
Net gain/loss on loans to customers at fair value through profit and loss	-7.4	11.8
Total gain/loss on loans to customers at fair value through profit and loss	**-7.4**	**11.8**
Liabilities to credit institutions and other funding at fair value through profit and loss		
Unrealised gain/loss on liabilities to credit institutions and other funding		0.5
Total gain/loss on liabilities to credit institutions and other funding at fair value through profit and loss	**0.0**	**0.5**
Financial derivatives and foreign exchange at fair value through profit and loss		
Realised gain/loss on financial derivatives	-14.0	-1.5
Unrealised gain/loss on financial derivatives	31.7	27.9
Total financial derivatives and foreign exchange at fair value through profit and loss	**17.7**	**26.4**
Net income and gains from financial assets and liabilities at fair value through profit and loss	**14.6**	**61.5**
Fair value hedging		
Unrealised gain/loss on derivatives and bonds issued	0.4	0.4
Net gain/loss on fair value hedging	**0.4**	**0.4**
Commercial papers and bonds at amortised cost		
Realised gain/loss on commercial papers and bonds		1.4
Total gain/loss on commercial papers and bonds at amortised cost	**0.0**	**1.4**
Bonds issued at amortised cost		
Realised gain/loss on bonds issued	-1.4	-0.1
Total gain/loss on bonds issued at amortised cost	**-1.4**	**-0.1**
Net income and gains from financial assets and liabilities at amortised cost	**-1.4**	**1.3**
Net income and gains from financial assets and liabilities		
Net income and gains from financial assets and liabilities at fair value	**13.6**	**63.3**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	-5.5	27.9
Financial assets classified as held for trading	-19.2	-2.0
Changes in fair value of assets due to changes in credit risk	6.5	25.0
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		0.5

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

Note 11 - Net commission income

(NOK million)	2018	2017
Fees related to banking operations	50.4	35.8
Commissions from saving products		0.5
Fees from and management of loans	139.5	114.5
Total fees and commissions receivable *)	**189.9**	**150.8**
Fees and commissions payable relating to banking operations	-8.7	-11.4
Commissions payable on saving products		-0.1
Other fees and commissions payable	-2.5	-3.2
Total fees and commissions payable **)	**-11.2**	**-14.7**
Net commission income	**178.7**	**136.1**
*) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account	50.4	150.3
**) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account	-11.2	-14.6

Note 12 - Other income

(NOK million)	2018	2017
Receipts of group contribution from subsidiaries	64.4	81.8
Write-down of shares in subsidiaries		-6.2
Net loss from liquidation of subsidiaries		-0.2
Total other income	**64.4**	**75.4**

Note 13 - Remuneration paid to auditor

REMUNERATION EXCLUDING VALUE ADDED TAX:

(NOK Thousand)	2018	2017
Statutory audit	-326	-468
Other reporting duties	-15	-18
Other non-audit services		-10
Total	**-341**	**-496**

Storebrand group have changed external auditors in 2018.

Remuneration paid to auditors in 2018 includes cost to both PWC and Deloitte.

Note 14 - Operating expenses

(NOK million)	2018	2017
Ordinary wages and salaries	-64.8	-70.0
Employer's social security contributions	-14.8	-15.0
Pension cost (see note 15)	-6.9	-13.9
Other staff expenses	-7.6	-6.7
Total staff expenses	**-94.0**	**-105.6**
IT costs	-59.3	-58.8
Office operation and other general administration expenses	-1.0	-0.9
Total general administration expenses	**-60.2**	**-59.6**
Depreciation and write-downs on fixed assets and intangible assets (see note 27 and 28)	-15.0	-13.5
Operating expenses on rented premises	-10.2	-10.0
Foreign services (see note 12)	-3.4	-7.8
Inter-company charges for services [1]	-69.4	-85.8
Services sold to companies within the group	0.9	-0.6
Other operating expenses	-9.1	-11.8
Total other operating expenses	**-106.2**	**-129.6**
Total operating expenses	**-260.5**	**-294.9**

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

Note 15 - Pensions

Storebrand group has country-specific pension schemes.

Storebrand's employees in Norway have e defined-contribution pension scheme. In a defined-contribution scheme, thecompany allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:
- Saving starts from the first krone of salary
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 96,883 at 31 December 2018)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved.
- Savings rate for salary over 12 G is 20 per cent.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2018. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.

Employees who were on sick leave and partiality disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

(NOK million)	2018	2017
Present value of insured pension liabilities	13.1	14.9
Fair value of pension assets	-13.3	-14.7
Net pension liabilities/assets insured scheme	-0.3	0.2
Present value of unsecured liabilities	6.3	11.4
Net pension liabilities recognised in statement of financial position	**6.0**	**11.6**

Includes employer contributions on net under-financed liabilities in the gross liabilities.

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2018	2017
Pension liabilities	6.0	11.6

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2018	2017
Net pension liabilities 01.01	26.3	46.9
Pensions earned in the period	0.4	0.6
Pension cost recognised in period	0.7	1.0
Estimate deviations	-2.2	-19.0
Gain/loss on insurance reductions	-2.9	3.4
Pensions paid	-2.8	-6.5
Employer's NI contribution reversed	-0.1	-0.1
Net pension liabilities 31.12	**19.3**	**26.3**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2018	2017
Pension assets at fair value 01.01	14.7	33.3
Expected return	0.3	0.7
Estimate deviation	-2.4	-18.6
Premiums paid	0.8	0.8
Pensions paid		-1.4
Employer's NI contribution pension assets	-0.1	-0.1
Net pension assets 31.12	**13.3**	**14.7**
Expected premium payments (pension assets) in 2019:	0.3	
Expected premium payments (contributions) in 2019:	6.1	
Expected AFP early retirement scheme payments in 2019:	1.5	
Expected payments from operations (uninsured scheme) in 2019:	2.8	

PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE COMPOSED AT 31.12:

	2018	2017
Real estate	14 %	12 %
Bonds at amortised cost	36 %	32 %
Loans	14 %	12 %
Equities and units	12 %	15 %
Bonds	24 %	27 %
Total	**100 %**	**100 %**
The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance AS. Financial instruments are valued on three differendt levels.		
Realised return on assets	2.2 %	4.9 %

NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

(NOK million)	2018	2017
Current service cost incl provsion for employer's NI contribution	0.4	0.6
Net interest cost/expected return	0.3	0.3
Changes to pension scheme	-2.9	3.4
Total for defined benefit schemes	**-2.2**	**4.3**
The period's payment to contribution scheme	8.0	8.2
The period's payment to contractual pension	1.1	1.5
Net pension cost recognised in profit and loss account in the period	**6.9**	**13.9**

Net pension cost includes payroll tax of employer contribution and is included in operating expenses. See note 14.

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2018
Actuarial loss (gain) - change in discount rate	-0.5
Actuarial loss (gain) - experience DBO	-1.7
Loss (gain) - experience Assets	2.2
Investment management cost	0.2
Remeasurements loss (gain) in the period	**0.2**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY 31.12.

	31.12.2018	31.12.2017
Discount rate	2.8 %	2.6 %
Expected return	2.5 %	2.3 %
Expected earnings growth	2.5 %	2.3 %
Expected annual increase in pensions payment	0.0 %	0.0 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS:

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

In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market.

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

ACTUARIAL ASSUMPTIONS:

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. A new mortality basis K2013 for group pension insurance in life insurance companies and pension funds was introduced effective from 2014. Storebrand has used the mortality table K2013BE (best estimate) for the actuarial calculations as at 31 December 2018.

Note 16 - Losses on loans, guarantees and unused credits

(NOK million)	2018	2017
The periods change in impairment losses stage 1	0.2	
The periods change in impairment losses stage 2	-4.0	
The periods change in impairment losses stage 3	6.8	
Change in loan loss provisions on individual loans for the period (IAS 39)		-16.7
Change in loan loss provisions on groups of loans for the period (IAS 39)		13.8
Realises losses	-34.5	
Realised losses on commitments specifically provided for previously (IAS 39)		-0.4
Realised losses on commitments not specifically provided for previously (IAS 39)		-4.9
Recoveries on previously realised losses	2.8	1.3
Credit loss on interest-bearing securities	-0.1	
Other changes	0.5	
Loss expense for the period	**-28.2**	**-6.9**

Provisions for loan losses and losses for period have been calculated according with the new accounting principles in IFRS 9 and are based on expected credit loss (ECL) with use of a three-stage method.

Comparable figuers for 2017 are according to IAS 39 and the loss model applied at that time.
Figures in 2017 are not directly comparable with figures in 2018.

Note 17 - Tax

TAX CHARGE FOR THE YEAR

(NOK million)	2018	2017
Tax payable in profit/loss	-40.1	-40.5
Change in deferred tax assets	-9.2	-8.7
Total tax charge for the year	**-49.3**	**-49.3**

TAX BASIS FOR THE YEAR

(NOK million)	2018	2017
Profit before taxes	199.9	193.6
+ Group contribution received, difference between the carrying amount and the tax base	-5.1	-3.3
+/- Realised gains/losses on shares within EEA	-0.7	0.9
Other permanent differences	-6.4	-4.3
Changes in temporary differences	-36.8	-35.1
Tax basis for the year	**151.0**	**151.9**
Reduction for tax deductible loss		
- Application of tax loss carryforward		
Tax basis for the year for current taxes [1]	**151.0**	**151.9**
Tax rate	25 %	25 %
[1] Allocated group contribution with tax effect	151.0	151.9

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

(NOK million)	2018	2017
Ordinary pre-tax profit	199.9	193.6
Expected tax on income at nominal rate	-50.0	-48.4
Tax effect of:		
Realised shares	0.2	-0.2
Permanent differences	3.2	3.9
Reversal of permanent differences related to items in the total comprehensive income	-0.4	-1.9
Reversal of permanent differences related to items in the equity	-2.3	-2.7
Tax charge	**-49.3**	**-49.3**
Effective tax rate	**25 %**	**25 %**

The tax charge also reflects tax effects related to earlier years.

TAX PAYABLE IN THE BALANCE SHEET

(NOK million)	2018	2017
Tax payable in profit & loss	-40.1	-40.5
Tax payable in the equity	2.3	2.7
Tax payable in other comprehensive income	0.1	-0.1
- tax effect of group contribution paid	37.8	38.0
Tax payable in the balance sheet	**0.0**	**0.0**

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

(NOK million)	2018	2017
Tax-increasing temporary differences		
Financial instruments	12.9	
Total tax-increasing temporary differences	**12.9**	**0.0**
Tax-reducing temporary differences		
Pensions	-6.0	-11.6
Financial instruments		-19.0
Fixed assets	-22.7	-13.1
Provisions	-2.0	-11.0
Total tax-reducing temporary differences	**-30.7**	**-54.6**
Losses/allowances carried forward		
Net base for deferred tax and deferred tax asset	**-17.8**	**-54.6**
Net deferred tax/tax asset in the balance sheet	**4.5**	**13.7**

In December 2017, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 24 per cent to 23 per cent effective from 1 January 2018. In December 2018, the Storting agreed to reduce the company tax from 23 per cent to 22 per cent effective form 1 January 2019. At the same time, the Storting agreed to continue the financial tax rate of 25 per cent. Therefore, for companies subject to the financial tax, the company tax rate will be continues at the 2016 level (25 per cent).

Since Storebrand Bank ASA has activities within “Section K” (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets.

ANALYSIS OF TAX PAYABLE AND DEFERRED TAX APPLIED TO OCI:

(NOK million)	2018	2017
Pension experience adjustments	0.1	-0.1
Total	**0.1**	**-0.1**

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

Note 18 - Classification of financial assets and liabilities

(NOK million)	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income (OCI)	Total
Financial assets				
Cash and deposits with central banks	376.0			376.0
Loans to and deposits with credit institutions	3,071.8			3,071.8
Equity instruments		41.7		41.7
Bonds and other fixed-income securities	694.0	4,167.1		4,861.1
Derivatives		55.6		55.6
Lending to customers	315.8	220.2	9,438.9	9,975.0
Other current assets	1,571.1			1,571.1
Total financial assets 2018	**6,028.7**	**4,484.6**	**9,438.9**	**19,952.2**
Total financial assets 2017	16,493.2	4,158.3	13.8	20,665.3
Financial liabilities				
Deposits from and due to credit institutions	2.4			2.4
Deposits from and due to customers	14,421.1			14,421.1
Commercial papers and bonds issued	2,887.4			2,887.4
Derivatives		72.0		72.0
Other liabilities	283.9			283.9
Subordinated loan capital	276.3			276.3
Total financial liabilities 2018	**17,871.2**	**72.0**	**0.0**	**17,943.2**
Total financial liabilities 2017	18,562.7	138.6	0.0	18,701.2

Note 19 - Investments in subsidiaries

(NOK million)	Business registration number	Registered office	Ownership interest	Share of votes	Share capital	Acquisition cost	Book value 31.12.2018	Book value 31.12.2017
Storebrand Boligkreditt AS	990645515	Lysaker	100 %	100 %	490.0	1,393.9	1,393.9	1,029.8
Ring Eiendomsmegling AS [1]	987227575	Lysaker	100 %	100 %	2.0	143.2	2.7	2.0
Total investments in subsidiaries						**1,537.0**	**1,396.5**	**1,031.8**

1) The ownership in Ring Eiendomsmegling AS is being discontinued.

Note 20 - Bonds and other fixed-income securities at fair value through profit and loss

(NOK million)	2018 Virkelig verdi	2017 Virkelig verdi
Sovereign and Government Guaranteed bonds	720.6	723.3
Selskapsobligasjoner		50.5
Mortgage and asset backed bonds	3,446.5	2,684.9
Total bonds and other fixed-income securities at fair value through profit and loss	**4,167.1**	**3,458.6**
Modified duration	0.21	0.23
Average effective yield per 31.12.	1.36 %	0.84 %

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 21 - Bonds at amortised cost

	2018		2017	
(NOK million)	Book value	Fair value	Book value	Fair value
Public issuers and Government Guaranteed Bonds	393.9	394.6	130.2	130.3
Mortgage and asset backed bonds	300.2	300.7	250.2	250.6
Total bonds at amortised cost	**694.0**	**695.3**	**380.4**	**380.9**
Modified duration		0.18		0.16
Average effective yield per 31.12.		1.35 %		0.74 %

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 22 - Buyback agreements (repo agreements)

	2018	2017
(NOK million)	Balanseført verdi	Balanseført verdi
Transferred bonds still recognised on the statement of financial position		
Liabilities related to the assets		
Total Repurchase agreements	**0.0**	**0.0**

Storebrand Bank ASA has not entered into any repurchase agreements per 31 December 2018.

Note 23 - Financial derivatives

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

Gross nominal volume primarily provides information on scope, while net nominal volume provides a certain expression of risk positions. However, the nominal volume for different instruments is not necessarily comparable, considering the risk exposure. As opposed to gross nominal volume, the calculation of net nominal volume also takes into account the sign for the instrument's market risk exposure, by differing between so-called asset positions and liability positions.

An asset position in a share derivative implies a positive change in value if share prices rise. For interest derivatives, an asset position implies a positive change in value if interest rates are reduced – as is the case with bonds. An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase. The average gross nominal volume is based on daily calculations of gross nominal volume.

					Net amounts taken into account netting agreements		
(NOK million)	Gross nom. volume [1)]	Gross recognised financial assets	Gross recognised debt	Net financial assets / debt in the balance sheet	Fin. assets	Fin. debt	Net amount
Interest derivatives [2)]	1,703.5	55.6	72.0				-16.4
Currency derivatives	8.0						0.0
Total derivatives 31.12.2018	**1,711.5**	**55.6**	**72.0**	**0.0**	**0.0**	**0.0**	**-16.4**
Total derivatives 31.12.2017	3,406.9	92.6	138.6	0.0	0.0	0.0	-45.9

1) Values as at 31.12:

2) Interest derivatives include accrued, not due, interest.

INVESTMENTS SUBJECT TO NETTING AGREEMENTS/CSA

(NOK million)	Recognised assets	Recognised liabilities	Net assets	Collateral "Cash (+/-)"	Collateral Securities (+/-)	Net exposure
Investments subject to netting agreements/CSA	4.5	72.0	-67.5		-150.0	82.5
Investments not subject to netting agreements/ CSA	51.1		51.1			
Total 2018	**55.6**	**72.0**	**-16.4**			

Note 24 - Foreign exchange risk

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

(NOK million)	Statement of financial position items Assets	Statement of financial position items Liabilities	Currency forwards Net sale	Net position in currency	Net position in NOK
CHF	0.2	0.1			0.1
DKK	0.6	0.6	0.4		0.0
EUR	15.1	15.3	-0.8		-0.3
GBP	1.6	1.6	0.4		0.0
SEK	1.5	1.8		-0.3	-0.3
USD	18.4	18.3	-5.2		0.2
Other					0.1
Total net currency positions 2018					**-0.3**
Total net currency positions 2017					-1.0

The permitted limit for the bank's foreign exchange position is 0.50% of primary capital, which is approximately NOK 10 million at present.

Note 25 - Loans and guarantees

(NOK million)	2018 Book value	2017 Book value *)
Loans to customers at amortised cost	338.7	12,204.1
Loans to customers at fair value through profit and loss	220.2	580.0
Loans to customers at fair value through other comprehensive income (OCI)	9,461.4	
Total gross lending to customers	**10,020.4**	**12,784.1**
Loan loss provisions on individual loans (IAS 39)		-41.4
Loan loss provisions on groups of loans (IAS 39)		-23.2
Provision for expected loss Stage 1	-2.6	
Provision for expected loss Stage 2	-3.0	
Provision for expected loss Stage 3	-39.8	
Net lending to customers	**9,975.0**	**12,719.5**

*) According to IAS 39

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

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT AMORTISED COST

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2018	249.3	27.9	18.2	295.5
Transfer to stage 1	6.3	-6.1	-0.2	0.0
Transfer to stage 2	-23.3	23.5	-0.2	0.0
Transfer to stage 3	-8.5	-3.3	11.8	0.0
New loans	41.0	6.6	3.8	51.4
Derecognition	-13.6	-7.1	-6.5	-27.2
Other changes	11.3	4.8	3.1	19.1
Gross loans at amortised cost 31.12.2018	**262.4**	**46.2**	**30.1**	**338.7**

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

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2018	11,225.5	546.5	112.8	11,884.8
Transfer to stage 1	105.2	-105.2		0.0
Transfer to stage 2	-194.6	202.2	-7.7	0.0
Transfer to stage 3	-8.4	-12.7	21.1	0.0
New loans	5,702.9	135.2	2.1	5,840.2
Derecognition	-7,733.1	-254.8	-60.6	-8,048.5
Other changes	-191.5	-21.0	-2.7	-215.1
Gross loans at fair value through other comprehensive income (OCI) 31.12.2018	**8,906.1**	**490.3**	**65.1**	**9,461.4**

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT FAIR VALUE THROUGH PROFIT AND LOSS (PL)

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2018	521.5	58.5		580.0
Transfer to stage 1				0.0
Transfer to stage 2	-8.2	8.2		0.0
Transfer to stage 3				0.0
New guarantees and unused credits	89.9	9.1		99.0
Dereceognition	-401.8	-48.8		-450.6
Other changes	-8.1	-0.1		-8.2
Gross loans at fair value through profit and loss (PL) 31.12.2018	**193.3**	**26.9**	**0.0**	**220.2**

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNSUED CREDITS

(NOK million)	Stage 1	Stage 2	Stage 3	Total exposure
Maximum exposure 01.01.2018	1,921.6	40.2	17.5	1,979.3
Transfer to stage 1	15.1	-15.1	0.0	0.0
Transfer to stage 2	-80.9	82.1	-1.2	0.0
Transfer to stage 3	-1.8	-0.2	2.0	0.0
New guarantees and unused credits	310.0	8.5	0.0	318.5
Dereceognition	-294.3	-4.4	-16.2	-314.9
Other changes	-14.7	-4.2	-1.9	-20.8
Maximum exposure 31.12.2018	**1,855.0**	**107.0**	**0.1**	**1,962.0**

Note 26 - Loan loss provisionson loans, guarantees and unused credits

(NOK million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL - no objective eviden-ce of impairment	Stage 3 Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions 31 December 2017 according to IAS 39				64.6
Effect of implementation IFRS 9				-8.2
Loan loss provisions IFRS 9 at 1 January	7.4	2.3	46.7	56.4
Transfer to stage 1 (12-month ECL)	0.6	-0.6		0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)	-0.8	0.9		0.0
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)	-0.1	-0.1	0.3	0.0
Net remeasurement of loan losses	-0.3	2.8	0.9	3.4
New financial assets originated or purchased	1.3	0.4	0.1	1.8
Financial assets that have been derecognised	-0.9	-0.5	-14.4	-15.7
ECL changes of balances on financial assets without changes in stage in the period	0.3	0.6	-0.3	0.6
Financial assets written off dring the period	-0.1	-0.1	-11.2	-11.3
Changes in models/risk parameters		0.5	17.7	18.3
Loan loss provisions at 31 December	**7.2**	**6.3**	**39.9**	**53.4**
Loan loss provisions on loans to customers valued at amortised cost	1.8	2.2	18.9	22.9
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.8	0.8	21.0	22.6
Loan loss provisions on guarantees and unused credit limits	4.6	3.3		7.9
Total loans loss provisions	**7.2**	**6.3**	**39.9**	**53.4**

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 Bank group has not any expected loan loss provisions relatet to loans to the central bank, credit institutions, commercial papers and bonds.

Note 27 - Intangible assets

(NOK million)	IT systems	2018 Total book value	2017 Total book value
Acquisition cost at 01.01	141.8	141.8	148.9
Additions in the period:			
Purchased separately	19.8	19.8	3.9
Disposals in the period	-15.0	-15.0	-11.0
Acquisition cost at 31.12	**146.6**	**146.6**	**141.8**
Accumulated depreciation and write-downs at 01.01	70.4	70.4	68.8
Depreciation in the period (see note 14)	13.6	13.6	12.6
Disposals in the period	-15.0	-15.0	-11.0
Write-downs in the period	1.3	1.3	0.0
Accumulated depreciation and write-downs at 31.12	**70.3**	**70.3**	**70.4**
Book value at 31.12	**76.3**	**76.3**	**71.4**
For each class of intangible assets:			
Depreciation method	linear		linear
Economic life	2 - 10 years		2 - 10 years
Rate of depreciation	10.0% -50.0%		10.0% -50.0%

All intangible assets relates to system development, data warehouses, system accesses etc. Development of systems is carried out by external resources. The estimate of economic lifetime are reviewed annually.

Note 28 - Fixed assets

(NOK million)	Fixtures & fittings	2018 Total Book value	2017 Total Book value
Book value at 01.01	0.1	0.1	1.0
Depreciation (see note 14)	-0.1	-0.1	-0.9
Book value at 31.12.	**0.0**	**0.0**	**0.1**
Opening acquisition cost	10.2	10.2	10.2
Closing acquisition cost	10.2	10.2	10.2
Opening accumulated depreciation and write-downs	10.0	10.0	9.1
Closing accumulated depreciation and write-downs	10.1	10.1	10.0

For each class of fixed assets:	
Method for measuring cost price	Acquisition cost
Depreciation method	linear
Depreciation period and economic life	2 - 8 years

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

Note 29 - Other current assets

(NOK million)	2018 Book value	2017 Book value
Other accrued income and prepaid expenses	23.5	15.5
Shares in subsidiaries [1]	1,396.5	1,031.8
Due from group companies	148.1	81.9
Other assets	2.9	13.9
Total other current assets	**1,571.1**	**1,143.1**

1) See note 19.

Note 30 - Deposits from customers

(NOK million)	2018 Book value	2017 Book value
Deposits from customers	13,610.9	14,069.6
Term loans and deposits from customers	810.2	560.3
Total deposits from customers	**14,421.1**	**14,629.9**

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

DEPOSITS FROM CUSTOMERS PER SECTOR AND INDUSTRY CLASSIFICATION AND GEOGRAPHICAL DISTRIBUTION

(NOK million)	2018 Book value	2017 Book value
Sector and industry classification		
Development of building projects	20.2	32.6
Sale and operation of real estate	727.7	744.6
Professional and financial services	982.6	1,013.5
Wage-earners	11,518.0	11,598.3
Other	1,172.6	1,240.9
Total	**14,421.1**	**14,629.9**
Geographic distribution		
Eastern Norway	10,997.9	11,135.0
Western Norway	1,754.5	1,832.1
Southern Norway	282.3	274.4
Mid-Norway	443.6	443.2
Northern Norway	617.6	601.4
Rest of world	325.3	343.7
Total	**14,421.1**	**14,629.9**

Note 31 - Hedge accounting

Storebrand Bank group has chosen to transition to IFRS 9 for hedge accounting, but expects to keep hedging at the current level. There will thus be no accounting effects when transitioning to the new standard.
The Storebrand Bank group'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 group 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 90% 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.

	2018			2017			
	Contract/ nominal value	Fair value [1]		Contract/ nominal value	Contract/ nominal value	Fair value [1]	
(NOK million)	0-3 years	Assets	Liabilities	0-3 years	3-5 years	Assets	Liabilities
Interest rate swaps	800.0	0.8		300.0	500.0	7.9	
Total interest rate derivatives	800.0	0.8		300.0	500.0	7.9	
Total derivatives	**800.0**	**0.8**	**0.0**	**300.0**	**500.0**	**7.9**	**0.0**

	Contract/ nominal value	Hedging value [1]		Contract/ nominal value	Contract/ nominal value	Fair value [1]	
(NOK million)	0-3 years	Assets	Liabilities	0-3 years	3-5 years	Assets	Liabilities
Total underlying items	800.0		802.2	800.0			802.2
Hedging effectiveness - prospective	100.9 %		103.5 %			103.5 %	

Gain/loss on fair value hedging: [2]

	2018	2017
(NOK million)	Gain/loss	Gain/loss
On hedging instruments	-6.7	0.8
On items hedged	7.1	-0.4

1) Book value at 31.12.

2) Amounts included in the line "Net gains on financial instruments valued at amortised cost ".

Note 32 - Provisions

(NOK million)	Provisions for restructuring 2018	2017
Provisions 1 January	6.0	7.3
Provisions during the period		4.6
Provisions used during the period	-5.9	-5.9
Total provisions 31 December	**0.1**	**6.0**
Classified as:		
Provision for accrued expenses and liabilities	0.1	6.0
Guarantees on provisions for indidual loan losses	7.9	
Total provisions for accrued expenses and liabilities	**8.0**	**6.0**

This provision is related to the cost reduction program in Storebrand and mainly concerns costs related to headcount reductions.
The provision has been considered in accordance with IAS 37, and the restructuring plan has been announced to all parties affected by the changes.

Note 33 - Other liabilities

(NOK million)	2018 Book value	2017 Book value
Payable to Storebrand group companies	11.8	22.5
Money transfers	28.1	17.5
Group contribution payable to group companies	202.9	297.8
Accounts payable	11.5	4.3
Accrued expenses and prepaid income	17.3	27.4
Other debt	12.2	16.6
Total other liabilities	**283.9**	**386.1**

Note 34 - Off balance sheet liabilities and contingent liabilities

(NOK million)	2018	2017
Guarantees	1.4	19.7
Undrawn credit limits	4,958.8	5,663.8
Loan commitments, retail market	1,671.8	2,007.2
Total contingent liabilities	**6,632.0**	**7,690.8**

Guarantees are mainly payment guarantees and contract guarantees. See also note 4.
Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.
Undrawn credit limits includes NOK 3.0 billion in credit facility to Storebrand Boligkreditt AS.

Storebrand Bank ASA are engaged in extensive activities and may become a party in legal disputes.

Note 35 - Collateral

Storebrand Bank ASA has not received or pledged any collateral except securities pledged as collateral for F-loans in Norges Bank (see the overview below).

COLLATERAL AND SECURITY PLEDGED

(NOK million)	2018	2017
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	1,204.6	887.8
Booked value of securities pledged as collateral in other financial institutions	150.5	302.1
Total	**1,355.1**	**1,189.9**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has not any F-loan in Norges Bank as per 31.12.2018.

Note 36 - Capital adequacy

Capital adequacy calculations are subject to special consolidation rules in accordance with the regulation on consolidated application of the capital adequacy rules etc. (the "Consolidation Regulation"). The Storebrand Bank group is defined pursuant to Section 5 of the Consolidation Regulation as a financial group comprising solely or mainly undertakings other than insurance companies.

NET PRIMARY CAPITAL

(NOK million)	2018	2017
Share capital	960.6	960.6
Other equity	1,115.2	1,071.0
Total equity	**2,075.8**	**2,031.6**
Additional Tier 1 capital included in total equity	-175.0	-225.0
Accrued interest on capital instruments included in total equity	-1.0	-1.0
Total equity included in Core Equity Tier 1 (CET1)	**1,899.8**	**1,805.6**
Deductions:		
AVA adjustments	-14.0	-4.3
Intangible assets	-76.3	-71.4
Core Equity Tier 1 (CET1)	**1,809.4**	**1,730.0**
Additional Tier 1 capital:		
Capital instruments eligible as Tier 1 capital		
Addition	175.0	225.0
Core capital	**1,984.4**	**1,955.0**
Tier 2 capital	275.0	275.0
Subordinated loans		
Tier 2 capital deductions		
Eligible capital (Tier 1 capital + Tier 2 capital)	**2,259.4**	**2,230.0**

MINIMUM REQUIREMENT FOR NET PRIMARY CAPITAL

(NOK million)	2018	2017
Credit risk	663.9	706.2
Whereof:		
Local and regional authorities	0.9	3.5
Institutions	206.9	180.6
Loans secured in residential real estate *)	277.0	374.2
Retail market	45.4	45.1
Loans past-due	9.2	14.2
Covered bonds	108.0	81.3
Other	16.4	7.2
Total minimum requirement for credit risk	**663.9**	**706.2**
Counterparty risk		
Position risk		
Settlement risk		
Currency risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	55.5	50.0
CVA risk	0.2	2.9
Deductions		
Loan loss provisions on groups of loans		-1.9
Minimum requirement for net primary capital	**719.6**	**757.2**

*According to the Capital Requirements Regulation (CRR), exposures to corporates are secured lending transactions where real estate is used as collateral.

CAPITAL ADEQUACY

	2018	2017
Capital ratio	25.1 %	23.6 %
Tier 1 capital ratio	22.1 %	20.7 %
Core equity Tier 1 (CET1) capital ratio	20.1 %	18.3 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (Tier 1 capital + Tier 2 capital) are 12 per cent and 15.5 per cent.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	2018	2017
Credit risk	8,298.7	8,827.3
Of which:		
Local and regional authorities	11.3	44.2
Institutions	2,586.8	2,257.8
Corporates	0.6	0.1
Loans secured on residential real estate	3,463.1	4,678.1
Retail market	567.5	563.3
Loans past-due	115.0	176.9
Covered bonds	1,349.5	1,016.8
Other	205.0	90.0
Total basis of calculation credit risk	**8,298.7**	**8,827.3**
Counterparty risk		
Position risk		
Settlement risk		
Currency risk		
Total basis of calculation market risk	**0.0**	**0.0**
Operational risk	693.9	625.2
CVA risk	2.1	35.7
Deductions		
Loan loss provisions on groups of loans		-23.2
Total basis of calculation of minimum requirements for capital base	**8,994.8**	**9,465.0**

Note 37 - Remuneration to senior employees and elected officers of the company

(NOK Thousand)	Ordinary salary	Other benefits [1]	Total remuneration for the year	Pension accrued for the year	Post termination salary (months)	Loan [2]	No. of shares owned [3]
Senior employees							
Bernt Uppstad (CEO)	1,504	116	1,620	220		879	1,625
Torunn Sjåstad Hoftvedt	1,360	118	1,478	196		3,050	19,469
Caroline Johansen [4]	1,624	9	1,633	248		3,209	920
Curt Grimstad	1,528	6	1,533	259			
Total 2018	**6,015**	**249**	**6,264**	**922**	**0**	**7,138**	**22,014**
Total 2017	5,699	343	6,042	848	0	13,782	20,694

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

2) Loan up to NOK 7 million hold ordinary employee terms while excess loanamount hold market rate.

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

4) Formally Caroline Johansen is employed by Storebrand Livsforsikring AS but she acts as one of the senior employees in the management of the bank.

(NOK Thousand)	Remuneration	Loan	No. of shares owned [2]
Board of Directors [1]			
Heidi Skaaret [3]		3,366	54,473
Jostein Dalland [3]			16,701
Vivi Gevelt [3]		2,406	2,585
Inger Roll-Matthiesen	173	5,728	
Leif Helmich Pedersen	260		
Maria Skotnes	125	773	1,549
Total 2018	**557**	**12,273**	**75,308**
Total 2017	461	6,966	51,967

1) Remuneration to the Board of Directors are remuneration paid in connection to each one appointments as member of the Board of Storebrand Bank ASA.

2) 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.

3) Neither Heidi Skaaret, Jostein Dalland nor Vivi Gevelt receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board.

For the 2019 AGM, the Board of Storebrand Bank ASA will present the following statement on the determination of salaries and other compensation for executive personnel pursuant to Section 6-16a of the Public Limited Liability Companies Act, based on the group's previously adopted guidelines for compensation for executive personnel in Storebrand.

STOREBRAND ASA - THE BOARD'S STATEMENT ON THE FIXING OF SALARIES AND OTHER REMUNERATION TO EXECUTIVE PERSONNEL

The Board of Directors' statement on the fixing of the salaries and other remuneration of executive personnel, cf. Section 6-16 (a) of the Norwegian Public Limited Companies Act, shall be presented to the General Meeting for an advisory vote with regard to the indicative guidelines for the next financial year and a separate advisory vote with regard to binding guidelines for shares, subscription rights, etc. for the next financial year. The statement is worded as follows:

The Board of Directors of Storebrand ASA has had a dedicated Compensation Committee since 2000. The Remuneration Committee shall provide advice to the board on all matters concerning the company's remuneration to the CEO. The Committee shall monitor and propose guidelines for determining group senior employees' compensation. In addition, the Committee is an advisory organ for the CEO in relation to remuneration schemes that encompass all the employees in Storebrand group, including Storebrand's bonus system and pension scheme. The Compensation Committee satisfies the follow-up requirements set forth in the remuneration schemes.

ADVISORY GUIDELINES FOR THE COMING FINANCIAL YEAR

Storebrand aims to base remuneration on competitive and motivating principles that help attract, develop and retain highly qualified staff. Storebrand must have an incentive model that supports the strategy, stressing the customers' interests and the long-term view, an ambitious collaboration model and transparency that strengthens the group's reputation. The company will therefore largely emphasise fixed salaries as an instrument of financial compensation, and make use of variable remuneration to a limited extent.

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

Bonus scheme

Group management and executive employees who have a significant influence on the company's risks receive only fixed salaries

Pension scheme

The company shall arrange and pay for an ordinary group pension insurance common to all employees, from the moment employment commences, and in accordance with the pension agreement in force at any given time. With effect from 2015, the company has defined contribution pension schemes for all employees.

BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS ETC. FOR THE COMING 2019 FINANCIAL YEAR

To ensure that the executive management team has incentive schemes that coincide with the long-term interests of the owners, a proportion of the fixed salary will be linked to the purchase of physical STB shares with a lock-in period of three years. The group CEO have the authority to assign a specific group of employees to be included in such scheme.The purchase of shares will take place once per year. Like other employees in Storebrand, executive employees have an opportunity to purchase a limited number of shares in Storebrand ASA at a discount in accordance with the share programme for employees.

STATEMENT ON THE EXECUTIVE EMPLOYEE REMUNERATION POLICY DURING THE PREVIOUS FINANCIAL YEAR
The executive employee remuneration policy established for 2018 has been observed. The annual independent assessment of the guidelines and the practising of these guidelines in connection with bonuses to be paid in 2019 will be carried out during the first half of 2019.

STATEMENT ON THE EFFECTS OF SHARE-BASED REMUNERATION AGREEMENTS ON THE COMPANY AND THE SHAREHOLDERS
A proportion of the fixed salary of executive management and a limited group of employees will be linked to the purchase of physical STB shares with a lock-in period of three years. The purchase of shares will take place once per year. In the opinion of the Board of Directors, this has a positive effect on the company and the shareholders, given the structure of the scheme and the size of each person's portfolio of shares in Storebrand ASA

Note 38 - Related Parties

TRANSACTIONS WITH GROUP COMPANIES

	2018		2017	
(NOK million)	Subsidiaries	Other group companies	Subsidiaries	Other group companies
Interest income	69.1		37.6	
Services sold	68.3	75.1	61.9	56.6
Services purchased		75.5		92.4
Due from	3,645.6	83.6	2,377.7	
Liabilities to	60.0	156.6	25.6	258.7

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

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

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

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

OVERVIEW OF TRANSFERRED LENDING TO/FROM STOREBRAND BOLIGKREDITT AS

(NOK million)	2018	2017
To Storebrand Boligkreditt AS - accumulated transfer	18,486.0	14,529.1
Fra Storebrand Boligkreditt AS - this year's transfer	212.5	486.7

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

LOANS SOLD TO STOREBRAND LIVSFORSIKRING AS

Storebrand Bank ASA has sold mortgages to sister company Storebrand Livsforsikring AS. In 2018, there has been sold loans of total NOK 8.1 billion. The total portfolio of loans sold as of 31 December 2018 is NOK 28.7 billion. As the buyer, Storebrand Livsforsikring AS has acquired both cash flows and most of the risk and control. The loans were therefore derecognised in the bank's balance sheet in accordance with IFRS 9. Storebrand Bank ASA receives management fees for the work being done with the sold portfolio. The bank has recognised NOK 68.1 million as revenue in the accounts for 2018.

CREDIT FACILITIES WITH STOREBRAND BOLIGKREDITT AS

The bank has issued two credit facilities to Storebrand Boligkreditt AS. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility 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.

OTHER RELATED PARTIES

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. The terms for transactions with senior employees and related parties are stipulated in note 37.

LOANS TO EMPLOYEES

(NOK million)	2018	2017
Loans to employees of Storebrand Bank ASA	57.0	98.6
Loans to employees of Storebrand group excl. Storebrand Bank ASA	631.5	651.0

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to and individual of up to NOK 7 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance.
Loans in excess of NOK 7 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

NUMBER OF EMPLOYEES

	2018	2017
Number of employees at 31 December	105	106
Number of employees expressed as full-time equivalent positions	104	105

Storebrand Bank ASA and the Storebrand Bank Group
- Declaration by the members of the Board and the CEO

On this date, the Board of Directors and the Chief Executive Officer have considered and approved the annual report and annual financial statements for Storebrand Bank ASA for the 2018 financial year and as at 31 December 2018 (2018 Annual Report).

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and the associated interpretations, as well as additional Norwegian disclosure requirements pursuant to the Norwegian Accounting Act and the Financial Reporting Regulations for Banks, Finance Companies, etc. that must be observed as at 31 December 2018. The annual financial statements for the parent company have been prepared in accordance with the Norwegian Accounting Act, Financial Reporting Regulations for Banks, Finance Companies, etc. and simplified IFRS as at 31 December 2018, as well as additional requirements in the Norwegian Securities Trading Act. The annual report for the group and parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2018.

In the best judgement of the board and the CEO, the annual financial statements for 2018 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the parent company's and group's assets, liabilities, financial standing and results as a whole as at 31 December 2018. In the best judgement of the board and the CEO, the annual report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements for Storebrand Bank ASA and the Storebrand Bank group. In the best judgement of the board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 12 February 2019
The Board of Directors of Storebrand Bank ASA

Translation – not to be signed

Heidi Skaaret
Chairman of the Board

Jostein Dalland
Deputy Chairman

Inger Roll-Matthiesen
Board Member

Leif Helmich Pedersen
Board Member

Vivi Gevelt
Board Member

Maria Skotnes
Board Member

Bernt H. Uppstad
CEO

To the General Meeting of Storebrand Bank ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Bank ASA, which comprise:

- The financial statements of the parent company Storebrand Bank ASA (the Company), which comprise statement of financial position - balance sheet as at 31 December 2018, profit and loss account, statement of comprehensive income, 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, and
- The consolidated financial statements of Storebrand Bank ASA and its subsidiaries (the Group), which comprise statement of financial position – balance sheet as at 31 December 2018, profit and loss account, statement of comprehensive income, 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 financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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 and the Group 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.

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

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers	
Loans to customers represents a considerable part of the group's total assets. The assessment of impairment losses is a model based framework which includes elements of management judgement. The framework is complex, includes a considerable volume of data and judgemental parameters. We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling. IFRS 9 took effect on 1 January 2018. The most significant change compared to the previous regime is the fact that the impairment model now is based on expected credit losses rather than incurred losses. The use of models to determine expected credit losses entails judgement, specifically with respect to: • classification of the various credit portfolios by risk and asset type; • identification of impaired loans or loans presenting a significant increase in credit risk; • how the loans is sorted; into stages; • the construction of parameters such as the probability of default (PD) and loss given default (LGD) and scenarios.	Our work in the area of the impairment of loans to customers on account of credit risk focused on analysing, assessing and verifying the internal control environment and performing tests of details with respect to the provisions estimated collectively and individually. As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with: • the calculation and method used by Management; • whether the Management-approved internal models were compliant for regulatory purposes and working as intended; • the reliability of the sources of the data used in the model. ; Our testing of internal controls did not indicate errors in the modelling or material deviations fromIFRS 9. We also took a sample of individual borrower case files to check whether they were properly classified and that any corresponding impairment losses had been duly recognised. The realization value is calculated using external valuations or internal value estimates. To verify the realization value we tested the external valuations and the internal value estimates, and assessed the relevance and reasonableness of the assumptions used in the calculations. For internal value estimates with no external valuation we interviewed the credit employees and management and challenged the relevance and reasonableness of the assumptions and methodology used to calculate the expected realization value. Furthermore, we tested whether the individual impairment losses were classified correctly in the model, as well as assessing the total value of the company impairment losses. Any differences encountered as part of our detailed testing fell within a reasonable range.

The Group's business is mainly concentrated on personal loans. In this context, the Group has developed a general risk management framework which takes into account the specific characteristics of this segment.

In addition individual provisions are made for loans with incurred credit losses. This assessment requires judgements by management.

The Group/company note 2/2, note 15/16, note 23/25, and note 24/26 to the financial statements are relevant for the relevant for the description of the Group's models and processes to estimate loan-loss impairment provisions and the implementation of IFRS 9. We read the notes and found them to be adequate and give a balanced overview of the models, parameters and judgmental assumptions used.

IT systems supporting processes over financial reporting

The Group's financial accounting and reporting processes are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.

The bank utilize external service providers to operate some of its central IT systems. External auditors at the relevant service organizations has evaluated the control environment, design and operational effectiveness of controls to ensure the integrity of the IT systems in use relevant to financial reporting. For important IT-systems supporting financial reporting, the audit team performed detailed testing of relevant reports and automated controls. We also tested controls over application management and we relied on assurance reports on controls at service organizations where that was relevant for our work.

Our work gave us sufficient evidence to enable us to rely on the operation of the group's IT systems deemed relevant for our audit.

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 fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to

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the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group 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 and the Group'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 Group 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 skepticism 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 or the Group'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 and the Group'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 and the Group 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 fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 and in the statements on Corporate Governance and Corporate Social Responsibility 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, 12 February 2019

PricewaterhouseCoopers AS

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State Authorised Public Accountant

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

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