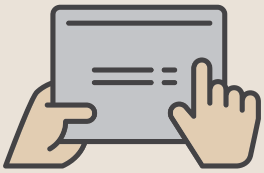

Manage your personal finances efficiently in an integrated manner. Storebrand offers all the products and services you need, including banking.

Dennis Sagen
Storebrand

Annual report 2019
Storebrand Bank ASA

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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 forwardlooking statements it may make.

Key figures Storebrand Bank Group

NOK million and percentage	2019	2018
Profit and Loss account: (as % of avg. total assets)		
Net interest income	1.26,%	1.16,%
Other operating income [2]	0.37,%	0.36,%
Main balance sheet figures:		
Total assets	35,140.6	32,806.2
Average total assets [1]	34,492.0	32,476.5
Gross loans to customers	30,238.0	28,506.4
Deposits from customers	14,404.3	14,419.4
Deposits from customers as % of gross loans	47.6,%	50.6,%
Equity	2,399.2	2,196.0
Other key figures:		
Loan losses and provisions as % of average total loans [4]	0.06,%	0.10,%
Gross non-performing and loss-exposed loans as % of total loans	0.4,%	0.4,%
Cost/income ratio [3]	48.3,%	53.7,%
Adjusted return on equity [6]	9.9,%	7.5,%
Core equity Tier 1 (CET1) capital ratio	15.8,%	15.2,%
LCR [5]	179.0,%	198.0,%

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) There is a change in the calculation method from June 30, 2019. Comparative figures have been restated accordingly. Please see the description in the document "Guide to Alternative Performance Meassures" on our website www.storebrand.no/en/investor-relations/reporting-changes-and-special-effects.

Annual report 2019

(Figures in brackets are the comparative figures for 2018)

MAIN TRENDS

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA. The activities of the bank are managed as an integral 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 in Lysaker, in the municipality of Bærum.

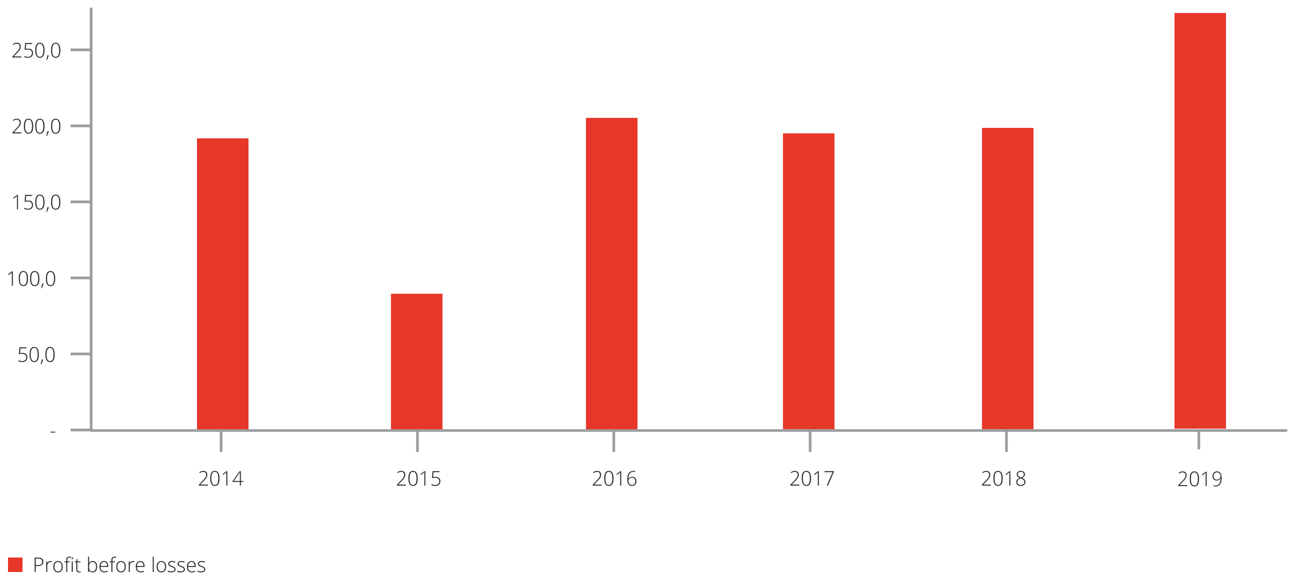
Storebrand Bank ASA is a web-based bank that offers a broad range of bank products to the Norwegian retail market. The bank is positioned as a provider of favourable home loans, combined with account and card products that provide customers with an easy and efficient everyday banking experience via the 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 bank's loan portfolio in the corporate market and the remaining portfolio was marginal at the end of 2019.

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

FINANCIAL PERFORMANCE

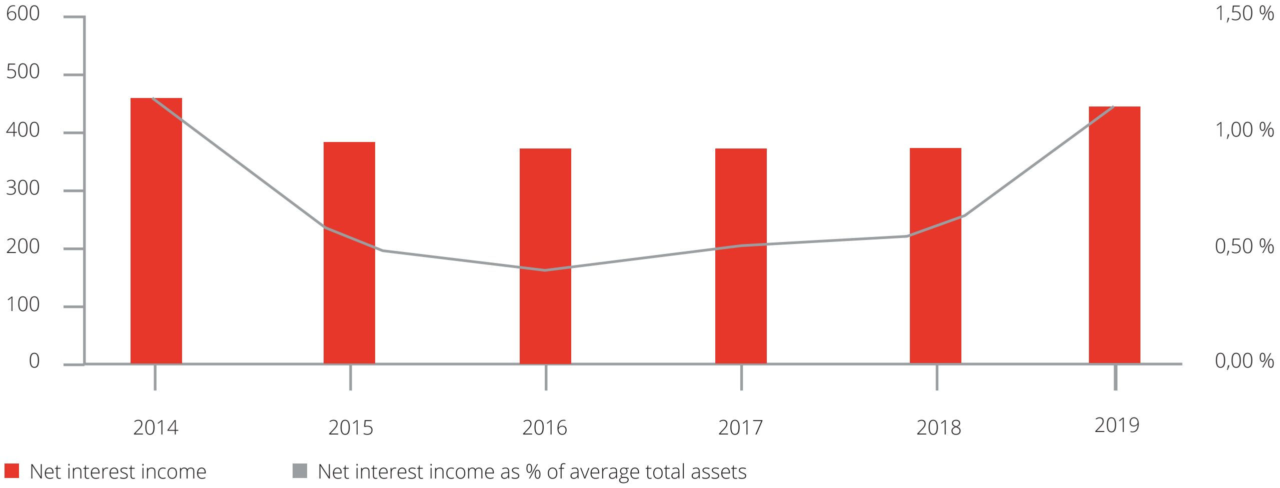
TRENDS IN PROFIT BEFORE TAX (NOK MILLION).



The bank group achieved a profit before tax of NOK 272 million for 2019, compared with NOK 199 million in 2018 for continued operations. The principal reason for the improvement in profit from 2018 was increased net interest income of NOK 58 million compared with 2018 due to increased deposit margins. Other operating income increased by NOK 15 million in 2019, compared with the previous year as a result of increased profits on financial instruments at fair value. Operating expenses ended at NOK 7 million higher in 2019 than in 2018 through increased depreciation and write-downs on intangible assets. Losses on loans were NOK 11 million lower in 2019 compared with 2018. The bank group achieved a profit after tax of NOK 207 million in 2019, compared with NOK 147 million in 2018.

NET INTEREST INCOME

NET INTEREST INCOME (NOK MILLION) AND NET INTEREST INCOME AS A PERCENTAGE OF AVERAGE TOTAL ASSETS



Net interest income for the bank group amounted to NOK 434 million in 2019 compared with NOK 376 million in the previous year. Net interest income as a percentage of average total assets was 1.26 per cent in 2019, an increase of 0.10 per cent compared with 2018. The interest margin improved as a result of increased margins on deposits.

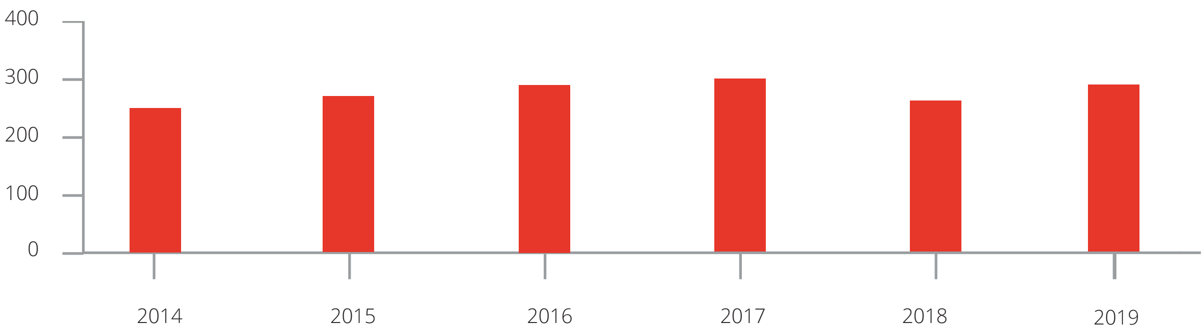
OTHER INCOME

The bank group's net commission income totalled NOK 107 million, compared with NOK 111 million in 2018. Net commission income was weakened by increased commission expenses.

Other operating income amounted to NOK 21 million in 2019, compared with NOK 6 million in 2018. The increase in 2019 was primarily due to an increase in realised and unrealised gains relating to financial instruments at fair value.

OPERATING EXPENSES

OPERATING EXPENSES (NOK MILLION)

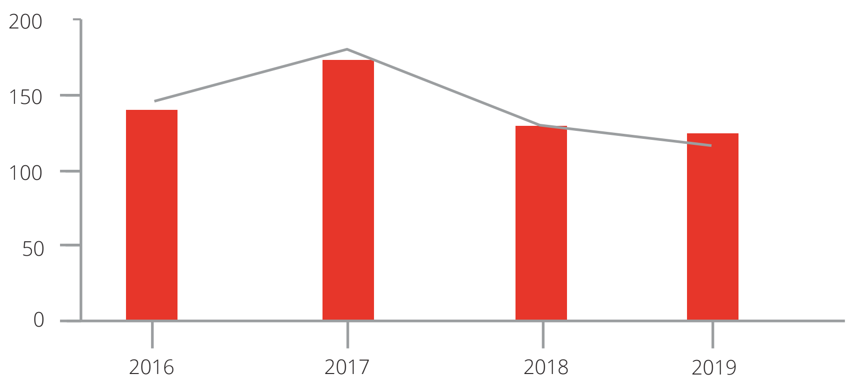


■ Operating expenses

The operating expenses in the bank group totalled NOK 271 million (NOK 264 million). The increase was primarily due to increased depreciation and write-downs on intangible assets. The cost percentage was 48 per cent in 2019 (54 per cent).

LOSSES AND NON-PERFORMING LOANS

DEVELOPMENTS IN GROSS NON-PERFORMING LOANS WITH AND WITHOUT IMPAIRMENT (NOK MILLION) AND IN THE PERCENTAGE OF AVERAGE GROSS LENDING



■ Gross non-performing loans with and without evidence of impairment* ■ Gross non-performing loans as % of total lending*

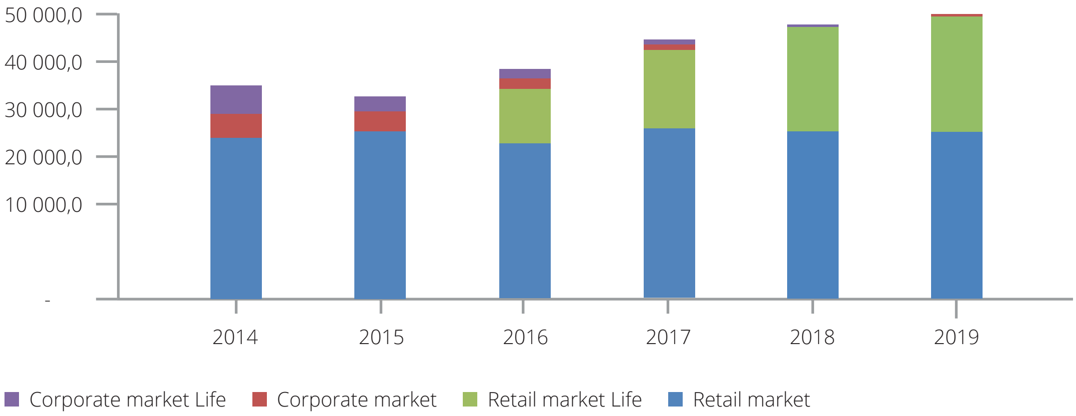
* Defaults measured at account level.

Total loan losses amounted to NOK 18 million for the bank group in 2019, compared with NOK 29 million in 2018. In 2018, a change was made in the model for impairment of losses on loans that resulted in increased recognised losses in 2018.

Non-performing loans that were not impaired increased in 2019 and amounted to NOK 74 million (NOK 71 million). The volume of impaired non-performing loans decreased to NOK 51 million (NOK 59 million) in 2019, primarily due to a reduced corporate market portfolio. The total volume of non-performing loans represents 0.4 per cent of gross lending (0.5 per cent).

BALANCE SHEET

Development of gross lending in both the Retail Market and Corporate Market (NOK million)



At the end of 2019 the bank group had NOK 35.1 billion in assets under management. Gross lending to customers was NOK 30.2 billion at year-end, an increase of NOK 1.7 billion from 2018. In 2016, the bank entered into an agreement with Storebrand Livsforsikring AS for the sale of loans to the retail market. The portfolio of loans to the retail market in Storebrand Livsforsikring AS decreased by NOK 0.1 billion in 2019 and amounted to NOK 18.0 billion as at 31 December 2019.

The loan portfolio, including loans managed on behalf of Storebrand Livsforsikring AS, amounted to NOK 48.2 billion at the end of the year, which represents an increase of NOK 1.6 billion from the start of the year.

The bank group's loan portfolio primarily consists of low risk home mortgages. The weighted average loan-to-value ratio in the bank group for the retail market portfolio is 59 per cent for home mortgage loans, compared with 57 per cent at the end of 2018. The loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans.

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 14.4 billion) at the end of the year, which represents a deposit-to-loan ratio of 48 per cent (51 per cent).

The bank group issued NOK 1.5 billion in senior bonds, NOK 0.25 billion in primary capital and NOK 1.5 billion in covered bonds (OMF) during 2019. At year-end, Storebrand Bank ASA had NOK 14.5 billion in covered bonds (OMF) issued by Storebrand Boligkreditt AS.

BUSINESS SEGMENTS

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, consumer loans, instant access accounts and cards, as well as mobile and internet banking. Storebrand Bank also offers a wide range of options for bank savings. Storebrand is also partnered with Dreams, which offers 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 home loans and credit cards. Home loans have very favourable 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 favourable bank products.

At the end of 2019, the bank group had approximately 112,000 active customers, with a lending volume of NOK 30.2 billion and a volume of deposits of NOK 14.4 billion.

Storebrand Bank ASA decided in 2013 to wind up the bank's loan portfolio in the corporate market. At the end of 2019, the remaining loan portfolio was marginal.

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 20.6 billion at the end of 2019, and primarily serves as a funding tool. NOK 14.5 billion in covered bonds were issued. The portfolio had 0.2 per cent non-performance at the end of 2019. 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, has a good understanding of risks that result in earnings and losses and continuously works to develop systems 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 strategies are prepared for the individual risks, with risk indicators and risk limits. The development of these parameters is 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 ICT risk, and compliance risk.

CREDIT RISK

As at 31 December 2019, the bank group had net lending to customers totalling NOK 30.2 billion, in addition to unused credit facilities of NOK 3.1 billion.

The lending volume, including unused credit facilities and guarantees to the retail market, amounted to NOK 33.3 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 in 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 59 per cent for home loans. 47 per cent of home loans have a loan-to-value ratio within 60 per cent, 88 per cent are within 80 per cent and 99 per cent are within 100 per cent. Storebrand Bank ASA continually monitors the loan-to-value ratio and updates the market values every quarter, most recently at the end of November.

Residential mortgages (line of credit secured by way of home mortgages) represent 14 per cent of the total exposure in the retail market portfolio. The average utilisation rate is 60 per cent. There are stricter loan criteria for residential mortgages and the bank monitors customers with a high degree of utilisation and customers who do not pay interest and instalments on a regular basis.

The corporate market is being wound up. The gross loan portfolio amounts to approximately NOK 23 million. In addition, there are guarantees of approximately NOK 1.2 million.

At year-end, the bank group had deposited securities with a fair value of NOK 904 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 151 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 is 100 per cent. The bank reports LCR on a monthly basis. The LCR requirement is satisfied at all times of measurement. The bank group's LCR was 179 per cent at the end of the year. Storebrand Bank has significant volumes of housing loans that qualify as security for OMF in Storebrand Boligkreditt. The bank therefore has major potential for issuing OMFs.

The deposit-to-loan ratio at the Storebrand Bank Group was 48 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.

MARKET RISK

The interest rate risk and spread risk in the liquidity portfolio represent the most important market risks. On the whole, 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 2019.

Among other things, the bank group's 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.

FRAUD AND LEGAL DISPUTES

In 2019, Storebrand Bank ASA reported five cases to the police. Four of these involved document forgery. The most recent was a case of corruption in which an advisor was offered money to approve a loan.

The bank received a total of six customer complaints in 2019, compared with 26 in 2018. The complaints can be generally categorised as pertaining to information. Of the complaints received, five were heard by the Financial Complaints Board. One of the complaints was upheld

CAPITAL MANAGEMENT

CAPITAL ADEQUACY

The bank group had net primary capital of NOK 2.6 billion (NOK 2.3 billion) at the end of 2019. The capital adequacy ratio was 19.6 per cent and the pure core capital ratio was 15.8 per cent, compared to 18.9 per cent and 15.2 per cent respectively at the end of 2018. The bank group must at all times comply with the capital requirements with an adequate buffer. 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 offers pensions, savings products, insurance, and banking products to retail market customers, corporate market customers and public institutions. Storebrand shall work towards a safe and sustainable future and financial independence for customers to enable them to experience everything they wish to experience. Storebrand shall ensure that customers have a future they can look forward to. More than two million Norwegians and Swedes have pensions with Storebrand. This places an obligation on the group to manage customer money responsibly. Storebrand's business and investments must be managed in a sustainable manner.

The financial sector plays a key role in achieving the UN Sustainable Development Goals. As a significant asset owner, asset manager and insurance player, Storebrand sees major opportunities in adapting its portfolio to a sustainable agenda. Storebrand believes that companies which take the climate and other sustainability challenges into consideration will be the financial winners of the future because they have a better understanding of world developments and how to manage risks and opportunities.

Storebrand's sustainability principles summarise how our work is an integral part of group's overarching objectives and management processes. The principles encompass all companies and all parts of Storebrand's activities, including investments, product development, procurement, employee development and internal operations.

These principles are:

- Storebrand bases its activities on the UN Sustainable Development Goals.
- Storebrand helps its customers live more sustainably. Storebrand does this by managing customers' money in a sustainable manner, in addition to providing sustainable financing and insurance.
- Storebrand is a responsible employer.
- Storebrand's processes and decisions are based on sustainability – from the Board and management, who have the ultimate responsibility, to each employee who promotes sustainability in their own area.
- Storebrand collaborates with our customers, suppliers, the authorities and knowledge hubs to achieve the UN Sustainable Development Goals.
- Storebrand is transparent about its work and sustainability results.

Storebrand is a leading player in the Nordic region for sustainable asset management. In 2019, Storebrand was acknowledged by PRI (Principles for Responsible Investments) for having outstanding practices within sustainable investments. All of Storebrand's assets under management are managed in accordance with strict sustainability criteria and all of the companies in which Storebrand invests are assigned a sustainability score. In 2019, one-third of assets under management were invested in fossil fuel free funds and investment solutions.

Storebrand is transparent and reports its results within sustainability work in accordance with a number of international reporting standards such as GRI, TCFD and CDP. Storebrand collaborates with international networks and initiatives and in 2019 was one of 12 founding members of the UN supported Net-Zero Asset Owner Alliance. This asset owner alliance has pledged to achieve a carbon neutral portfolio by 2050.

Storebrand has committed to a number of international sustainability initiatives, including PRI (Principles for Responsible Investments), PSI (Principles for Sustainable Insurance), the UN Global Compact, TCFD (Task Force on Climate-related Financial Disclosures) and CDP (Carbon Disclosure Project). Storebrand's sustainability report is integrated into Storebrand ASA's annual report and complies with the Global Reporting Initiative's (GRI) reporting guidelines (core version).

ETHICS AND TRUST

Storebrand's business activities are dependent on trust from customers, partners, authorities, shareholders and society at large. All Storebrand's employees must act with integrity and hold a high ethical standard in their work.

All employees of Storebrand must familiarise themselves with our ethical rules and guidelines and complete courses in ethics, anti-corruption, anti-money laundering and anti-terrorism financing. The Group's guidelines are reviewed and approved by the Board.

Storebrand works actively against corruption in the Group's business activities, in contact with suppliers and with other partners.

THE ENVIRONMENT

Storebrand systematically strives to reduce the company's impact on the environment due to our business activities, investments, procurements and property management. Storebrand's operations are "climate neutral". Storebrand achieves this by setting clear goals and measures for reducing CO_2 emissions from own operations. The emissions that Storebrand nevertheless has, through travel and the consumption of energy, are compensated for by purchasing verified emission allowances. Storebrand's head office is a low-emission building that uses renewable energy sources with guarantees of origin. The building has been Eco-Lighthouse Certified (Miljøfyrtårnsertifisert) since 2009. The Storebrand Group places strict environmental demands on its suppliers and companies in which it invests.

HUMAN RESOURCES AND ORGANISATION

The bank group and Storebrand Bank ASA had 105 full-time equivalents at the end of the year, compared with 99 at the beginning of the year. Gender distribution is 48 per cent men and 52 per cent women. The average age of our employees is 41. The average term of service is 11 years.

DIVERSITY

Storebrand arbeider målrettet for å styrke utviklingen og ha en jevn fordeling mellom kvinner og menn på alle områder og nivåer i selskapet. Ved utgangen av 2019 var 66 prosent av styremedlemmene i selskapet kvinner. Ved utgangen av året var det 50 prosent kvinner med lederansvar i selskapet.

I likhet med samfunnet for øvrig har selskapet utviklet seg i retning av økt kulturelt mangfold. Selskapet tilstreber likebehandling og like muligheter i alle interne og eksterne rekrutterings- og utviklingsprosesser. Hovedkontoret er et universelt utformet bygg.

COMPETENCE

A high level of skill is one of Storebrand's most important factors for success, and it creates 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 2019, the company 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 by 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 has placed health and satisfaction high on its agenda. The company had absence due to illness of 4.8 per cent in 2019, which was an increase of 0.2 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, weights room 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 2019.

CORPORATE GOVERNANCE

The bank group's systems for internal control and risk management linked to the accounting process 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 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 2019.

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 financial statements are prepared by the Group Accounts department of Storebrand Livsforsikring AS, which is under the Storebrand Group's CFO. Key managers in Group Accounts have a fixed annual remuneration that is not affected by the group's financial results. A 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 centres in the group that are key to the assessment and valuation of lending and financial instruments, as well as other items for assessment. These meetings have a particular focus on any market changes, specific conditions relating to default trends, individual loans and investments, transactions and operational conditions etc. Assessments relating to significant accounting items and any changes in principles etc. are described in a separate document (assessment item memo). The external auditor participates in board meetings 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 authority 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 were changes to the Board during 2019. Deputy Chairman Jostein Dalland resigned and stepped down from the Board. Board members Inger Roll-Mathisen and Vivi Gevelt stepped down from the Board and were replaced by Karin Greve-Isdahl Flaa and Jan Birger Penne. Camilla Leikvoll took over from Bernt Uppstad as the new CEO.

SOCIAL RESPONSIBILITY

Reference is made to the detailed description regarding sustainability that is included in the 2019 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 consolidated 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 213 million (NOK 143 million) in 2019. Net interest income for Storebrand Bank ASA was NOK 271 million (NOK 224 million) in 2019. A net amount of NOK 18 million (NOK 28 million) was expensed for write-downs on loans for the year.

The parent bank had total assets of NOK 20.8 billion (NOK 20.0 billion) at year-end. Gross lending in the parent bank amounted to NOK 9.8 billion (NOK 10.0 billion). Equity in the parent bank at the end of the year amounted to NOK 2.3 billion (NOK 2.1 billion). The net capital base at year-end after giving group contributions amounted to NOK 2.5 billion (NOK 2.3 billion). The company's capital adequacy was 26.5 per cent (25.1 per cent) and the pure core capital adequacy was 21.3 per cent (20.1 per cent).

The bank group's activities, with the exception of activities in Storebrand Boligkreditt AS, are run 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) achieved an annual profit for 2019 of NOK 212.8 million.

The Board proposes that a group contribution of NOK 244.0 million, of which the group contribution with tax effect is NOK 242.1 million (NOK 181.6 million after tax) be paid to Storebrand ASA. 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:

Amounts in NOK million	
Group contribution after tax	-183.5
Transferred to other equity	-29.4
Total allocations	**-212.8**

Storebrand Bank ASA provides group contributions to the subsidiary Storebrand Boligkreditt AS of NOK 62.6 million without tax effect.

STRATEGY AND OUTLOOK FOR 2020

In 2020, the Storebrand Bank Group will continue to work on improving the business' profitability through more efficient operations, combined with growth within strategic segments in the retail market. The development in the housing market in different parts of the country will be closely monitored. The bank will also prioritise maintaining a moderate to low risk profile with a good balance sheet and good funding composition.

In the retail market, the bank will continue to work on developing attractive products and digital services that support Storebrand's focus on sustainability and saving. A new purchasing solution for consumer loans is also being launched, as well as a partnership with Dreams to encourage customers to repay their consumer loans faster through coaching in the app. Improving competitiveness through good customer experiences and better efficiency is a priority and the bank shall continue to improve its 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 continue to be a vital focus in 2020. 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 2020.

Lysaker, 11 February 2020
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Heidi Skaaret
Chairman

Karin Greve-Isdahl Flaa
Board Member

Leif Helmich Pedersen
Board Member

Jan Birger Penne
Board Member

Maria Skotnes
Board Member

Camilla Leikvoll
CEO

Notes to the account

Storebrand Bank Group
Profit and loss account
1 January - 31 December

(NOK million	Note	2019	2018
Interest income on financial instruments at amortised cost		70.0	55.3
Interest income on financial instruments at fair value		830.0	660.3
Interest expense		-466.2	-340.0
Net interest income	10	**433.8**	**375.6**
Fee and commission income from banking services		123.6	121.8
Fee and commission expense for banking services		-16.9	-11.3
Net fee and commission income	11	**106.7**	**110.5**
Net gains on financial instruments valued at amortised cost	10	-11.1	-3.1
Net gains on other financial instruments	10	31.9	8.8
Other income			
Total other operating income		**20.9**	**5.7**
Staff expenses	13, 14	-87.5	-94.4
General administration expenses	13	-66.4	-60.4
Other operating costs	12, 13, 25	-117.2	-109.5
Total operating costs		**-271.0**	**-264.2**
Operating profit before loan losses		**290.4**	**227.5**
Losses on loans, guarantees and unused credits	15	-18.3	-28.7
Profit before tax		**272.0**	**198.7**
Tax	16	-65.5	-51.3
Result after tax sold/discontinued operations		-0.1	-0.1
Profit for the year		**206.5**	**147.3**
Profit for the year is attributable to:			
Portion attributable to shareholders		194.9	138.0
Portion attributable to additional Tier 1 capital holders		11.6	9.3
Profit for the year		**206.5**	**147.3**

Statement of comprehensive income

(NOK million)	Note	2019	2018
Profit for the year		206.5	147.3
Other result elements not to be classified to profit/loss			
Pension experience adjustments	14	-1.9	-0.2
Tax on pension experience adjustments	16	0.5	0.1
Total other result elements not to be classified to profit/loss		**-1.4**	**-0.2**
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)		3.5	19.6
Tax on changes in fair value	16	-0.9	
Total other result elements that may be classified to profit/loss		**2.6**	**19.6**
Total comprehensive income		**207.7**	**166.7**
Total comprehensive income for the period is attributable to:			
Portion attributable to shareholders		196.1	157.5
Portion attributable to additional Tier 1 capital holders		11.6	9.3
Total comprehensive income		**207.7**	**166.7**

Storebrand Bank Group
Statement of financial position
31 December

ASSETS

(NOK million)	Note	2019	2018
Cash and deposits with central banks	4. 17	280.2	376.0
Loans to and deposits with credit institutions	4. 8. 17	40.9	318.1
Net loans to customers	4. 8. 17. 23. 24	30.197.6	28.459.7
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8. 17	46.1	41.7
Bonds and other fixed-income securities	4. 8. 17. 18. 20	3.268.8	2.697.9
Derivatives	4. 5. 8. 21. 27	57.8	95.1
Bonds at amortised cost	4. 8. 19	1.136.8	694.0
Tangible assets			
Intangible assets and goodwill	25	84.2	76.3
Deferred tax assets	16	2.3	5.1
Other current assets	5. 17	26.0	42.2
Total assets		**35.140.6**	**32.806.2**

Storebrand Bank Group
Statement of financial position
31 December

LIABILITIES AND EQUITY

(NOK million)	Note	2019	2018
Liabilities to credit institutions	5, 8, 17	445.7	2.4
Deposits from and due to customers	5, 17, 26	14,404.3	14,419.4
Other financial liabilities:			
Derivatives	4, 5, 8, 21, 27	62.5	72.0
Commercial papers and bonds issued	5, 8, 17, 27	17,420.7	15,715.4
Other liabilities	5, 17, 29	114.8	110.4
Provision for accrued expenses and liabilities	24, 28	11.8	8.1
Deferred tax liabilities	16		0.3
Pension liabilities	14	5.6	6.0
Subordinated loan capital	5, 8, 17	276.0	276.3
Total liabilities		**32,741.4**	**30,610.3**
Other paid-in share capital		1,660.6	1,590.9
Retained earnings		512.6	429.1
Additional Tier 1 capital		225.9	176.0
Total equity	**32**	**2,399.2**	**2,196.0**
Total liabilities and equity		**35,140.6**	**32,806.2**

Lysaker, 11 February 2020
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Heidi Skaaret
Chairman of the Board

Karin Greve-Isdahl Flaa
Board Member

Leif Helmich Pedersen
Board Member

Jan Birger Penne
Board Member

Maria Skotnes
Board Member

Camilla Leikvoll
CEO

Storebrand Bank Group
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 31.12.2017	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							-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**
Profit for the period					194.9	194.9	11.6	206.5
Pension experience adjustments (see note 14)					-1.4	-1.4		-1.4
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-1.4**	**-1.4**	**0.0**	**-1.4**
Unrealised gain/loss financial instruments available for sale					2.6	2.6		2.6
Total other result elements that may be classified to profit/loss					**2.6**	**2.6**		**2.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**196.1**	**196.1**	**11.6**	**207.7**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.9	2.9	50.0	52.9
Payment to additional Tier 1 holders							-11.6	-11.6
Group contribution received			69.8	69.8				69.8
Group contribution paid					-115.5	-115.5		-115.5
Equity at 31.12.2019	**960.6**	**156.0**	**544.1**	**1.660.6**	**512.6**	**512.6**	**225.9**	**2.399.2**

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 32.

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

(NOK million)	Note	2019,	2018,
Cash flow from operations			
Receipts of interest, commissions and fees from customers		1,014.5	850.5
Payments of interest, commissions and fees to customers		-115.2	-95.5
Net disbursement/payments on customer loans		-1,729.3	-1,185.6
Net receipts/payments of deposits from banking customers		-15.0	-208.6
Net receipts/payments - securities		-920.3	238.9
Payments of operating costs		-326.4	-368.3
Net cash flow from operating activities		**-2,091.7**	**-768.6**
Cash flow from investment activities			
Net payments on purchase/sale of fixed assets etc.	25	-29.4	-19.8
Net cash flow from investment activities		**-29.4**	**-19.8**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-1,268.5	-2,746.0
Receipts - new loans and issuing of bond debt		3,000.0	4,177.3
Payments - interest on loans		-371.7	-223.3
Receipts - subordinated loan capital		125.0	
Payments - repayments of subordinated loan capital		-125.0	
Payments - interest on subordinated loan capital		-10.1	-7.3
Receipts - Tier 1 capital		125.0	100.0
Payments - repayments of Tier 1 capital		-75.0	-150.0
Payments - interest on additional Tier 1 capital		-11.6	-9.2
Net receipts/payments of liabilities to credit institutions		443.2	-152.6
Receipts - group contribution		69.8	
Payments - group contribution		-153.0	-292.0
Net cash flow from financing activities		**1,748.2**	**696.8**
Net cash flow in the period		**-373.0**	**-91.6**
Cash and bank deposits at the start of the period		694.0	785.6
Cash and bank deposits at the end of the period		**321.1**	**694.0**
Cash and deposits with central banks		280.2	376.0
Loans to and deposits with credit institutions		40.9	318.1
Total cash and bank deposits in the balance sheet		**321.1**	**694.0**

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 30 for information about undrawn credit limits.

Notes
Storebrand Bank Group

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank AS is a Norwegian public limited company with bonds listed on the Oslo Stock Exchange. The company's 2019 financial statements were approved by the Board of Directors on 11 February 2010.

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian retail 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 services are also integrated with the Group's loyalty programme. 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.

The consolidated financial statements of Storebrand Bank ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and appurtenant interpretations, as well as other Norwegian disclosure obligations pursuant to the law and regulations.

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

IFRS 9 Financial Instruments replaced the previous IAS 39, effective from 1 January 2018. Changes in classification and measurement of financial instruments are discussed in the 2018 annual report for Storebrand Bank ASA. The effects of the new principles on the opening balance for 2018 were recognised in equity.

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

No new accounting standards were implemented in 2019 that have had a significant impact on the company or consolidated financial statements for Storebrand Bank ASA. For changes to estimates, see the detailed overview on this in Note 2.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE COME INTO EFFECT

IFRS 16
IFRS 16 Leases replaces the current IAS 17 and comes into effect 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 have no effect on equity. The Storebrand Bank Group had no leases pertaining to IFRS 16 as of 1 January 2019

No leases that come under IFRS 16 were identified for the Storebrand Bank Group when the 2019 financial statements were prepared.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT
No new standards or changes to standards had not come into effect when the 2019 financial statements were prepared.

5. CONSOLIDATION

The consolidated financial statements include Storebrand Bank ASA and companies in which Storebrand ASA has a controlling interest. A controlling interest 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 is a directly owned subsidiary of Storebrand Bank ASA. .

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, with 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 the 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 linked 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.INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are measured at the acquisition cost less accumulated depreciation and any write-downs. The depreciation period and method are assessed at each closing of accounts. If new intangible assets are carried it must be possible to prove that it is likely that future financial benefits that can be attributed to the asset will pass to the group. In addition, it must be possible to estimate the cost price of the asset in a reliable manner. The write-down needs will be assessed if there are indications of an impairment in value, and the write-down of intangible assets and reversal of write-downs 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 recognised on the trading day, i.e. the date on which the Storebrand Bank Group becomes party to the instruments' contractual terms. Ordinary purchases and sales of financial assets are booked on the transaction date and financial liabilities are booked on the settlement date. When a financial asset or a financial liability is initially recognised, it is measured at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the rights to the cash flows from the asset are transferred such that essentially all the risks and returns relating to ownership of the asset are transferred.

Financial liabilities are derecognised when the contractual terms have been fulfilled, cancelled or expire.

MODIFIED ASSETS AND LIABILITIES

If the 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 previous 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 approval 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 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, direct and marginal 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.

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

FINANCIAL ASSETS CLASSIFIED AND MEASURED AT AMORTISED COST

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

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

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

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

A significant share of the Storebrand Bank Group's financial instruments are classified under the category of fair value through other comprehensive income (OCI). A financial asset is classified and measured at fair value through other comprehensive income if the following condition is met:

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

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

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

The Storebrand Bank Group's has financial instruments that are classified under the category of fair value through profit or loss for the following reasons:

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

9-3. IMPAIRMENT - GENERAL METHOD

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

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

Forecasts affect the PD and LGD estimates in particular.

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

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

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

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

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

DEFINITION OF DEFAULT

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

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

Storebrand Bank assesses default at the account/facility level for retail customers.

For corporate customers, default is assessed at the customer level. In the corporate market, the entire customer relationship is regarded as being in default if one facility or account is in default. The definition of default is in accordance with internal credit risk assessments, credit risk models and reporting. The credit risk models have been developed at the facility/account level in the retail market.

DEFINITION OF CREDIT LOSS

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

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

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

An individual assessment with subsequent booking of individual impairments is carried out for commitments with objective evidence of loss and that the 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 probable, or forbearance caused by financial problems. The calculation of cash flow and the impairments are assessed based on the expected values.

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

CALCULATING EXPECTED CREDIT LOSSES

The classification and changing of stages are described below.

Stage 1

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

Stage 2

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

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

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

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

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

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

EXPECTED MATURITY
Expected maturity is estimated for various financial instruments. Expected maturity is significant because for commitments with a substantial increase in credit risk, including defaulted financial commitments, i.e. commitments in stage 2 and stage 3, expected credit loss shall be calculated over the expected maturity of the commitments. The overall probability of default increases over the time horizon being measured, and the expected credit loss over the expected maturity of the commitment is therefore higher than the expected credit loss over one year, provided that the loan's remaining expected maturity is more than 12 months.

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

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

CATEGORISATION INTO PORTFOLIOS
The retail market portfolio is divided into:

i) Housing loans and housing credit
ii) Credit cards
iii) Other credits

The corporate portfolio is not further categorised, and the assessment is done manually (regardless of stage).

9-4. BONDS AT AMORTISED COST

Bonds measured at amortised cost are recognised at amortised cost using the effective interest method. See above under Financial Instruments and Amortised Cost for how the effective interest is calculated.

9-5. DERIVATIVES

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

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

9-6. HEDGE ACCOUNTING

FAIR VALUE HEDGING

The Storebrand Bank Group uses fair value hedging. 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 adjust the carrying amount of the hedged item and are recognised through profit or loss.

9-7. FINANCIAL LIABILITIES

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

10. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Bank Group has a defined-contribution pension. 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 calculated return on pension plan assets.

Actuarial gains and losses and the effects of changes in assumptions are recognised in total comprehensive income in the income statement for the period in which they occur. 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 paying an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and annual return on the pension savings. The Group 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 expensed directly in the financial statements.

11. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The company's tangible fixed 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 write-downs.

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

The Storebrand Bank Group includes companies that are both subject to and not subject to the financial tax. 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).

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

13. PROVISION FOR GROUP CONTRIBUTION

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. STATEMENT OF CASH FLOWS

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

Note 2 - Key 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 Bank Group's critical estimates and judgments that could result in material adjustment of recognised amounts are discussed below.

LOAN WRITE-DOWNS

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

Forecasts affect the PD and LGD estimates in particular.

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

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

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments that are 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 valuation method in the test 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 valued annually to ensure that the method and time period used correspond with economic realities.

CONTINGENT LIABILITIES

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 bank group 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 CEO. 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.

The credit manuals and adopted routines provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio. Credit is granted in accordance with an authorisation structure determined by the board.

Treasury has the credit risk for its counterparties in the liquidity portfolio. Permitted counterparties and the composition of the portfolio are set out in the bank's counterparty risk policy.

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

(NOK million)	Book value	Guarantees, unused credits and loan commitments	2019 Maximum credit exposure	2018 Maximum credit exposure
Loans to and deposits wiht credit institutions and the central bank	280.2		280.2	376.0
Loans to customers at amortised cost	306.3		306.3	338.7
Bonds and commercial papers at amortised cost	1,136.8		1,136.8	694.0
Total financial instruments at amortised cost	**1,723.3**		**1,723.3**	**1,408.7**
Equities	46.1		46.1	41.7
Loans to customers at fair value through profit and loss	389.2		389.2	220.2
Bonds and commercial papers at fair value through profit and loss	3,268.8		3,268.8	2,697.9
Interest swaps	57.8		57.8	95.1
Total financial instruments at fair value through profit and loss	**3,761.8**		**3,761.8**	**3,055.0**
Loans to customers at fair value through other comprehensive income (OCI)	29,542.5		29,542.5	27,947.4
Total financial instruments at fair value through other comprehensive income (OCI)	**29,542.5**		**29,542.5**	**27,947.4**
Gross exposure with credit risk	**35,027.6**		**35,027.6**	**32,411.2**
Loan loss provisions	-46.7	-7.9	-54.6	-54.6
Net exposure with credit risk	**34,980.9**	**-7.9**	**34,973.0**	**32,356.6**
Other current assets without credit risk	159.7			
Total assets	**35,140.6**			

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 2019 Fair value	Total 2018 Fair value
Sovereign and Government Guaranteed bonds	296.3	543.7				840.0	760.9
Mortgage and asset backed bonds	2,428.8					2,428.8	1,937.0
Total	**2,725.1**	**543.7**	**0.0**	**0.0**	**0.0**	**3,268.8**	**2,697.9**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	7.2	-0.5				6.6	9.7
Change in vaule recognised in the profit and loss during period	-1.6	-1.4				-3.0	-6.2

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 2019 Fair value	Total 2018 Fair value
Public issuers and/or Government Guaranteed bonds	289.3	304.8				594.0	394.6
Mortgage and asset backed bonds	504.0					504.0	300.7
Total	**793.3**	**304.8**	**0.0**	**0.0**	**0.0**	**1,098.0**	**695.3**

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 2019 Fair value	Total 2018 Fair value
Norway	280.2					280.2	376.0
Total deposits with central bank	**280.2**					**280.2**	**376.0**
Norway		20.3				20.3	252.2
Denmark			20.6			20.6	65.9
Total loans to and deposits with credit institutions	**0.0**	**20.3**	**20.6**	**0.0**	**0.0**	**40.9**	**318.1**
Total loans to and deposits with credit institutions and central bank	**280.2**	**20.3**	**20.6**	**0.0**	**0.0**	**321.1**	**694.0**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the Corporate Market is just above NOK 23 million. In addition, there are guarantees of approximately NOK 1,2 million.

As a result of group prioritisations 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 2019, the corporate market lending portfolio consisted of two loans. Both loans have indentified impairment where the total impairment are assessed to be NOK 11 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 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 2019, about 62 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 29.9 billion has been lent in home loans, with a further NOK 1.9 billion in undrawn credit facilities. Total commitments in residential property are therefore about NOK 31.8 billion.

The weighted average loan-to-value ratio is just under 59 per cent for home mortgage loans. Approximately 88 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 47 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 52 million. Approximately NOK 48 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 230 million has been drawn, and approximately NOK 965 million is available as unused credit facilities. For credit accounts and customer loans, about NOK 64 million has been drawn, and approximately NOK 240 million is available as unused credit facilities.

COMMITMENTS PER CUSTOMER GROUP

2019 (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						
Sale and operation of real estate		20.9		1.2		22.1
Service providers	0.1	1.2			0.3	1.6
Wage-earners	301.2	29,392.7	375.3		3,046.2	33,115.4
Other	4.9	127.7	13.9	0.3	25.1	171.9
Total	306.3	29,542.5	389.2	1.5	3,071.6	33,311.0
Provision for expected loss Stage 1	-1.7	-1.0			-4.1	-6.8
Provision for expected loss Stage 2	-3.0	-1.4			-7.7	-12.1
Provision for expected loss Stage 3	-13.4	-20.0				-33.3
Total loans to and due from customers	**288.2**	**29,520.3**	**389.2**	**1.5**	**3,059.8**	**33,258.8**

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			0.0	-40.1
Total loans to and due from customers	**315.8**	**27,923.7**	**220.2**	**1.4**	**3,353.7**	**31,814.9**

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

	2019			
(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				
Sale and operation of real estate	19.7	1.2		20.9
Service providers	5.4		0.3	5.7
Wage-earners	29,207.5		3,190.5	32,398.0
Other	139.7	0.3	25.8	165.7
Total	**29,372.2**	**1.4**	**3,216.6**	**32,590.2**

*) Based on total loans per 31 December 2019.

	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.

COMMITMENTS PER GEOGRAPHICAL AREA

	2019											
(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	218.7	22,609.7	262.2	1.5	2,289.6	25,381.6	50.3	37.8	88.2	16.8	8.7	62.7
Western Norway	48.8	4,072.6	62.6		480.7	4,664.6	11.8	10.9	22.8	2.4	2.7	17.7
Southern Norway	7.4	480.6	14.8		49.3	552.2	1.0		1.0		0.6	0.4
Mid-Norway	9.6	791.6	10.9		66.6	878.6	5.5	0.4	5.9	0.4	0.6	4.9
Northern Norway	11.3	965.4	14.9		67.4	1,059.0	0.8	0.2	1.0	0.2	0.6	0.2
Rest of world	10.5	622.7	23.8		118.0	775.0	4.1	1.4	5.5	0.0	0.4	5.1
Total	**306.3**	**29,542.5**	**389.2**	**1.5**	**3,071.6**	**33,311.0**	**73.5**	**50.8**	**124.3**	**19.8**	**13.5**	**91.0**

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

2018												
(NOK million)	Loans to customers at amorti-sed cost	Loans to customers at fair value through other comprehen-sive income (OCI)	Loans to custo-mers at fair value through profit and loss	Guaran-tees	Undrawn credit limits	Total commit-ments	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.

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2019						
(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	3.5	16.7			5.0	25.2
From 1 month up to 3 months	1.1	118.2			22.6	142.0
From 3 months up to 1 year	9.5	324.7		1.2	116.1	451.5
From 1 year to 5 years	9.3	1,754.2	8.6		727.6	2,499.8
More than 5 years	282.8	27,328.8	380.6	0.3	2,200.1	30,192.5
Total	**306.3**	**29,542.5**	**389.2**	**1.5**	**3,071.6**	**33,311.0**

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
From 1 month up to 3 months	0.7	150.9			35.3	186.8
From 3 months up to 1 year	15.4	383.8		1.2	137.8	538.2
From 1 year to 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**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

2019

(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	4.4	180.1	1.0		0.2	185.7
Overdue 31 - 60 days	3.6	40.2			0.2	44.0
Overdue 61- 90 days	1.8	30.8			0.1	32.7
Overdue more than 90 days	21.8	51.7				73.5
Total	**31.7**	**302.8**	**1.0**	**0.0**	**0.4**	**335.9**
Engagements overdue more than 90 days by geographical area:						
Eastern Norway	14.1	36.3				50.4
Western Norway	4.6	7.2				11.8
Southern Norway	1.0					1.0
Mid-Norway	0.9	4.6				5.5
Northern Norway	0.8					0.8
Rest of world	0.5	3.5				4.1
Total	**21.8**	**51.7**	**0.0**	**0.0**	**0.0**	**73.5**

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**

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 r ecognised in the profit and loss account during period
				2019			
Development of building projects							
Sale and operation of real estate	20.9		20.9	8.8	12.1		-0.3
Service providers							
Wage-earners	29.9	71.6	101.5	23.1	78.4		-6.6
Other		1.9	1.9	1.4	0.5		0.1
Total	**50.8**	**73.5**	**124.3**	**33.3**	**91.0**		**-6.7**

*) 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	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							
Sale and operation of real estate	18.5		18.5	9.1	9.3		-10.5
Service providers							-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**		**-2.7**

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

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

	Lending to customers		Liquidity portfolio	
(NOK million)	2019	2018	2019	2018
Book value maximum exposure for credit risk	389.2	220.2	3,268.8	2,697.9
Book value of related credit derivatives that reduce credit risk				
Collateral				
Net credit risk	**389.2**	**220.2**	**3,268.8**	**2,697.9**
This year's change in fair value of financial assets due to change in credit risk	6.9	2.9	7.0	3.6
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 andcredit 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 2019 is NOK 7,9 million, see note 21.

CREDIT RISK PER COUNTERPARTY

			2019			
					Ikke	
	AAA	AA	A	BBB	NIG	Total 2019
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		4.7		53.0		57.8
Total		**4.7**	**0.0**	**53.0**		**57.8**
Change in value:						
Total change in value on the balance sheet		4.7		53.0		57.8
Change in value recognised in the profit and loss during period		0.5	-39.8	1.9		-37.4

			2018			
					Ikke	
	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	39.8	51.1		95.1
Change in value recognised in the profit and loss during period		-5.5	-48.7	-30.4		-84.6

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 - Likviditetsrisiko

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	7 months - 12 months	2 - 3 years	4 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	445.7					445.7	445.7
Deposits from and due to customers	14,399.2	5.1				14,404.3	14,404.3
Commercial papers and bonds issued	3,598.4	173.0	10,855.6	4,036.7	-8.4	18,655.3	17,420.7
Other liabilities	114.8					114.8	114.8
Subordinated loan capital	5.1	5.1	166.0	9.4	126.2	311.8	276.0
Undrawn credit limits	3,071.6					3,071.6	
Loan commitments	1,466.3					1,466.3	
Total financial liabilities 2019	**23,100.9**	**183.3**	**11,021.6**	**4,046.1**	**117.8**	**38,469.7**	**32,661.4**
Derivatives related to funding 31.12.2019	**-2.3**	**7.8**	**-2.2**	**0.0**	**0.0**	**3.3**	**-4.7**
Total financial liabilities 2018	19,821.4	796.8	8,965.3	6,849.7	0.0	36,433.2	30,523.9
The amounts includes accrued interest.							

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 2019 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 nummer	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Dated subordinated loan capital						
NO0010714314	Storebrand Bank ASA	150.0	NOK	Floating	22.02.2022	150.6
NO0010786510	Storebrand Bank ASA	125.0	NOK	Floating	27.02.2025	125.4
Total subordinated loan capital 2019						**276.0**
Total subordinated loan capital 2018						276.3

SPECIFICATION OF LIABILITES TO CREDIT INSTITUTIONS

(NOK million)	2019	2018
Total liabilites to credit institutions without fixed maturity at amortised cost	**42.9**	**2.4**
Repurchase agreements, maturity 2020	402.8	
Total liabilities to credit institutions with fixed maturity at amortised cost	**402.8**	**0.0**
Total liabilities to credit institutions	**445.7**	**2.4**

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

(NOK million) ISIN nummer	Issuer	Net nominal value	Currency	Interest	Maturity	Book value
Bond loans						
NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	500.1
NO0010729387	Storebrand Bank ASA	79.0	NOK	Floating	14.01.2020	79.4
NO0010794217	Storebrand Bank ASA	400.0	NOK	Floating	29.05.2020	400.8
NO0010831571	Storebrand Bank ASA	400.0	NOK	Floating	06.09.2021	400.3
NO0010841562	Storebrand Bank ASA	550.0	NOK	Floating	18.01.2022	553.7
NO0010860398	Storebrand Bank ASA	550.0	NOK	Floating	15.08.2022	551.6
NO0010868185	Storebrand Bank ASA	400.0	NOK	Floating	11.11.2022	401.1
Total bond loands		**2,879.0**				**2,887.1**
Covered bonds						
NO0010736903	Storebrand Boligkreditt AS	2,480.0	NOK	Flytende	17.06.2020	2,481.3
NO0010760192	Storebrand Boligkreditt AS	4,000.0	NOK	Flytende	16.06.2021	4,015.9
NO0010786726	Storebrand Boligkreditt AS	4,000.0	NOK	Flytende	15.06.2022	4,015.2
NO0010813959	Storebrand Boligkreditt AS	4,000.0	NOK	Flytende	20.06.2023	4,021.2
Total covered bonds		**14,480.0**				**14,533.6**
Total commercial papers and bonds issued 2019		**17,359.0**				**17,420.7**
Total commercial papers and bonds issued 2018		17,129.0				15,715.4

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 2019 all covenants are fulfilled.

FINANCING ACTIVITIES - CHANGES DURING THE YEAR

2019

(NOK million)	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2019	276.3	2.4	15,715.4
New loans / bond debt issued	125.0	445.7	4,500.5
Repayment of loans/liabilities	-125.0	-2.4	-2,790.0
Changes in accrued interest	-0.2		-5.3
Book value 31.12.2019	**276.0**	**445.7**	**17,420.6**

2018

(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**

Note 6 - Markedsrisiko

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. The Bank group's market risk mostly are related to spread risk in the liquidity portfolio and interest rate risk. The bank group 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 2019:

Effect on accounting income

(NOK million)	2019	2018
Interest rate -1.0%	8.8	10.2
Interest rate +1.0%	-8.8	-10.2

Effect on accounting result/equity [1)]

(NOK million)	2019	2018
Interest rate -1,0%	8.8	10.2
Interest rate +1,0%	-8.8	-10.2

1) Before taxes.

Financial interest rate risk

(NOK million)	2019	2018
Interest rate -1,0%	-10.3	14.1
Interest rate +1,0%	10.3	-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 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. The bank has prepared contingency plans which are updated regularly. 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 Group 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 can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 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, variable home 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 bonds.

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2019	Book value 31.12.2019	Fair value 31.12.2018	Book value 31.12.2018
Financial assets							
Loans to and deposits with credit institutions		40.9		40.9	40.9	318.1	318.1
Loans to customers - corporate market							
Loans to customers - retail market		288.2		288.2	288.2	315.8	315.8
Bonds classified as Loans and receivables		1,140.4		1,140.4	1,136.8	695.3	694.0
Total financial assets 31.12.2019	**0.0**	**1.469.5**	**0.0**	**1,469.5**	**1,465.9**		
Total financial assets 31.12.2018		1,329.2				1,329.2	1,327.9
Financial liabilities							
Liabilities to credit institutions		445.7		445.7	445.7	2.4	2.4
Deposits from and due to customers		14,404.3		14,404.3	14,404.3	14,419.4	14,419.4
Commercial papers and bonds issued		17,406.5		17,406.5	17,420.7	15,735.5	15,715.4
Subordinated loan capital		280.9		280.9	276.0	277.4	276.3
Total financial liabilities 31.12.2019	**0.0**	**32,537.4**	**0.0**	**32,537.4**	**32,546.7**		
Total financial liabilities 31.12.2018		30,434.6				30,434.6	30,413.5

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 31.12.2019	Book value 31.12.2018
Financial assets					
Equities		26,7	19,4	46.1	41,7
Total equities 31.12.2019	**0,0**	**26,7**	**19,4**	**46.1**	
Total equities 31.12.2018		26,4	15,3		
Loans to customers - corporate market				0.0	0,0
Loans to customers - retail market			389,2	389.2	220,2
Total loans to customers 31.12.2019			**389,2**	**389.2**	
Total loans to customers 31.12.2018			220,2		
Government and government guaranteed bonds		840,0		840.0	760,9
Mortgage and asset backed bonds		2,428.8		2 428.8	1 937,0
Total bonds 31.12.2019	**0,0**	**3,268.8**	**0,0**	**3 268.8**	
Total bonds 31.12.2018		2,697.9			
Interest derivatives		35.6		35.6	23,1
Total derivatives 31.12.2019	**0,0**	**35.6**	**0,0**	**35.6**	
Derivatives with a positive fair value		57.8		57.8	95,1
Derivatives with a negative fair value		-62.5		-62.5	-72,0
Total derivatives 31.12.2018		23.1			23,1

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 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2019	Book value 31.12.2018
Loans to customers - corporate market			12.1	12.1	17.3
Loans to customers - retail market			29.508.2	29.508.2	27.906.3
Total loans to customers	**0.0**	**0.0**	**29.520.3**	**29.520.3**	**27.923.7**

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 01.01.2019	15,3	220,2	27 923,7
Net gains/losses on financial instruments	4,1	2,7	1,5
Supply / disposal		250,4	13 780,1
Sales / due settlements		-84,2	-12 185,0
Transferred from observable assumptions to non-observable assumptions			
Book value 31.12.2019	**19,4**	**389,2**	**29 520,3**

SENSITIVITY ANALYSIS

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 Fair value through other comprehensive income (OCI)		**Floating loans to customers Fair value through other comprehensive income (OCI)**		**Equities**	
	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 31.12.2019 (MNOK)	**-3.4**	**3.4**	**-8.5**	**8.5**	**6.4**	**-6.9**
Increase/reduction in fair value at 31.12.2018 (MNOK)	-3.2	3.2	-8.0	8.0	-2.7	2.7

Note 9 - Segment

ANALYSIS OF PROFIT AND LOSS ACCOUNT BY SEGMENT:

	Corporate		Retail		Treasury/other		Total	
NOK million	2019	2018	2019	2018	2019	2018	2019	2018
Profit and loss items:								
Net interest income		3.7		382.5		-10.7	433.8	375.6
Net fee and commission income		0.3		110.2			106.7	110.5
Other income		-13.5				19.2	20.9	5.7
Total operating costs		-7.2		-257.0			-271.0	-264.2
Operating profit before loan losses	**0.0**	**-16.8**	**0.0**	**235.8**	**0.0**	**8.4**	**290.4**	**227.5**
Loan losses		-3.5		-23.0		-2.2	-18.3	-28.7
Ordinary profit from continuing operations	**0.0**	**-20.3**	**0.0**	**212.8**	**0.0**	**6.2**	**272.0**	**198.8**
Ordinary profit from discontinued businesses	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.1**	**-0.1**
Balance sheet items:								
Gross loans to customers		29.0		28,477.4			30,238.0	28,506.4
Loan loss provisions		-11.7		-35.1			-40.4	-46.7
Net customer loans		17.3	0.0	28,442.3			30,197.6	28,459.7
Deposits from and due to customers		7.6		14,345.8		66.0	14,404.3	14,419.4
Key figures:								
Net interest income as % of total assets		2.76 %		1.22 %			1.16 %	1.16 %
Cost/income ratio		-76 %		52 %			54 %	54 %
Deposits from customers as % of gross loans		26 %		50 %			51 %	51 %
Total level of provisioning		48 %		41 %			42 %	42 %

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.

Storebrand Bank ASA decided in 2013 to wind up the corporate market at the bank. By the end of 2018, the remaining corporate market portfolio was insignificant. Therefore, from 2019, the Storebrand Bank Group no longer distinguishes between different segments in its reporting.

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	2019	2018
Net interest income		
Interest on loans to credit institutions	11.0	6.4
Interest on loans to customers	41.6	42.8
Interest on commercial papers, bonds and other interest-bearing securities	17.4	6.0
Other interest income		
Total interest on financial assets valued at amortised cost	**70.0**	**55.3**
Interest on financial assets valued at fair value through other comprehensive income (OCI)		
Interest on loans to customers	759.7	608.8
Total interest on financial assets valued at fair value through other comprehensive income (OCI)	**759.7**	**608.8**
Interest on financial assets valued at fair value through profit and loss		
Interest on commercial papers, bonds and other interest-bearing securities	58.5	38.7
Interest on loans to customers	11.7	11.1
Other interest income	0.2	1.6
Total interest on financial assets valued at fair value through profit and loss	**70.4**	**51.4**
Total interest income	**900.0**	**715.5**
Interest on financial liabilities valued at amortised cost		
Interest on debt to credit institutions	-2.5	-0.9
Interest on deposits from customers	-98.6	-84.1
Interest on securities issued	-337.6	-235.9
Interest on subordinated loan capital	-9.9	-7.5
Other interest expenses	-17.6	-11.6
Total interest on financial liabilities valued at amortised cost	**-466.2**	**-340.0**
Total interest expenses	**-466.2**	**-340.0**
Net interest income	**433.8**	**375.6**

NOK million	2019	2018
Net income and gains from financial assets and liabilities at fair value:		
Equity instruments at fair value through profit and loss		
Dividends received from equity investments	2.1	
Net gains/losses on realisation of equity investments		
Net change in fair value of equity investments	4.1	2.3
Total gain/loss on equity instruments at fair value through profit and loss	**6.2**	**2.4**
Commercial papers and bonds at fair value through profit and loss		
Realised gain/loss on commercial papers and bonds	2.4	4.6
Unrealised gain/loss on commercial papers and bonds	-3.0	-6.2
Total gain/loss on commercial papers and bonds at fair value through profit and loss	**-0.7**	**-1.5**
Loans to customers at fair value through profit and loss		
Net gain/loss on loans to customers at fair value through profit and loss	1.5	-7.5
Reclassified realised gain/loss on loans to customers at fair value through other comprehensive income (OCI)		
Total gain/loss on loans to customers at fair value through profit and loss	**1.5**	**-7.5**
Financial derivatives and foreign exchange at fair value through profit and loss		
Realised gain/loss on financial derivatives	3.9	-14.0
Unrealised gain/loss on financial derivatives	15.4	31.7
Total financial derivatives and foreign exchange at fair value through profit and loss	**19.2**	**17.7**
Net income and gains from financial assets and liabilities at fair value through profit and loss	**26.2**	**11.0**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued	7.4	
Unrealised gain/loss on derivatives and bonds issued	-1.6	-2.2
Net gain/loss on fair value hedging	**5.7**	**-2.2**
Commercial papers and bonds at amortised cost		
Realised gain/loss on commercial papers and bonds		
Total gain/loss on commercial papers and bonds at amortised cost	**0.0**	**0.0**
Bonds issued at amortised cost		
Realised gain/loss on bonds issued	-11.1	-3.2
Total gain/loss on bonds issued at amortised cost	**-11.1**	**-3.2**
Net income and gains from financial assets and liabilities at amortised cost	**-11.1**	**-3.1**
Net income and gains from financial assets and liabilities at fair value	**20.9**	**5.7**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	6.9	-6.7
Financial assets classified as held for trading	19.2	17.7
Changes in fair value of assets due to changes in credit risk	13.9	6.5
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		
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,
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	2019	2018
Fees related to banking operations	52.8	50.4
Fees from and management of loans	70.9	71.5
Total fees and commissions receivable *)	**123.6**	**121.8**
Fees and commissions payable relating to banking operations	-14.4	-8.7
Other fees and commissions payable	-2.4	-2.6
Total fees and commissions payable **)	**-16.9**	**-11.3**
Net commission income	**106.7**	**110.5**
*) 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	52.8	50.4
**) 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	-16.9	-11.3

Note 12 - Remuneration paid to auditors

Remuneration excluding value added tax:

NOK 1000	2019	2018
Statutory audit	-680	-431
Other reporting duties	-93	-309
Other non-audit services	-38	0
Total	**-811**	**-740**

Storebrand group changed external auditors in 2018.
Remuneration paid to auditors in 2018 include expenses to both PWC and Deloitte.

Note 13 - Operating expenses

NOK MILLION	2019	2018
Ordinary wages and salaries	-62.6	-64.8
Employer's social security contributions	-11.9	-14.8
Pension cost (see note 14)	-10.1	-6.9
Other staff expenses	-2.9	-7.8
Total staff expenses	**-87.5**	**-94.4**
IT expenses	-65.7	-59.5
Office operation and other general administration expenses	-0.7	-1.0
Total general administration expenses	**-66.4**	**-60.4**
Depreciation and write-downs fixed assets and intangible assets (see note 25)	-21.5	-15.0
Operating expenses on rented premises	-9.4	-10.2
Foreign services (see note 12)	-3.8	-4.1
Inter-company charges for services [1]	-71.7	-70.0
Sold services to group companies	-0.8	0.9
Other operating expenses	-9.9	-11.0
Total other operating expenses	**-117.2**	**-109.5**
Total operating expenses	**-271.0**	**-264.2**

1) Services purchased from the group contain expenses 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 99,858 at 31 December 2019)
- 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 pensionsfor certain former employees and former board members.

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

(NOK million)	2019	2018
Present value of insured pension liabilities incl employer's NI contribution	14.2	13.1
Fair value of pension assets	-13.2	-13.3
Net pension liabilities/assets insured scheme	0.9	-0.3
Present value of unsecured liabilities	4.7	6.3
Net pension liabilities recognised in statement of financial position	**5.6**	**6.0**

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

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2019	2018
Pension liabilities	5.6	6.0

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2019	2018
Net pension liabilities 01.01 incl provision for employer's NI contribution	19.3	26.3
Pensions earned in the period incl provision for employer's NI contribution	0.3	0.4
Pension cost recognised in the period	0.5	0.7
Estimate deviations	0.6	-2.2
Gain/loss on insurance reductions		-2.9
Pensions paid	-1,8	-2,8
Employer's NI contribution reversed	-0,2	-0,1
Net pension liabilities 31.12	**18,9**	**19,3**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2019	2018
Pension assets at fair value 01.01	13.3	14.7
Expected return	0.4	0.3
Estimate deviation	-1.2	-2.4
Premiums paid	0.9	0.8
Employer's NI contribution pension assets	-0.2	-0.1
Net pension assets 31.12	**13.2**	**13.3**
Expected premium payments (pension assets) in 2020:	0.3	
Expected premium payments (contributions) in 2020:	6.6	
Expected AFP early retirement scheme payments in 2020:	1.2	
Expected payments from operations (uninsured scheme) in 2020:	2.1	

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

	2019	2018
Real estate	13 %	14 %
Bonds at amortised cost	36 %	36 %
Loans	13 %	14 %
Equities and units	15 %	12 %
Bonds	20 %	24 %
Other short-term financial assets	1 %	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	3.6 %	2.2 %

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

(NOK million)	2019	2018
Current service cost incl provision for employer's NI contribution	0.3	0.4
Net interest cost/expected return	0.2	0.3
Changes to pension scheme		-2.9
Total for defined benefit schemes	**0.5**	**-2.2**
The period's payment to contribution scheme	8.0	8.0
The period's payment to contractual pension	1.6	1.1
Net pension cost recognised in profit and loss account in the period	**10.1**	**6.9**

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)	2019
Actuarial loss (gain) - change in discount rate	1.4
Actuarial loss (gain) - experienced DBO	-0.8
Loss (gain) - experience Assets	1.1
Investment management cost	0.2
Remeasurements loss (gain) in the period	**1.9**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY

	31.12.2019	31.12.2018
Discount rate	2.2 %	2.8 %
Expected return	2.0 %	2.5 %
Expected earnings growth	2.0 %	2.5 %
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 2019..

Note 15 - Losses on loans, guarantees and unused credits

(NOK million)	2019	2018
The periods change in impairment losses stage 1	0.8	0.0
The periods change in impairment losses stage 2	-5.1	-4.4
The periods change in impairment losses stage 3	6.8	8.1
Realises losses	-21.4	-35.7
Recoveries on previously realised losses	1.3	2.8
Credit loss on interest-bearing securities		-0.1
Other changes	-0.7	0.6
Loss expense for the period	**-18.3**	**-28.7**

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.

Note 16 - Tax

TAX CHARGE FOR THE YEAR

(NOK million)	2019	2018
Tax payable in the balance sheet	-63.0	-39.9
Changes in deferred tax/deferred tax asset	-2.5	-11.4
Total tax cost	**-65.5**	**-51.3**

TAX PAYABLE IN THE BALANCE SHEET

(NOK million)	2019	2018
Tax payable	-60.5	-37.5
- tax effect of group contribution paid		
Tax payable in the balance sheet (note 30)	**-60.5**	**-37.5**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

(NOK million)	2019	2018
Ordinary pre-tax profit	272.0	198.7
Expected tax on income at nominal rate	-68.0	-49.7
Tax effect of:		
Realised shares	1.3	-0.4
Permanent differences	2.4	-1.3
Effect of change in accounting principles on transition to IFRS 9	3.9	
Changes earlier years	-5.1	
Tax charge	**-65.5**	**-51.3**

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)	2019	2018
Tax-increasing temporary differences		
Financial instruments	8.0	10.2
Total tax-increasing temporary differences	**8.0**	**10.2**
Tax-reducing temporary differences		
Pensions	-5.6	-6.2
Fixed assets	-5.9	-22.7
Provisions	-4.9	-0.1
Total tax-reducing temporary differences	**-16.4**	**-29.0**
Losses/allowances carried forward		
Netto grunnlag for utsatt skatt og utsatt skattefordel	-8.4	-18.8
Net deferred asset/liability in the balance sheet	**2.3**	**4.8**

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)	2019	2018
Pension experience adjustments	0.5	0.1
Tax on change in value on loans to fair value through other comprehensive income (OCI)	-0.9	0.0
Total	**-0.4**	**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	280.2			280.2
Loans to and deposits with credit institutions	40.9			40.9
Equity instruments		46.1		46.1
Bonds and other fixed-income securities	1,136.8	3,268.8		4,405.6
Derivatives		57.8		57.8
Lending to customers	288.2	389.2	29,520.3	30,197.6
Other current assets	26.0			26.0
Total financial assets 2019	**1,772.0**	**3,761.8**	**29,520.3**	**35,054.1**
Total financial assets 2018	1,746.1	3,055.0	27,923.7	32,724.8
Financial liabilities				
Deposits from and due to credit institutions	445.7			445.7
Deposits from and due to customers	14,404.3			14,404.3
Commercial papers and bonds issued	17,420.7			17,420.7
Derivatives		62.5		62.5
Other liabilities	114.8			114.8
Subordinated loan capital	276.0			276.0
Total financial liabilities 2019	**32,661.4**	**62.5**	**0.0**	**32,723.9**
Total financial liabilities 2018	30,523.9	72.0		30,595.9

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

NOK MILLION	2019 Fair value	2018 Fair value
Sovereign and Government Guaranteed bonds	840.0	760.9
Mortgage and asset backed bonds	2,428.8	1,937.0
Total bonds and other fixed-income securities at fair value through the profit and loss account	**3,268.8**	**2,697.9**
Modified duration	0.16	0.20
Average effective yield per 31.12.	1.86 %	1.23 %

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

	2019		2018	
(NOK million)	Book value	Fair value	Book value	Fair value
Public issuers and Government Guaranteed Bonds	636.1	636.4	393.9	394.6
Mortgage and asset backed bonds	500.7	504.0	300.2	300.7
Total bonds at amortised cost	**1,136.9**	**1,140.4**	**694.0**	**695.3**
Modified duration		0.14		0.18
Average effective yield per 31.12.		1.89 %		1.35 %

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 20 - Buyback agreements (repo agreements)

(NOK million)	2019 Book value	2018 Book value
Transferred bonds still recognised on the statement of financial position	402.8	
Liabilities related to the assets	402.8	

Storebrand Bank ASA has entered into two buyback agreements as of 31 December 2019.
Transferred bonds that are included in buyback agreements (repos) are not derecognised, since all the risk and return on the securities is retained by Storebrand Bank ASA.

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, etc. 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.

(NOK million)	Gross nom. volume [1]	Gross recognised financial assets	Gross recognised debt	Net financial assets / debt in the balance sheet	Net amounts taken into account netting agreements: Fin. assets	Fin. debt	Net amount
Interest derivatives [2]	1,540.6	57.8	62.5				-4.7
Currency derivatives	23.1						
Total derivatives 31.12.2019	**1,563.7**	**57.8**	**62.5**	**0.0**	**0.0**	**0.0**	**-4.7**
Total derivatives 31.12.2018	2,961.5	95.1	72.0				23.1

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 (+/-)	Verdipapirer (+/-)	Net exposure
Investments subject to netting agreements	4.7	62.5	-57.7		-150.0	92.3
Investments not subject to netting agreements	53.0		53.0			
Total 2019	**57.8**	**62.5**	**-4.7**			

Note 22 - Foreign exchange risk

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

(NOK million)	Statement of financial position items: Assets	Liabilities	Currency forwards: Net sale	Net position: in currency	in NOK
CHF	1.0	1.0	0.0	0.0	0.0
DKK	0.1	0.1	0.0	0.1	0.1
EUR	2.5	2.4	1.4	0.0	0.1
GBP	0.8	0.7	0.4	0.0	0.0
JPY	0.0	0.0	0.0	0.3	0.0
SEK	1.2	1.2	0.0	0.0	0.0
USD	12.6	12.6	-0.2	0.0	0.0
Other	0.3	0.4	0.1	-0.3	-0.1
Total net currency positions 2019					**0.1**
Total net currency positions 2018					-0.3

The permitted limit for the bank's foreign exchange position is 0.50% of primary capital, which is approximately NOK 12 million at present. The overview shows holdings in foreign exchange accounts as of 31 December 2019. An agreed exchange of USD 4 million was completed on 31 December 2019 and covered on 2 January 2020, and is not included in the overview.

Note 23 - Loan portfolio and guarantees

(NOK million)	2019 Book value	2018 Book value
Loans to customers at amortised cost	306.3	338.7
Loans to customers at fair value through profit and loss (PL)	389.2	220.2
Loans to customers at fair value through other comprehensive income (OCI)	29,542.5	27,947.4
Total gross loans to customers	**30,238.0**	**28,506.4**
Provision for expected loss Stage 1	-2.7	-3.0
Provision for expected loss Stage 2	-4.4	-3.7
Provision for expected loss Stage 3	-33.3	-40.1
Net loans to customers	**30,197.6**	**28,459.7**

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

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT AMORTISED COST

		2019		
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	262.4	46.2	30.1	338.7
Transfer to stage 1	9.8	-9.3	-0.5	0.0
Transfer to stage 2	-28.1	28.3	-0.3	0.0
Transfer to stage 3	-5.2	-3.1	8.3	0.0
New loans	23.5	5.9	1.9	31.2
Derecognition	-39.5	-11.7	-18.6	-69.7
Other changes	4.2	0.6	1.1	6.0
Gross loans 31.12.2019	**227.2**	**56.9**	**22.1**	**306.3**

		2018		
(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 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)

		2019		
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	26,322.4	1,529.3	95.8	27,947.4
Transfer to stage 1	279.3	-279.3		0.0
Transfer to stage 2	-556.7	571.5	-14.8	0.0
Transfer to stage 3	-14.7	-38.9	53.7	0.0
New loans	11,135.1	351.2	1.7	11,487.9
Derecognition	-8,724.5	-495.2	-33.0	-9,252.8
Other changes	-599.1	-39.8	-1.1	-640.1
Gross loans 31.12.2019	**27,841.6**	**1,598.7**	**102.2**	**29,542.5**

2018				
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
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 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 (FVTPL)

2019				
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	193.3	26.9		220.2
Transfer to stage 1				
Transfer to stage 2				
Transfer to stage 3				
New guarantees and unused credits	247.7	3.7		251.4
Dereceognition	-63.7	-17.6		-81.3
Other changes	-1.0	-0.2		-1.2
Gross loans 31.12.2019	**376.3**	**12.9**	**0.0**	**389.2**

2018				
(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				
Transfer to stage 2	-8.2	8.2		0.0
Transfer to stage 3				
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 31.12.2018	**193.3**	**26.9**	**0.0**	**220.2**

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNSUED CREDITS

2019				
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Maximum exposure 01.01.2019	3,252.2	110.8	0.1	3,363.1
Transfer to stage 1	36.8	-36.8		0.0
Transfer to stage 2	-130.6	130.6		0.0
Transfer to stage 3	-0.9	-0.5	1.4	0.0
New guarantees and unused credits	144.5	15.9		160.4
Dereceognition	-434.6	-20.1		-454.8
Other changes	10.8	-5.2	-1.3	4.3
Maximum exposure 31.12.2019	**2,878.2**	**194.8**	**0.1**	**3,073.0**

(NOK million)	Stage 1	2018 Stage 2	Stage 3	Total gross loans
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

		2019		
	Stage 1	Stage 2	Stage 3	
(NOK million)	12-month ECL	Lifetime ECL - no objective eviden-ce of impairment	Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions IFRS 9 at 01.01. 2019	7.6	6.9	40.1	54.6
Transfer to stage 1 (12-month ECL)	1.8	-1.6	-0.2	0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impair-ment)	-0.8	1.0	-0.2	0.0
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)	-0.1	-0.2	0.3	0.0
Net remeasurement of loan losses	-1.4	6.3	6.0	10.9
New financial assets originated or purchased	0.6	0.8	1.0	2.3
Financial assets that have been derecognised	-1.1	-1.2	-2.0	-4.2
ECL changes of balances on financial assets without changes in stage in the period	0.2	0.3	-0.4	0.0
Changes due to modification without any effect in derecognition				
Financial assets written off during the period		-0.2	-11.3	-11.5
Changes in models/risk parameters				
Foreign exchange and other changes				
Loan loss provisions at 31.12. 2019	**6.8**	**12.1**	**33.3**	**52.2**
Loan loss provisions on loans to customers valued at amortised cost	1.7	3.0	13.3	18.1
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	1.0	1.4	20.0	22.3
Loan loss provisions on guarantees and unused credit limits	4.1	7.7		11.8
Total loans loss provisions	**6.8**	**12.1**	**33.3**	**52.2**

	2018			
	Steg 1	Steg 2	Steg 3	
(NOK million)	12-month ECL	Lifetime ECL - no objective eviden-ce of impairment	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 01.01. 2018	7.6	2.5	48.2	58.3
Transfer to stage 1 (12-month ECL)	0.7	-0.7		0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)	-0.9	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	-0.4	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
Changes due to modification without any effect in derecognition				
Financial assets written off during the period	-0.1	-0.1	-12.0	-12.2
Changes in models/risk parameters		0.5	17.7	18.3
Foreign exchange and other changes				
Loan loss provisions at 31.12. 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 2019	Book value 2018
Acquisition cost at 01.01	146.6	146.6	141.8
Additions in the period:			
Purchased separately	29.6	29.6	19.8
Disposals in the period	-15.6	-15.6	-15.0
Acquisition cost at 31.12	**160.6**	**160.6**	**146.6**
Accumulated depreciation and write-downs at 01.01	70.3	70.3	70.4
Depreciation in the period (see note 13)	18.1	18.1	13.6
Disposals in the period	-15.4	-15.4	-15.0
Write-downs in the period (see note 13)	3.5	3.5	1.3
Accumulated depreciation and write-downs at 31.12	**76.4**	**76.4**	**70.3**
Book value at 31.12	**84.2**	**84.2**	**76.3**

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 - Deposits from and due to customers

(NOK million)	2019 Book value	2018 Book value
Deposits from customers without agreed maturity	13,352.8	13,609.1
Term loans and deposits from customers with agreed maturity	1,051.5	810.2
Total deposits from customers	**14,404.3**	**14,419.4**

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)	2019 Book value	2018 Book value
Sector and industry classification		
Development of building projects	31.1	20.2
Sale and operation of real estate	763.2	725.9
Service providers	859.8	982.6
Wage-earners	11,609.7	11,518.0
Other	1,140.5	1,172.6
Total	**14,404.3**	**14,419.4**
Geographic distribution		
Eastern Norway	10,556.9	10,996.1
Western Norway	1,774.9	1,754.5
Southern Norway	268.3	282.3
Mid-Norway	545.2	443.6
Northern Norway	600.4	617.6
Rest of world	658.6	325.3
Total	**14,404.3**	**14,419.4**

Note 27 - Hedge accounting

The Storebrand Bank Group has chosen a transition to IFRS 9 for hedge accounting, but expects to keep hedging at the same level as earlier. 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.

Storebrand Bank has 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.

	2019			2018		
	Contract/ nominal value	Fair value [1]		Contract/ nominal value	Fair value [1]	
(NOK million)	0-3 years	Assets	Liabilities	0-3 years	Assets	Liabilities
Interest rate swaps	500.0	7.2		2,050.0	40.3	
Total interest rate derivatives	500.0	7.2		2,050.0	40.3	
Total derivatives	**500.0**	**7.2**		**2,050.0**	**40.3**	

	Contract/ nominal value	Hedging value [1]		Contract/ nominal value	Hedging value [1]	
(NOK million)	0-3 years	Assets	Liabilities	0-3 years	Assets	Liabilities
Total underlying items	500.0		493.1	2,050.0		2,095.5
Hedging effectiveness - prospective			98.2 %			95.3 %

Gain/loss on fair value hedging: [2]

(NOK million)	2019 Gain/loss	2018 Gain/loss
On hedging instruments	-9.0	-53.5
On items hedged	15.4	51.3

1) Book value at 31.12.

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

Note 28 - Provisions

(NOK million)	Provisions for restructuring 2019	2018
Provisions 01.01.	0.1	6.0
Provisions during the period		
Provisions used during the period	-0.1	-5.9
Total provisions 31.12.	**0.0**	**0.1**
Classified as:		
Provision for accrued expenses and liabilities		0.1
Guarantees on provisions for individual loan losses	11.8	7.9
Total provisions for accrued expenses and liabilities	**11.8**	**8.1**

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 29 - Other liabilities

(NOK million)	2019 Book value	2018 Book value
Money transfers	7.3	28.1
Accrued expenses and prepaid income	12.1	17.3
Accounts payable	3.7	11.5
Tax payable (see note 16)	60.5	37.5
Other debt	31.2	16.0
Total other liabilities	**114.8**	**110.4**

Note 30 - Off balance sheet liabilities and contingent liabilities

(NOK million)	2019	2018
Guarantees	1.5	1.4
Undrawn credit limits	3,071.6	3,361.7
Loan commitments retail market	1,466.3	1,671.8
Total contingent liabilities	**4,539.3**	**5,034.9**

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 31 - Collateral

The banking group has not received or issued any collateral except securities pledged as collateral in Norges Bank and in other credit institutions (see the tabel below).

COLLATERAL AND SECURITY PLEDGED

(NOK million)	2019	2018
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	903.6	803.7
Booked value of securities pledged as collateral in other financial institutions	151.1	50.3
Total	**1,054.8**	**854.0**

VSecurities 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 30.1 billion in the bank group, NOK 20.4 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 39.5 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 11.59 per cent at the end of 2019. 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 NOK 3.8 billion more than what the present rating requires. Storebrand Bank ASA therefore considers the security to be adequate.

Note 32 - 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)	2019	2018
Share capital	960.6	960.6
Other equity	1,438.7	1,235.4
Total equity	**2,399.2**	**2,196.0**
Additional Tier 1 capital included in total equity	-225.0	-175.0
Accrued interest on capital instruments included in total equity	-0.9	-1.0
Total equity included in Core Equity Tier 1 (CET1)	**2,173.3**	**2,020.0**
Deductions:		
AVA adjustments	-33.4	-31.1
Intangible assets	-84.2	-76.3
Provision for group contribution to Storebrand ASA	-183.5	-114.8
Addition:		
Group contribution received from Storebrand ASA	184.0	69.8
Core Equity Tier 1 (CET1)	**2,056.2**	**1,867.5**
Additional Tier 1 capital:		
Capital instruments eligible as Tier 1 capital	225.0	175.0
Addition		
Tier 1 capital	**2,281.2**	**2,042.5**
Tier 2 capital		
Subordinated loans	275.0	275.0
Tier 2 capital deductions		
Eligible capital (Tier 1 capital + Tier 2 capital)	**2,556.2**	**2,317.5**

MINIMUM CAPITAL REQUIREMENT

(NOK million)	2019	2018
Credit risk	950.6	910.9
Of which:		
Local and regional authorities	1.4	1.0
Institutions	0.7	6.8
Loans secured in residential real estate*	836.0	788.1
Retail market	52.8	52.4
Loans past-due	15.7	17.0
Covered bonds	23.4	17.9
Other	20.7	27.8
Total minimum requirement for credit risk	**950.6**	**910.9**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	77.8	70.3
CVA risk	12.7	0.8
Deductions		
Minimum requirement for net primary capital	**1,041.2**	**982.0**

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

CAPITAL ADEQUACY

	2019	2018
Capital ratio	19.6 %	18.9 %
Tier 1 capital ratio	17.5 %	16.7 %
Core equity Tier 1 (CET1) capital ratio	15.8 %	15.2 %

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 12,5 per cent and 16 per cent. The countercyclical capital buffer requirement has increased by 0.5 percentage points from 31 December 2019. As of 31 December 2019, the Pilar 2 requirement for Storebrand Bank is 1.8 per cent of the risk-weihgted volume. From 31 March 2020 Finanstilynet has stipulated the Pilar 2 requirement to be 1.3 per cent.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	2019	2018
Credit risk	11,883.0	11,386.6
Of which:		
Local and regional authorities	16.9	12.8
Institutions	9.0	84.7
Loans secured in residential real estate *	10,449.9	9,851.2
Retail market	659.4	654.9
Loans past-due	195.9	212.1
Covered bonds	292.7	223.5
Other	259.2	347.4
Total minimum requirement for credit risk	**11,883.0**	**11,386.6**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	973.0	878.6
CVA risk	158.4	9.8
Deductions		
Minimum requirement for net primary capital	**13,014.4**	**12,274.9**

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

Note 33 - Changes in the Group's composition

The subsidiary Ring Eiendomsmegling AS has been wound up in 2019. Profit and loss for the Storebrand Bank Group contains minus NOK 0.1 million in liquidation result for the company.

Note 34 - Related parties

TRANSACTIONS WITH GROUP COMPANIES

(NOK million)	2019 Other group companies [1]	2018 Other group companies [1]
Services sold	2.6	75.1
Services purchased	75.2	76.1
Due from	119.3	13.9
Liabilities to	93.6	3.6

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.Salg av utlån til Storebrand Livsforsikring AS

LOANS SOLD TO STOREBRAND LIVSFORSIKRING AS

Storebrand Bank ASA has sold mortgages to sister company Storebrand Livsforsikring AS. In 2019, there has been sold loans of total NOK 5.9 billion. The total portfolio of loans sold as of 31 December 2019 is NOK 34.6 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 70.2 million as revenue in the accounts for 2019.

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 36 and 37 for Storebrand Bank ASA.

LOANS TO EMPLOYEES

(NOK million)	2019	2018
Loans to employees of Storebrand Bank ASA	78.4	57.0
Loans to employees of Storebrand group excl. Storebrand Bank ASA	1,351.1	1,288.7

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 at subsidised interest rate,which is set at 42 bp belpw the best current market interes rate. 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

	2019	2018
Number of employees at 31 December	106	105
Number of employees expressed as full-time equivalent positions	105	104

Storebrand Bank ASA
Resultatregnskap
1 January - 31 December

(NOK million)	NOTE	2019	2018
Interest income on financial instruments at amortised cost		100.1	103.4
Interest income on financial instruments at fair value		362.9	285.4
Interest expense		-192.1	-164.6
Net interest income	10	**270.9**	**224.2**
Fee and commission income from banking services		197.5	189.9
Fee and commission expense for banking services		-16.6	-11.2
Net fee and commission income	11	**180.9**	**178.7**
Net gains on financial instruments valued at amortised cost	10	-3.4	-1.4
Net gains on financial instruments	10	39.9	15.0
Other income	12	79.5	64.4
Total other operating income		**116.0**	**78.0**
Staff expenses	14, 15	-87.3	-94.0
General administration expenses	14	-66.4	-60.2
Other operating costs	13, 14, 27	-115.5	-106.2
Total operating costs		**-269.1**	**-260.5**
Operating profit before loan losses		**298.7**	**220.4**
Losses on loans, guarantees and unused credits	16	-18.0	-28.2
Profit before tax		**280.7**	**192.2**
Tax	17	-67.9	-49.3
Profit for the year		**212.8**	**142.9**
Profit for the year is attributable to:			
Portion attributable to shareholders		201.3	133.6
Portion attributable to additional Tier 1 capital holders		11.6	9.3
Profit for the year		**212.8**	**142.9**
Transfers and allocations:			
Transferred to/from other equity		-29.4	-27.4
Provision for group contribution		-183.5	-115.5
Total transfers and allocations		**-212.8**	**-142.9**

Statement of comprehensive income

(NOK million)	NOTE	2019	2018
Profit for the year		212.8	142.9
Other result elements not to be classified to profit/loss			
Pension experience adjustments	15	-1.9	-0.2
Tax on pension experience adjustments	17	0.5	0.1
Total other result elements not to be classified to profit/loss		**-1.4**	**-0.2**
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)		3.5	19.6
Tax on changes in fair value	17	-0.9	
Total other result elements that may be classified to profit/loss		**2.6**	**19.6**
Total comprehensive income		**214.1**	**162.3**
Total comprehensive income for the period is attributable to:			
Portion attributable to shareholders		202.5	153.0
Portion attributable to additional Tier 1 capital holders		11.6	9.3
Total comprehensive income		**214.1**	**162.3**

Storebrand Bank ASA
Statement of financial position
31 December

ASSETS

(NOK million)	Note	2019	2018
Cash and deposits with central banks	4, 18	280.2	376.0
Loans to and deposits with credit institutions	4, 8, 18	4,501.5	3,071.8
Net loans to customers	4, 8, 18, 25, 26	9,794.2	9,975.0
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8, 18	46.1	41.7
Bonds and other fixed-income securities	4, 8, 18, 20, 22	3,188.0	4,167.1
Derivatives	4, 5, 8, 18, 23, 30	57.8	55.6
Bonds at amortised cost	4, 18, 21	1,094.4	694.0
Tangible assets			
Intangible assets and goodwill	27	84.2	76.3
Deferred tax assets	17		4.5
Other current assets	5, 18, 28	1,745.9	1,571.1
Total assets		**20,792.3**	**20,033.0**

Storebrand Bank ASA
Liabilities and equity
31 December

LIABILITIES AND EQUITY

(NOK million)	Note	2019	2018
Liabilities to credit institutions	5, 8, 18, 22	445.7	2.4
Deposits from and due to customers	5, 18, 29	14,404.3	14,421.1
Other financial liabilities:			
Derivatives	4, 5, 8, 18, 23, 30	62.5	72.0
Commercial paper and bonds issued	5, 18, 30	2,887.1	2,887.4
Other liabilities	5, 18, 32	367.1	283.9
Provisions for accrued expenses and liabilities	26, 31	11.8	8.1
Deferred tax liabilities	17	0.4	
Pension liabilities	15	5.6	6.0
Subordinated loan capital	5, 8, 18	276.0	276.3
Total liabilities		**18,460.6**	**17,957.3**
Paid-in capital		2,016.2	1,832.2
Retained earnings		89.5	67.6
Additional Tier 1 capital		225.9	176.0
Total equity	35	**2,331.7**	**2,075.8**
Total liabilities and equity		**20,792.3**	**20,033.0**

Lysaker, 11. February 2020
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Heidi Skaaret
Chairman of the Board

Karin Greve-Isdah Flaa
Board Member

Leif Helmich Pedersen
Board Member

Jan Birger Penne
Board Member

Maria Skotnes
Board Member

Camilla Leikvoll
CEO

Storebrand Bank ASA
Statement of changes in equity

(NOK million)	Paid-in equity: Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity: Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
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**	**0.0**	**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				69.8
Provision for group contribution					-115.5	-115.5		-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**
Profit for the period					201.3	201.3	11.6	212.8
Pension experience adjustments (see note 15)					-1.4	-1.4		-1.4
Total other result elements not to be classified to profit/loss					**-1.4**	**-1.4**	**0.0**	**-1.4**
Unrealised gain/loss financial instruments available for sale					2.6	2.6		2.6
Total other result elements that may be classified to profit/loss					**2.6**	**2.6**		**2.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**202.5**	**202.5**	**11.6**	**214.1**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.9	2.9	50.0	52.9
Payment to additional Tier 1 holders							-11.6	-11.6
Group contribution received			184.0	184.0				184.0
Provision for group contribution					-183.5	-183.5	0.0	-183.5
Equity at 31.12.2019	**960.6**	**156.0**	**899.6**	**2,016.2**	**89.5**	**89.5**	**225.9**	**2,331.7**

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 35.

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

(NOK million)	Note	2019	2018
Cash flow from operations			
Receipts of interest, commissions and fees from customers		558.0	510.9
Payments of interest, commissions and fees to customers		-115.2	-95.5
Net disbursement/payments on customer loans		187.9	2,749.9
Net receipts/payments of deposits from banking customers		-16.8	-208.8
Net receipts/payments - securities		696.3	-965.0
Payments of operating costs		-254.9	-301.7
Net cash flow from operating activities		**1,055.3**	**1,689.9**
Cash flow from investment activities			
Net receipts on sale of subsidiaries and associated companies	19	1.9	
Net payments on purchase/capitalisation of subsidiaries	19		-315.0
Net payments on purchase/sale of fixed assets etc.	27	-29.4	-19.8
Net cash flow from investment activities		**-27.5**	**-334.8**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-1,499.9	-621.0
Receipts - new loans and issuing of bond debt		1,500.0	400.0
Payments - interest on loans		-96.6	-81.5
Receipts - subordinated loan capital		125.0	
Payments - repayments of subordinated loan capital		-125.0	
Payments - interest on subordinated loan capital		-10.1	-7.3
Receipts - Tier 1 capital		125.0	100.0
Payments - repayments of Tier 1 capital		-75.0	-150.0
Payments - interest on additional Tier 1 capital		-11.6	-9.2
Net receipts/payments of liabilities to credit institutions		443.2	-152.6
Receipts - group contribution		134.1	81.9
Payments - group contribution / dividends		-202.9	-297.8
Net cash flow from financing activities		**306.1**	**-737.6**
Net cash flow in the period		**1,333.9**	**617.5**
Cash and bank deposits at the start of the period		3,447.7	2,830.2
Cash and bank deposits at the end of the period		**4,781.6**	**3,447.7**
Cash and deposits with central banks		280.2	376.0
Loans to and deposits with credit institutions		4,501.5	3,071.8
Total cash and bank deposits in the balance sheet		**4,781.6**	**3,447.7**

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 33 for information regarding undrawn credit limits.

Notes
Storebrand Bank ASA

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank AS is a Norwegian public limited company with bonds listed on the Oslo Stock Exchange. The company's 2019 financial statements were approved by the Board of Directors on 11 February 2020.

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian retail 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 services are also integrated with the Group's loyalty programme. 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 company's 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 EU-approved 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 assets side of the company's statement of financial position primarily consists of financial instruments. Loans with variable interest are measured at fair value with the change in value through other income and costs (OCI), while loans with fixed interest are measured at fair value though profit or loss. Shares and derivatives are measured at fair value through profit or loss. Other financial instruments are measured at amortised cost. Intangible assets are also included on the balance sheet. Intangible assets are measured at cost minus any depreciation and are tested for impairment at least once a year. The liabilities side primarily consists of financial instruments (liabilities).

IFRS 9 Financial Instruments replaced the previous IAS 39, effective from 1 January 2018. Changes in classification and measurement of financial instruments are discussed in the 2018 annual report for Storebrand Bank ASA. The effects of the new principles on the opening balance for 2018 were recognised in equity.

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

No new accounting standards were implemented in 2019 that have had a significant impact on the company or consolidated financial statements for Storebrand Bank ASA. For changes to estimates, see the detailed overview on this in Note 2.

New standards and changes in standards that have come into effect

IFRS 16
IFRS 16 Leases replaces the current IAS 17 and comes into effect 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 have no effect on equity. The Storebrand Bank Group had no leases pertaining to IFRS 16 as of 1 January 2019

No leases that come under IFRS 16 were identified for the Storebrand Bank ASA when the 2019 financial statements were prepared.

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

No new standards or changes to standards had not come into effect when the 2019 financial statements were prepared.

5. CONSOLIDATION

The consolidated financial statements include Storebrand Bank ASA and companies in which Storebrand ASA has a controlling interest. A controlling interest 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 is a directly owned subsidiary of Storebrand Bank ASA.

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, with 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 the 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 linked 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. INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are measured at the acquisition cost less accumulated depreciation and any write-downs. The depreciation period and method are assessed at each closing of accounts. If new intangible assets are carried it must be possible to prove that it is likely that future financial benefits that can be attributed to the asset will pass to the group. In addition, it must be possible to estimate the cost price of the asset in a reliable manner. The write-down needs will be assessed if there are indications of an impairment in value, and the write-down of intangible assets and reversal of write-downs 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 recognised on the trading day, i.e. the date on which the Storebrand Bank ASA becomes party to the instruments' contractual terms. Ordinary purchases and sales of financial assets are booked on the transaction date and financial liabilities are booked on the settlement date. When a financial asset or a financial liability is initially recognised, it is measured at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the rights to the cash flows from the asset are transferred such that essentially all the risks and returns relating to ownership of the asset are transferred.

Financial liabilities are derecognised when the contractual terms have been fulfilled, cancelled or expire.

MODIFIED ASSETS AND LIABILITIES

If the 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 previous 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 approval 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 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, direct and marginal 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.

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

FINANCIAL ASSETS CLASSIFIED AND MEASURED AT AMORTISED COST

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

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

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

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

A significant share of the Storebrand Bank ASAs financial instruments are classified under the category of fair value through other comprehensive income (OCI). A financial asset is classified and measured at fair value through other comprehensive income if the following condition is met:

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

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

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

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

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

9-3. IMPAIRMENT - GENERAL METHOD

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

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

Forecasts affect the PD and LGD estimates in particular.

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

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

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

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

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

DEFINITION OF DEFAULT

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

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

Storebrand Bank assesses default at the account/facility level for retail customers.

For corporate customers, default is assessed at the customer level. In the corporate market, the entire customer relationship is regarded as being in default if one facility or account is in default. The definition of default is in accordance with internal credit risk assessments, credit risk models and reporting. The credit risk models have been developed at the facility/account level in the retail market.

DEFINITION OF CREDIT LOSS

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

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

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

An individual assessment with subsequent booking of individual impairments is carried out for commitments with objective evidence of loss and that the 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 probable, or forbearance caused by financial problems. The calculation of cash flow and the impairments are assessed based on the expected values.

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

CALCULATING EXPECTED CREDIT LOSSES

The classification and changing of stages are described below.

Stage 1

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

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

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

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

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

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

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

EXPECTED MATURITY
Expected maturity is estimated for various financial instruments. Expected maturity is significant because for commitments with a substantial increase in credit risk, including defaulted financial commitments, i.e. commitments in stage 2 and stage 3, expected credit loss shall be calculated over the expected maturity of the commitments. The overall probability of default increases over the time horizon being measured, and the expected credit loss over the expected maturity of the commitment is therefore higher than the expected credit loss over one year, provided that the loan's remaining expected maturity is more than 12 months.

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

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

CATEGORISATION INTO PORTFOLIOS
The retail market portfolio is divided into:

i) Housing loans and housing credit
ii) Credit cards
iii) Other credits

The corporate portfolio is not further categorised, and the assessment is done manually (regardless of stage).

9-4. BONDS AT AMORTISED COST

Bonds measured at amortised cost are recognised at amortised cost using the effective interest method. See above under Financial Instruments and Amortised Cost for how the effective interest is calculated.

9-5. DERIVATIVES

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

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

9-6. HEDGE ACCOUNTING

FAIR VALUE HEDGING

Storebrand Bank ASA uses fair value hedging. 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 adjust the carrying amount of the hedged item and are recognised through profit or loss.

9-7. FINANCIAL LIABILITIES

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

10. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Bank ASA has a defined-contribution pension. 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 calculated return on pension plan assets.

Actuarial gains and losses and the effects of changes in assumptions are recognised in total comprehensive income in the income statement for the period in which they occur. 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 paying an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and annual return on the pension savings. The Group 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 expensed directly in the financial statements.

11. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The company's tangible fixed 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 write-downs.

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

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

13. PROVISION FOR GROUP CONTRIBUTION

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.

14. STATEMENT OF CASH FLOWS

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

Note 2 - Key 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.

Storebrand Bank ASAs critical estimates and judgments that could result in material adjustment of recognised amounts are discussed below.
mest vesentlige estimater og vurderinger som kan gi vesentlig justering av innregnede verdier, er omtalt nedenfor:

LOAN WRITE-DOWNS

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

Forecasts affect the PD and LGD estimates in particular.

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

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

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments that are 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 valuation method in the test 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 valued annually to ensure that the method and time period used correspond with economic realities.

CONTINGENT LIABILITIES

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 CEO. 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 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'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'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.

The credit manuals and adopted routines provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio. Credit is granted in accordance with an authorisation structure determined by the board.

Treasury has the credit risk for its counterparties in the liquidity portfolio. Permitted counterparties and the composition of the portfolio are set out in the bank's counterparty risk policy.

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	2019 Maximum credit exposure	2018 Maximum credit exposure
Loans to and deposits with credit institutions and the central bank	280.2		280.2	376.0
Loans to customers at amortised cost	306.3		306.3	338.7
Bonds and commercial papers at amortised cost	1,094.4		1,094.4	694.0
Total financial instruments at amortised cost	**1,680.8**	**0.0**	**1,680.8**	**1,408.7**
Equities	46.1		46.1	41.7
Loans to customers at fair value through profit and loss	389.2		389.2	220.2
Bonds and commercial papers at fair value through profit and loss	3,188.0		3,188.0	4,167.1
Interest swaps	57.8		57.8	55.6
Total financial instruments at fair value through profit and loss	**3,681.1**	**0.0**	**3,681.1**	**4,484.6**
Loans to customers at fair value through other comprehensive income (OCI)	9,137.6		9,137.6	9,461.4
Total financial instruments at fair value through other comprehensive income (OCI)	**9,137.6**	**0.0**	**9,137.6**	**9,461.4**
Gross exposure with credit risk	**14,499.5**	**0.0**	**14,499.5**	**15,354.8**
Loan loss provisions	-45.5	-7.9	-53.4	-53.4
Net exposure with credit risk	**14,454.0**	**-7.9**	**14,446.1**	**15,301.4**
Other current assets without credit risk	6,338.2			
Total assets	**20,792.3**			

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 2019 Fair value	Total 2018 Fair value
Sovereign and Government Guaranteed bonds	296.3	543.7				840.0	720.6
Mortgage and asset backed bonds	2,348.0					2,348.0	3,446.5
Total	**2,644.4**	**543.7**				**3,188.0**	**4,167.1**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	7.2	-0.5				6.7	11.2
Change in value recognised in the profit and loss during period	-3.1	-1.4				-4.5	-5.4

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 2019 Fair value	Total 2018 Fair value
Public issuers and Government Guaranteed Bonds	289.3	304.8				594.0	394.6
Mortgage and asset backed bonds	504.0					504.0	300.7
Total	**793.3**	**304.8**	**0.0**	**0.0**	**0.0**	**1,098.0**	**695.3**

Rating classes are based on Standard & Poors.

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

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2019 Fair value	Total 2018 Fair value
Norway	280.2					280.2	376.0
Total deposits with central bank	**280.2**	**0.0**	**0.0**	**0.0**	**0.0**	**280.2**	**376.0**
Norway		15.4		4,467.4		4,482.8	3,020.0
Denmark			18.6			18.6	51.8
Total loans to and deposits with credit institutions	**0.0**	**15.4**	**18.6**	**4,467.4**	**0.0**	**4,501.5**	**3,071.8**
Total loans to and deposits with credit institutions and central bank	**280.2**	**15.4**	**18.6**	**4,467.4**	**0.0**	**4,781.6**	**3,447.7**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the Corporate market is just above NOK 23 million. In addition, there are guarantees of approximately NOK 1,2 million.

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 2019, the corporate market lending portfolio consisted of two loans. Both loans have indentified impairment where the total impairment are assessed to be NOK 11 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 properties.

Storebrand Bank ASA 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 2019, about 51 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 ASA 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 9.5 billion has been lent in home loans, with a further NOK 0.6 billion in undrawn credit facilities. Total commitments in residential property are therefore about NOK 10.1 billion.
The weighted average loan-to-value ratio is just uder 64 per cent for home mortgage loans. Approximately 79 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 38 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 58 per cent. Home loans/residential mortgage products that are part of the volume of non-performing loans total NOK 21 million. Approximately NOK 20 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 230 million has been drawn, and approximately NOK 965 million is available as unused credit facilities. For credit accounts and consumer loans, about NOK 64 million has been drawn, and approximately NOK 240 million is available as unused credit facilities.

COMMITMENTS PER CUSTOMER GROUP

		2019				
(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair valute through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Development of building projects						
Sale and operation of real estate		20.9		1.2		22.1
Service providers	0.1	0.4			0.3	0.8
Wage-earners	301.2	9,075.7	375.3		1,828.6	11,580.8
Other	4.9	40.6	13.9	0.3	13.4	73.1
Total	306.3	9,137.6	389.2	1.5	1,842.3	11,676.8
Provision for expected loss Stage 1	-1.7	-0.7			-4.1	-6.5
Provision for expected loss Stage 2	-3.0	-0.8			-7.7	-11.5
Provision for expected loss Stage 3	-13.4	-19.2				-32.6
Total loans to and due from customers	**288.2**	**9,116.9**	**389.2**	**1.5**	**1,830.5**	**11,626.2**

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair valute through profit and loss	Guarantees	Undrawn credit limits	Total commitments
	2018					
Development of building projects						
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**

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

(NOK million)	Average volume loans to and deposits from customers *)	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
		2019		
Development of building projects				
Sale and operation of real estate	19.7	1.2		20.9
Service providers	4.5		0.3	4.8
Wage-earners	9,842.6		1,886.1	11,728.7
Other	59.9		15.0	75.2
Total	**9,926.7**	**1.4**	**1,901.4**	**11,829.6**

*) Based on total loans per 31 December 2019.

(NOK million)	Average volume loans to and deposits from customers *)	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
		2018		
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.

COMMITMENTS PER GEOGRAPHICAL AREA

2019

(NOK million)	Loans to custo-mers at amortised cost	Loans to custo-mers at fair value through other compre-hensive income (OCI)	Loans to customers at fair valute through profit and loss	Guaran-tees	Undrawn credit limits	Total commit-ments	Non-performing 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	Model based provisions for loan losses*)	Net de-faulted and loss-exposed loans
Eastern Norway	218.7	7,086.9	262.2	1.5	1,386.3	8,955.6	23.8	37.3	61.1	16.6	8.6	35.9
Western Norway	48.8	1,190.3	62.6		271.5	1,573.3	9.7	7.8	17.5	2.3	2.7	12.4
Southern Norway	7.4	145.6	14.8		32.4	200.3	1.0		1.0		0.6	0.4
Mid-Nor-way	9.6	298.9	10.9		49.4	368.8	5.4		5.4		0.6	4.8
Northern Norway	11.3	247.0	14.9		41.1	314.3	0.8	0.2	1.0	0.2	0.6	0.2
Rest of world	10.5	168.8	23.8		61.5	264.6	2.2	1.4	3.6		0.4	3.2
Total	**306.3**	**9,137.6**	**389.2**	**1.5**	**1,842.3**	**11,676.8**	**42.8**	**46.8**	**89.5**	**19.1**	**13.4**	**57.0**

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

2018

(NOK million)	Loans to custo-mers at amortised cost	Loans to custo-mers at fair value through other compre-hensive income (OCI)	Loans to customers at fair valute through profit and loss	Guaran-tees	Undrawn credit limits	Total commit-ments	Non-performing 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	Model based provisions for loan losses*)	Net de-faulted 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-Nor-way	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		0.3		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.

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2019

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair valute through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	3.5	11.9			1.4	16.8
From 1 month up to 3 months	1.1	107.2			17.8	126.2
From 3 months up to 1 year	9.5	216.6		1.2	57.9	285.2
From 1 year to 5 years	9.3	703.0	8.6		155.0	876.0
More than 5 years	282.8	8,098.9	380.6	0.3	1,610.2	10,372.7
Total	**306.3**	**9,137.6**	**389.2**	**1.5**	**1,842.3**	**11,676.8**

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 valute through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	9.2	11.1			0.5	20.8
From 1 month up to 3 months	0.7	110.0			5.4	116.1
From 3 months up to 1 year	15.4	246.7		1.2	45.5	308.7
From 1 year to 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**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

2019

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair valute through profit and loss	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	4.4	84.7	1.0		0.2	90.3
Overdue 31 - 60 days	3.6	22.8			0.2	26.6
Overdue 61- 90 days	1.8	15.4			0.1	17.2
Overdue more than 90 days	21.8	20.9				42.8
Total	**31.7**	**143.8**	**1.0**	**0.0**	**0.4**	**177.0**
Engagements overdue more than 90 days by geographical area:						
Eastern Norway	14.1	9.7				23.8
Western Norway	4.6	5.1				9.7
Southern Norway	1.0					1.0
Mid-Norway	0.9	4.5				5.4
Northern Norway	0.8	0.0				0.8
Rest of world	0.5	1.7				2.2
Total	**21.8**	**20.9**	**0.0**	**0.0**	**0.0**	**42.8**

(NOK million)	Loans to customers at amortised cost	Loans to customers at fair value through other comprehensive income (OCI)	Loans to customers at fair valute through profit and loss	Guarantees	Undrawn credit limits	Total commitments
		2018				
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**

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
				2019			
Development of building projects							
Sale and operation of real estate	20.9		20.9	8.8	12.1		-0.3
Service providers							
Wage-earners	25.9	40.9	66.7	22.3	44.4		-7.1
Other		1.9	1.9	1.4	0.5		0.1
Total	**46.8**	**42.8**	**89.5**	**32.6**	**57.0**	**0.0**	**-7.3**

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

	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							
Sale and operation of real estate	18.5		18.5	9.1	9.3		-10.5
Service providers							-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.

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 2019.

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

	Lending to customers		Liquidity portfolio	
(NOK million)	2019	2018	2019	2018
Book value maximum exposure for credit risk	389.2	220.2	3,188.0	4,167.1
Book value of related credit derivatives that reduce credit risk				
Collateral				
Net credit risk	**389.2**	**220.2**	**3,188.0**	**4,167.1**
This year's change in fair value of financial assets due to change in credit risk	6.9	2.9	7.0	3.6
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

(NOK million)	2019 AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2019 Fair value
Norway		4.7		53.0		57.8
Total	**0.0**	**4.7**	**0.0**	**53.0**	**0.0**	**57.8**
Change in value:						
Total change in value on the balance sheet		4.7		53.0		57.8
Change in value recognised in the profit and loss during period		-0.5	0.7	-2.3		-2.2

Rating classes are based on Standard & Poors.

(NOK million)	2018 AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2019 Fair value
Norway		4.2	0.7	50.7		55.6
Total	**0.0**	**4.2**	**0.7**	**50.7**	**0.0**	**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

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 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'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	7 months - 12 months	2 - 3 years	4 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	445.7					445.7	445.7
Deposits from and due to customers	14,399.2	5.1				14,404.3	14,404.3
Commercial papers and bonds issued	920.1	22.4	2,473.0			3,415.4	2,887.1
Other liabilities	367.1					367.1	367.1
Subordinated loan capital	5.1	5.1	166.0	9.4	126.2	311.8	276.0
Undrawn credit limits	1,842.3					1,842.3	
Loan commitments	1,466.3					1,466.3	
Total financial liabilities 2019	**19,445.8**	**32.6**	**2,639.0**	**9.4**	**126.2**	**22,253.0**	**18,380.2**
Derivatives related to funding 31.12.2019	**-2.3**	**7.8**	**-2.2**	**0.0**	**0.0**	**3.3**	**-4.7**
Total financial liabilities 2018	18,266.9	957.2	1,951.8	151.4	0.0	21,327.2	17,871.2

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 2019 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 NUMMER	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Tidsbegrenset ansvarlig lån						
NO0010786510	Storebrand Bank ASA	150.0	NOK	Floating	22.02.2022	150.6
NO0010843519	Storebrand Bank ASA	125.0	NOK	Floating	27.02.2025	125.4
Total subordinated loan capital 2019						**276.0**
Total subordinated loan capital 2018						276.3

SPECIFICATION OF LIABILITIES TO CREDIT INSTITUTIONS

(NOK million)	2019	2018
Total liabilities to credit institutions without fixed maturity at amortised cost	**42.9**	**2.4**
Repurchase agreements, maturity 2020	402.8	
Total liabilities to credit institutions with fixed maturity amortised cost	**402.8**	**0.0**
Total liabilities to credit institutions	**445.7**	**2.4**

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

(NOK million) ISIN CODE	Issuer	Net nominal value	Currency	Interest	Maturity	Book value
Bond loans						
NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	500.1
NO0010729387	Storebrand Bank ASA	79.0	NOK	Floating	14.01.2020	79.4
NO0010794217	Storebrand Bank ASA	400.0	NOK	Floating	29.05.2020	400.8
NO0010831571	Storebrand Bank ASA	400.0	NOK	Floating	06.09.2021	400.3
NO0010841562	Storebrand Bank ASA	550.0	NOK	Floating	18.01.2022	553.7
NO0010860398	Storebrand Bank ASA	550.0	NOK	Floating	15.08.2022	551.6
NO0010868185	Storebrand Bank ASA	400.0	NOK	Floating	11.11.2022	401.1
Total commercial papers and bonds issued 2019						**2,887.1**
Total commercial papers and bonds issued 2018						2,887.4

FINANCING ACTIVITIES - CHANGES DURING THE YEAR

2019

(NOK million)	Subordinated loans	Liabilities to credit institutions	Commercial papers and bonds issued
Book value 01.01.2019	276.3	2.4	2,887.4
New loans / bond debt issued	125.0	445.7	1,500.0
Repayment of loans/liabilities	-125.0	-2.4	-1,500.0
Changes in accrued interest	-0.2	0.0	-0.3
Book value 31.12.2019	**276.0**	**445.7**	**2,887.1**

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	0.0	-719.2
Book value 31.12.2018	**276.3**	**2.4**	**2,887.4**

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. The banks'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 is willing to accept. The bank'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 2019:

Effect on accounting income (NOK million)	2019	2018
Interest rate -1,0%	-8.7	0.9
Interest rate +1,0%	8.7	-0.9

Effect on accounting result/equity [1] (NOK million)	2019	2018
Interest rate -1,0%	-8.7	0.9
Interest rate +1,0%	8.7	-0.9

1) Before tax

Financial interest rate risk (NOK million)	2019	2018
Interest rate -1,0%	1.7	-5.6
Interest rate +1,0%	-1.7	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 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. The bank has prepared contingency plans which are updated regularly. 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 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 ASA 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 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 ASA 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, variable home 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 bonds.

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	"Fair value 31.12.2019"	Book value 31.12.2019	"Fair value 31.12.2018"	Book value 31.12.2018
Financial assets							
Loans to and deposits with credit institutions		4,501.5		4,501.5	4,501.5	3,071.8	3,071.8
Loans to customers - corporate market							
Loans to customers - retail market		288.2		288.2	288.2	315.8	315.8
Bonds classified as Loans and receivables		1,098.0		1,098.0	1,094.4	695.3	694.0
Total financial assets 31.12.2019	**0.0**	**5,887.7**	**0.0**	**5,887.7**	**5,884.0**		
Total financial assets 31.12.2018		4,082.9				4,082.9	4,081.6
Financial liabilities							
Deposits from and due to credit institutions		445.7		445.7	445.7	2.4	2.4
Deposits from and due to customers		14,404.3		14,404.3	14,404.3	14,421.1	14,421.1
Commercial papers and bonds issued		2,896.8		2,896.8	2,887.1	2,902.9	2,887.4
Subordinated loan capital		280.9		280.9	276.0	277.4	276.3
Total financial liabilities 31.12.2019	**0.0**	**18,027.7**	**0.0**	**18,027.7**	**18,013.1**		
Total financial liabilities 31.12.2018		17,603.8				17,603.8	17,587.2

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 31.12.2019	Book value 31.12.2018
ASSETS:					
Equities		26.7	19.4	46.1	41.7
Total equities 31.12.2019	**0.0**	**26.7**	**19.4**	**46.1**	
Total equities 31.12.2018		26.4	15.3		41.7
Loans to customers - corporate market					
Loans to customers - retail market			389.2	389.2	220.2
Total loans to customers 31.12.2019	**0.0**	**0.0**	**389.2**	**389.2**	
Total loans to customers 31.12.2018			220.2		220.2
Government and government guaranteed bonds		840.0		840.0	720.6
Mortgage and asset backed bonds		2,348.0		2,348.0	3,446.5
Total bonds 31.12.2019	**0.0**	**3,188.0**	**0.0**	**3,188.0**	
Total bonds 31.12.2018		4,167.1			**4,167.1**
Interest derivatives		-4.7		-4.7	-16.4
Total derivatives 31.12.2019	**0.0**	**-4.7**	**0.0**	**-4.7**	
Derivatives with a positive fair value		57.8		57.8	55.6
Derivatives with a negative fair value		-62.5		-62.5	-72.0
Total derivatives 31.12.2018		-16.4			

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 31.12.2019	Book value 31.12.2018
Loans to customers - corporate market			12.1	12.1	17.3
Loans to customers - retail market			9,104.9	9,104.9	9,421.6
Total loans to customers	**0.0**	**0.0**	**9,116.9**	**9,116.9**	**9,438.9**

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 01.01.2019	15.3	220.2	9,438.9
Net gains/losses on financial instruments	4.1	2.7	1.8
Supply / disposal		250.4	5,924.4
Sales / due settlements		-84.2	-6,248.2
Transferred from observable assumptions to non-observable assumptions			
Book value 31.12.2019	**19.4**	**389.2**	**9,116.9**

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 tax-free 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/reduction in fair value	+ 10 bp	- 10 bp	+ 25 bp	- 25 bp	+ 25 bp	- 25 bp
Increase/reduction in fair value at 31.12.2019 (MNOK)	**-1.0**	**1.0**	**-2.6**	**2.6**	**6.4**	**-6.9**
Increase/reduction in fair value at 31.12.2018 (MNOK)	-1.1	1.1	-2.7	2.7	0.3	-0.3

Note 9 - Segment

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

Note 10 - Net income from financial instruments

NOK million	2019	2018
Net interest income		
Interest on financial assets valued at amortised cost		
Interest on loans to credit institutions	41.6	54.5
Interest on loans to customer	41.6	42.8
Interest on commercial papers, bonds and other interest-bearing securities	16.9	6.0
Other interest income		
Total interest on financial assets valued at amortised cost	**100.1**	**103.4**
Interest on financial assets valued at fair value through other comprehensive income (OCI)		
Interest on loans to customer	266.9	215.4
Total interest on financial assets valued at fair value through other comprehensive income (OCI)	**266.9**	**215.4**
Interest on financial assets valued at fair value through profit and loss		
Interest on commercial papers, bonds and other interest-bearing securities	84.1	57.3
Interest on loans to customer	11.7	11.1
Other interest income	0.2	1.6
Total interest on financial assets valued at fair value through profit and loss	**96.0**	**70.0**
Total interest income	**463.0**	**388.8**
Interest on financial liabilities valued at amortised cost		
Interest on debt to credit institutions	-2.5	-0.9
Interest on deposits from customers	-98.6	-84.1
Interest on securities issued	-65.7	-60.5
Interest on subordinated loan capital	-9.9	-7.5
Other interest expenses	-15.4	-11.6
Total interest on financial liabilities valued at amortised cost	**-192.1**	**-164.6**
Total interest expenses	**-192.1**	**-164.6**
Net interest income	**270.9**	**224.2**

NOK million	2019	2018
Net income and gains from financial assets and liabilities at fair value:		
Equity instruments at fair value through profit and loss		
Dividends received from equity investments	2.1	
Net gains/losses on realisation of equity investments		
Net change in fair value of equity investments	4.1	2.3
Total gain/loss on equity instruments at fair value through profit and loss	**6.2**	**2.4**
Commercial papers and bonds at fair value through profit and loss		
Realised gain/loss on commercial papers and bonds	16.9	7.2
Unrealised gain/loss on commercial papers and bonds	-4.5	-5.4
Total gain/loss on commercial papers and bonds at fair value through profit and loss	**12.4**	**1.8**
Loans to customers at fair value through profit and loss		
Net gain/loss on loans to customers at fair value through profit and loss	1.6	-7.4
Reclassified realised gain/loss on loans to custormers at fair value through other comprehensive income (OCI)		
Total gain/loss on loans to customers at fair value through profit and loss	**1.6**	**-7.4**
Financial derivatives and foreign exchange at fair value through profit and loss		
Realised gain/loss on financial derivatives	3.9	-14.0
Unrealised gain/loss on financial derivatives	15.4	31.7
Total financial derivatives and foreign exchange at fair value through profit and loss	**19.3**	**17.7**
Net income and gains from financial assets and liabilities at fair value through profit and loss	**39.4**	**14.6**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued		
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		
Total gain/loss on commercial papers and bonds at amortised cost	**0.0**	**0.0**
Bonds issued at amortised cost		
Realised gain/loss on bonds issued	-3.4	-1.4
Total gain/loss on bonds issued at amortised cost	**-3.4**	**-1.4**
Net income and gains from financial assets and liabilities at amortised cost	**-3.4**	**-1.4**
Net income and gains from financial assets and liabilities	**36.5**	**13.6**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition		
Financial assets classified as held for trading	20.2	-3.2
Changes in fair value of assets due to changes in credit risk	19.3	17.7
	13.9	6.5
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		

The note includes gain and loss on investments in bonds and commercial papers, all of the financial derivatives, lending 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)	2019	2018
Fees related to banking operations	52.8	50.4
Fees from and management of loans	144.8	139.5
Total fees and commissions receivable *)	**197.5**	**189.9**
Fees and commissions payable relating to banking operations	-14.4	-8.7
Other fees and commissions payable	-2.2	-2.5
Total fees and commissions payable **)	**-16.6**	**-11.2**
Net commission income	**180.9**	**178.7**
*) 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	52.8	50.4
**) 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	-16.6	-11.2

Note 12 - Other income

(NOK million)	2019	2018
Receipts of group contribution from subsidiaries	80.3	64.4
Net loss from liquidation of subsidiaries	-0.7	0.0
Total other income	**79.5**	**64.4**

Note 13 - Remuneration paid to auditor

REMUNERATION EXCLUDING VALUE ADDED TAX:

(NOK 1000)	2019	2018
Statutory audit	-604	-326
Other reporting duties	-93	-15
Total	**-697**	**-341**

Storebrand group changed external auditors in 2018.

Remuneration paid to auditors in 2018 include expenses to both PWC and Deloitte.

Note 14 - Operating expenses

(NOK million)	2019	2018
Ordinary wages and salaries	-62.6	-64.8
Employer's social security contributions	-11.9	-14.8
Pension cost (see note 15)	-10.1	-6.9
Other staff expenses	-2.8	-7.6
Total staff expenses	**-87.3**	**-94.0**
IT costs	-65.6	-59.3
Office operation and other general administration expenses	-0.7	-1.0
Total general administration expenses	**-66.4**	**-60.2**
Depreciation and write-downs on fixed assets and intangible assets (see note 27)	-21.5	-15.0
Operating expenses on rented premises	-9.4	-10.2
Foreign services (see note 13)	-3.7	-3.4
Inter-company charges for services [1]	-71.1	-69.4
Other operating expenses	-8.9	-9.1
Total other operating expenses	-115.5	-106.2
Total operating expenses	**-269.1**	**-260.5**
Sum driftskostnader	**-269,1**	**-260,5**

1) Services purchased from the group contain expenses 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

StStorebrand 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 99,858 at 31 December 2019)
- 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)	2019	2018
Present value of insured pension liabilities	14.2	13.1
Fair value of pension assets	-13.2	-13.3
Net pension liabilities/assets insured scheme	0.9	-0.3
Present value of unsecured liabilities	4.7	6.3
Net pension liabilities recognised in statement of financial position	**5.6**	**6.0**

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

BOOKED IN STATEMENT OF FINANCIAL POSITION:

(NOK million)	2019	2018
Pension liabilities	5.6	6.0

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD:

(NOK million)	2019	2018
Net pension liabilities 01.01	19.3	26.3
Pensions earned in the period	0.3	0.4
Pension cost recognised in period	0.5	0.7
Estimate deviations	0.6	-2.2
Gain/loss on insurance reductions		-2.9
Pensions paid	-1.8	-2.8
Employer's NI contribution reversed	-0.2	-0.1
Net pension liabilities 31.12	**18.9**	**19.3**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS:

(NOK million)	2019	2018
Pension assets at fair value 01.01	13.3	14.7
Expected return	0.4	0.3
Estimate deviation	-1.2	-2.4
Premiums paid	0.9	0.8
Employer's NI contribution pension assets	-0.2	-0.1
Net pension assets 31.12	**13.2**	**13.3**
Expected premium payments (pension assets) in 2020:	0.3	
Expected premium payments (contributions) in 2020:	6.6	
Expected AFP early retirement scheme payments in 2020:	1.2	
Expected payments from operations (uninsured scheme) in 2020:	2.1	

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

	2019	2018
Real estate	13 %	14 %
Bonds at amortised cost	36 %	36 %
Loans	13 %	14 %
Equities and units	15 %	12 %
Bonds	20 %	24 %
Other short-term financial assets	1 %	1 %
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.	3.6 %	2.2 %
Realised return on assets		

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

(NOK million)	2019	2018
Current service cost incl provsion for employer's NI contribution	0.3	0.4
Net interest cost/expected return	0.2	0.3
Changes to pension scheme		-2.9
Total for defined benefit schemes	**0.5**	**-2.2**
The period's payment to contribution scheme	8.0	8.0
The period's payment to contractual pension	1.6	1.1
Net pension cost recognised in profit and loss account in the period	**10.1**	**6.9**

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)	2019
Actuarial loss (gain) - change in discount rate	1,4
Actuarial loss (gain) - experience DBO	-0,8
Loss (gain) - experience Assets	1,1
Investment management cost	0,2
Remeasurements loss (gain) in the period	**1,9**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY

	31.12.2019	31.12.2018
Discount rate	2.2 %	2.8 %
Expected return	2.0 %	2.5 %
Expected earnings growth	2.0 %	2.5 %
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 2019.

Note 16 - Losses on loans, guarantees and unused credits

(NOK million)	2019	2018
The periods change in impairment losses stage 1	0.7	0.2
The periods change in impairment losses stage 2	-5.2	-4.0
The periods change in impairment losses stage 3	7.3	6.8
Realises losses	-21.4	-34.5
Recoveries on previously realised losses	1.3	2.8
Credit loss on interest-bearing securities		-0.1
Other changes	-0.7	0.5
Loss expense for the period	**-18.0**	**-28.2**

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.

Note 17 - Tax

TAX CHARGE FOR THE YEAR

(NOK million)	2019	2018
Tax payable in profit/loss	-63.0	-40.1
Change in deferred tax assets	-4.9	-9.2
Total tax charge for the year	**-67.9**	**-49.3**

TAX BASIS FOR THE YEAR

(NOK million)	2019	2018
Profit before taxes	280.7	192.2
+ Group contribution received, difference between the carrying amount and the tax base	-9.6	-5.1
+/- Share of results realted to additional Tier 1 capital holders	-11.6	
- Dividend on shares within EEA	-2.1	
+/- Realised gains/losses on shares within EEA	-3.3	-0.7
Other permanent differences	-0.7	1.4
Changes in temporary differences	0.6	-36.8
Effect of change in value on loans to fair value through other comprehensive income (OCI)	3.5	
Efffect of transtion to IFRS 9	-15.5	
Tax basis for the year	**242.1**	**151.0**
Reduction for tax deductible loss		
- Application of tax loss carryforward		
Tax basis for the year for current taxes [1)]	**242.1**	**151.0**
Tax rate	25 %	25 %
1) Allocated group contribution with tax effect	242.1	151.0

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

(NOK million)	2019	2018
Ordinary pre-tax profit	280.7	192.2
Expected tax on income at nominal rate	-70.2	-48.1
Tax effect of:		
Realised shares	1.3	0.2
Permanent differences	-0.3	0.9
Group contribution received	2.4	
Effect of change in accounting principles on transition to IFRS 9	3.9	
Reversal of permanent differences related to items in the total comprehensive income		-0.1
Reversal of permanent differences related to items in the equity		-2.3
Change of tax assessment earlier years	-5.1	
Tax charge	**-67.9**	**-49.3**
Effective tax rate	**24 %**	**26 %**

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

TAX PAYABLE IN THE BALANCE SHEET

(NOK million)	2019	2018
Tax payable in profit & loss	-63.0	-40.1
Tax payable in the equity	2.9	2.3
Tax payable in other comprehensive income	-0.4	0.1
- tax effect of group contribution paid	60.5	37.8
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)	2019	2018
Tax-increasing temporary differences		
Financial instruments	15.1	12.9
Total tax-increasing temporary differences	**15.1**	**12.9**
Tax-reducing temporary differences		
Pensions	-5.6	-6.0
Fixed assets	-5.9	-22.7
Provisions	-1.8	-2.0
Total tax-reducing temporary differences	**-13.3**	**-30.7**
Losses/allowances carried forward		
Net base for deferred tax and deferred tax asset	**1.8**	**-17.8**
Net deferred tax/tax asset in the balance sheet	**-0.4**	**4.4**

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 agreedto 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)	2019	2018
Pension experience adjustments	0.5	0.1
Tax on change in value on loans to fair value through other comprehensive income (OCI)	-0.9	0.0
Total	**-0.4**	**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	280.2			280.2
Loans to and deposits with credit institutions	4,501.5			4,501.5
Equity instruments		46.1		46.1
Bonds and other fixed-income securities	1,094.4	3,188.0		4,282.4
Derivatives		57.8		57.8
Lending to customers	288.2	389.2	9,116.9	9,794.2
Other current assets	1,745.9			1,745.9
Total financial assets 2019	**7,910.0**	**3,681.1**	**9,116.9**	**20,708.0**
Total financial assets 2018	6,028.7	4,484.6	9,438.9	19,952.2
Financial liabilities				
Deposits from and due to credit institutions	445.7			445.7
Deposits from and due to customers	14,404.3			14,404.3
Commercial papers and bonds issued	2,887.1			2,887.1
Derivatives		62.5		62.5
Other liabilities	367.1			367.1
Subordinated loan capital	276.0			276.0
Total financial liabilities 2019	**18,380.2**	**62.5**	**0.0**	**18,442.7**
Total financial liabilities 2018	17,871.2	72.0		17,943.2

Note 19 - Investments in subsidiaries

(NOK million)	Business registration number	Registered office	Ownership interest	Share of votes	Share capital	Acquisition cost	Book value 31.12.2019	Book value 31.12.2018
Storebrand Boligkreditt AS	990645515	Lysaker	100 %	100 %	490.0	1,456.5	1,456.5	1,393.9
Ring Eiendomsmegling AS 1)	987227575	Lysaker	100 %	100 %				2.7
Total investments in subsidiaries						**1,456.5**	**1,456.5**	**1,396.5**

1) Ring Eiendomsmegling AS has been wound up in 2019.

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

(NOK million)	2019 Fair value	2018 Fair value
Sovereign and Government Guaranteed bonds	840.0	720.6
Mortgage and asset backed bonds	2,348.0	3,446.5
Total bonds and other fixed-income securities at fair value through profit and loss	**3,188.0**	**4,167.1**
Modified duration	0.16	0.21
Average effective yield per 31.12.	1.86 %	1.36 %

The portfolio is mainly denominated in NOK. vaCalculated 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

	2019		2018	
(NOK million)	Book value	Fair value	Book value	Fairvalue
Public issuers and Government Guaranteed Bonds	593.6	594.0	393.9	394.6
Mortgage and asset backed bonds	500.7	504.0	300.2	300.7
Total bonds at amortised cost	**1,094.4**	**1,098.0**	**694.0**	**695.3**
Modified duration		0.15		0.18
Average effective yield per 31.12.		1.90 %		1.35 %

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)

	2019	2018
(NOK million)	Book value	Book value
Transferred bonds still recognised on the statement of financial position	402.8	
Liabilities related to the assets	402.8	

Storebrand Bank ASA has entered into two buyback agreements as of 31 December 2019.
Transferred bonds that are included in buyback agreements (repos) are not derecognised, since all the risk and return on the securities is retained by Storebrand Bank ASA.

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, etc. 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]	1,540.6	57.7	62.5				-4.7
Currency derivatives	23.1						
Total derivatives 31.12.2019	**1,563.7**	**57.8**	**62.5**	**0.0**	**0.0**	**0.0**	**-4.7**
Total derivatives 31.12.2018	1,711.5	55.6	72.0				-16.4

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	4.7	62.5	-57.7		-150.0	92.3
Investments not subject to netting agreements/ CSA	53.0		53.0			
Total 2019	**57.8**	**62.5**	**-4.7**			

Note 24 - Foreign exchange risk

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

(NOK million)	Statement of financial position items Assets	Liabilities	Currency forwards Net sale	Net position in currency	in NOK
CHF	1.0	1.0	0.0	0.0	0.0
DKK	0.1	0.1	0.0	0.1	0.1
EUR	2.5	2.4	1.4	0.0	0.1
GBP	0.8	0.7	0.4	0.0	0.0
SEK	1.2	1.2	0.0	0.0	0.0
USD	12.6	12.6	-0.2	0.0	0.0
Other	0.3	0.4	0.1	-0.3	-0.1
Total net currency positions 2019					**0.1**
Total net currency positions 2018					-0.3

The permitted limit for the bank's foreign exchange position is 0.50% of primary capital, which is approximately NOK 12 million at present. The overview shows holdings in foreign exchange accounts as of 31 December 2019. An agreed exchange of USD 4 million was completed on 31 December 2019 and covered on 2 January 2020, and is not included in the overview.

Note 25 - Loans and guarantees

(NOK million)	2019 Book value	2018 Book value
Loans to customers at amortised cost	306.3	338.7
Loans to customers at fair value through profit and loss (PL)	389.2	220.2
Loans to customers at fair value through other comprehensive income (OCI)	9,137.6	9,461.4
Total gross lending to customers	**9,833.0**	**10,020.4**
Provision for expected loss Stage 1	-2.4	-2.6
Provision for expected loss Stage 2	-3.8	-3.0
Provision for expected loss Stage 3	-32.6	-39.8
Net lending to customers	**9,794.2**	**9,975.0**

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

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT AMORTISED COST

	2019			
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	262.4	46.2	30.1	338.7
Transfer to stage 1	9.8	-9.3	-0.5	0.0
Transfer to stage 2	-28.1	28.3	-0.3	0.0
Transfer to stage 3	-5.2	-3.1	8.3	0.0
New loans	23.5	5.9	1.9	31.2
Derecognition	-39.5	-11.7	-18.6	-69.7
Other changes	4.2	0.6	1.1	6.0
Gross loans 31.12.2019	**227.2**	**56.9**	**22.1**	**306.3**

	2018			
(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 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)

	2019			
(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	8,906.1	490.3	65.1	9,461.4
Transfer to stage 1	62.4	-62.4		0.0
Transfer to stage 2	-125.2	125.3	-0.1	0.0
Transfer to stage 3	-7.5	-17.3	24.9	0.0
New loans	5,747.7	176.6	0.1	5,924.4
Derecognition	-5,780.7	-238.2	-23.9	-6,042.9
Other changes	-186.7	-20.1	1.5	-205.3
Gross loans 31.12.2019	**8,616.1**	**454.1**	**67.4**	**9,137.6**

	2018			
(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 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 (FVTPL)

	2019			
(NOK million)	Stage 1	Stage 2	Stage 3	Total exposure
Gross loans 01.01.2019	193.3	26.9		220.2
Transfer to stage 1				
Transfer to stage 2				
Transfer to stage 3				
New guarantees and unused credits	247.7	3.7		251.4
Dereceognition	-63.7	-17.6		-81.3
Other changes	-1.0	-0.2		-1.2
Gross loans 31.12.2019	**376.3**	**12.9**	**0.0**	**389.2**

	2018			
(NOK million)	Stage 1	Stage 2	Stage 3	Total exposure
Gross loans 01.01.2018	521.5	58.5		580.0
Transfer to stage 1				
Transfer to stage 2	-8.2	8.2		0.0
Transfer to stage 3				
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 31.12.2018	**193.3**	**26.9**	**0.0**	**220.2**

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNSUED CREDITS

	2019			
(NOK million)	Stage 1	Stage 2	Stage 3	Total exposure
Maximum exposure 01.01.2019	1,855.0	107.0	0.1	1,962.0
Transfer to stage 1	34.9	-34.9		0.0
Transfer to stage 2	-124.7	124.7		0.0
Transfer to stage 3	-0.9	-0.5	1.4	0.0
New guarantees and unused credits	179.2	15.9		195.1
Dereceognition	-279.7	-19.5		-299.2
Other changes	-10.9	-1.8	-1.3	-14.0
Maximum exposure 31.12.2019	**1,652.9**	**190.9**	**0.1**	**1,843.8**

	2018			
(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
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		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)	2019 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 IFRS 9 at 01.01.2019	7.2	6.3	39.9	53.4
Transfer to stage 1 (12-month ECL)	1.7	-1.5	-0.2	0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)	-0.8	1.0	-0.1	0.0
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)	-0.1	-0.2	0.3	0.0
Net remeasurement of loan losses	-1.3	6.2	5.5	10.4
New financial assets originated or purchased	0.5	0.6	1.0	2.1
Financial assets that have been derecognised	-1.0	-1.1	-2.0	-4.0
ECL changes of balances on financial assets without changes in stage in the period	0.3	0.4	-0.5	0.2
Changes due to modification without any effect in derecognition				
Financial assets written off during the period		-0.2	-11.3	-11.5
Changes in models/risk parameters				
Foreign exchange and other changes				
Loan loss provisions at 31.12.2019	**6.5**	**11.5**	**32.6**	**50.6**
Loan loss provisions on loans to customers valued at amortised cost	1.7	3.0	13.4	18.1
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.7	0.8	19.2	20.7
Loan loss provisions on guarantees and unused credit limits	4.1	7.7		11.8
Total loans loss provisions	**6.5**	**11.5**	**32.6**	**50.6**

(NOK million)	2018 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 31.12.2017 according to IAS 39				64.6
Effect of implementation IFRS 9				-8.2
Loan loss provisions IFRS 9 at 01.01.2018	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
Changes due to modification without any effect in derecognition				
Financial assets written off during the period	-0.1	-0.1	-11.2	-11.3
Changes in models/risk parameters		0.5	17.7	18.3
Foreign exchange and other changes				
Loan loss provisions at 31.12.2018	**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	2019 Total book value	2018 Total book value
Acquisiton cost at 01.01	146.6	146.6	141.8
Additions in the period:			
Purchased separately	29.6	29.6	19.8
Disposals in the period	-15.6	-15.6	-15.0
Acquisition cost at 31.12	**160.6**	**160.6**	**146.6**
Accumulated depreciation and write-downs at 01.01	70.3	70.3	70.4
Depreciation in the period (see note 14)	18.1	18.1	13.6
Disposals in the period	-15.4	-15.4	-15.0
Write-downs in the period (see note 14)	3.5	3.5	1.3
Accumulated depreciation and write-downs at 31.12	**76.4**	**76.4**	**70.3**
Book value at 31.12	**84.2**	**84.2**	**76.3**
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.All utvikling av systemer foretas av ekstene ressurser. Det foretas en årlig vurdering av estimat på økonomisk levetid.

Note 28 - Other current assets

(NOK million)	2019 Book value	2018 Book value
Other accrued income and prepaid expenses	19.3	23.5
Shares in subsidiaries [1]	1,456.5	1,396.5
Due from group companies	269.3	148.1
Other assets	0.8	2.9
Total other current assets	**1,745.9**	**1,571.1**

1) See note 19.

Note 29 - Deposits from customers

(NOK million)	2019 Book value	2018 Book value
Deposits from customers	13,352.8	13,610.9
Term loans and deposits from customers	1,051.5	810.2
Total deposits from customers	**14,404.3**	**14,421.1**

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)	2019 Book value	2018 Book value
Sector and industry classification		
Development of building projects	31.1	20.2
Sale and operation of real estate	763.2	727.7
Professional and financial services	859.8	982.6
Wage-earners	11,609.7	11,518.0
Other	1,140.5	1,172.6
Total	**14,404.3**	**14,421.1**
Geographic distribution		
Eastern Norway	10,556.9	10,997.9
Western Norway	1,774.9	1,754.5
Southern Norway	268.3	282.3
Mid-Norway	545.2	443.6
Northern Norway	600.4	617.6
Rest of world	658.6	325.3
Total	**14,404.3**	**14,421.1**

Note 30 - Hedge accounting

Storebrand Bank ASA has chosen a transition to IFRS 9 for hedge accounting, but expects to keep hedging at the same level as earlier. The Storebrand Bank ASA's interest rate risk strategy is defined in the interest rate risk policy, which sets frameworks for limiting the company's interest rate risk exposure. The company uses fair value hedging to reduce the interest rate risk on borrowings with fixed interest terms. The risk that is hedged in accordance with the interest rate risk policy is Nibor. This entails that separate credit risk is not hedged by keeping the credit spread constant as when established. Hedged risk accounts for approximately 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.

Storebrand Bank has 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.

	2019			2018		
	Contract/ nominal value	Fair value 1)		Contract/ nominal value	Fair value 1)	
NOK million	0-3 years	Assets	Liabilities	0-3 years	Assets	Liabilities
Interest rate swaps	500,0	7,2		800,0	0,8	
Total interest rate swaps	500,0	7,2		800,0	0,8	
Total derivatives	**500,0**	**7,2**		**800,0**	**0,8**	

	Contract/ nominal value	Hedging value 1)		Contract/ nominal value	Hedging value 1)	
NOK million	0-3 years	Assets	Liabilities	0-3 years	Assets	Liabilities
Total underlying items	500.0		493.1	800.0		802.2
Hedging effectiveness - prospective			98.2 %			100.9 %

Gain/loss on fair value hedging: 2)

(NOK million)	2019 Gain/loss	2018 Gain/loss
On hedging instruments	1.0	-6.7
On items hedged	-0.6	7.1

1) Book value at 31.12.

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

Note 31 - Provisions

	Provisions for restructuring	
(NOK million)	2019	2018
Provisions 1 January	0.1	6.0
Provisions during the period		
Provisions used during the period	-0.1	-5.9
Total provisions 31 December	**0.0**	**0.1**
Classified as:		
Provision for accrued expenses and liabilities		0.1
Guarentees on provisions for indidual loan losses	11.8	7.9
Total provisions for accrued expenses and liabilities	**11.8**	**8.0**

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 32 - Other liabilities

(NOK million)	2019 Book value	2018 Book value
Payable to Storebrand group companies	9.2	11.8
Money transfers	7.3	28.1
Group contribution payable to group companies	306.6	202.9
Accounts payable	3.7	11.5
Accrued expenses and prepaid income	12.1	17.3
Other debt	28.3	12.2
Total other liabilities	**367.1**	**283.9**

Note 33 - Off balance sheet liabilities and contingent liabilities

(NOK million)	2019	2018
Guarantees	1.5	1.4
Undrawn credit limits	3,374.9	4,958.8
Loan commitments, retail market	1,466.3	1,671.8
Total contingent liabilities	**4,842.7**	**6,632.0**

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. Undrawn credit limits includes NOK 1.5 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 34 - Collateral

Storebrand Bank ASA has not received or issued any collateral except securities pledged as collateral in Norges Bank and in other credit institutions (see the tabel below).

COLLATERAL AND SECURITY PLEDGED

(NOK million)	2019	2018
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	903.6	1,204.6
Booked value of securities pledged as collateral in other financial institutions	151.1	150.5
Total	**1,054.8**	**1,355.1**

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 31.12.2019.

Note 35 - 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)	2019	2018
Share capital	960.6	960.6
Other equity	1,371.1	1,115.2
Total equity	**2,331.7**	**2,075.8**
Additional Tier 1 capital included in total equity	-225.0	-175.0
Accrued interest on capital instruments included in total equity	-0.9	-1.0
Total equity included in Core Equity Tier 1 (CET1)	**2,105.7**	**1,899.8**
Deductions:		
AVA adjustments	-12.9	-14.0
Intangible assets	-84.2	-76.3
Deferred tax asset		
Core Equity Tier 1 (CET1)	**2,008.6**	**1,809.4**
Additional Tier 1 capital:		
Capital instruments eligible as Tier 1 capital	225.0	175.0
Addition		
Core capital	**2,233.6**	**1,984.4**
Tier 2 capital		
Subordinated loans	275.0	275.0
Tier 2 capital deductions		
Eligible capital (Tier 1 capital + Tier 2 capital)	**2,508.6**	**2,259.4**

MINIMUM REQUIREMENT FOR NET PRIMARY CAPITAL

(NOK million)	2019	2018
Credit risk	677.2	663.9
Herav:		
Local and regional authorities	0.9	0.9
Institutions	212.3	206.9
Loans secured in residential real estate *)	272.0	277.0
Retail market	43.5	45.4
Loans past-due	8.9	9.2
Covered bonds	126.4	108.0
Other	13.2	16.4
Total minimum requirement for credit risk	**677.2**	**663.9**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	66.2	55.5
CVA risk	12.7	0.2
Deductions		
Minimum requirement for net primary capital	**756.1**	**719.6**

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

CAPITAL ADEQUACY

	2019	2018
Capital ratio	26.5 %	25.1 %
Tier 1 capital ratio	23.6 %	22.1 %
Core equity Tier 1 (CET1) capital ratio	21.3 %	20.1 %

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 12,5 per cent and 16 per cent. The countercyclical capital buffer requirement has increased by 0.5 percentage points from 31 December 2019. As of 31 December 2019, the Pilar 2 requirement for Storebrand Bank is 1.8 per cent of the risk-weihgted volume. From 31 March 2020 Finanstilynet has stipulated the Pilar 2 requirement to be 1.3 per cent.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	2019	2018
Credit risk	8,465.1	8,298.7
Of which:		
Local and regional authorities	11.2	11.3
Institutions	2,654.3	2,586.8
Corporates		0.6
Loans secured on residential real estate	3,399.6	3,463.1
Retail market	543.7	567.5
Loans past-due	111.7	115.0
Covered bonds	1,579.4	1,349.5
Other	165.1	205.0
Total basis of calculation credit risk	**8,465.1**	**8,298.7**
Total basis of calculation market risk	**0.0**	**0.0**
Operational risk	828.0	693.9
CVA risk	158.4	2.1
Deductions		
Total basis of calculation of minimum requirements for capital base	**9,451.5**	**8,994.8**

Note 36 - Remuneration to senior employees and elected officers of the company

(NOK 1000)	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							
Camilla Leikvoll (CEO)	1,886	31	1,917	272		4,127	4,977
Torunn Sjåstad Hoftvedt	1,365	118	1,483	213		2,894	22,179
Asle Borud	1,210	120	1,330	179		0	593
Bernt Uppstad	1,496	121	1,618	238		786	2,185
Total 2019	**5,957**	**390**	**6,348**	**902**		**7,807**	**29,934**
Total 2018	6,015	249	6,264	922		7,138	22,014

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

2) Employees can borrow up to NOK 7.0 million at a subsidised interest rate, which is set at 42 bp below the best current market interest rate. Excess loan amounts will be subject to market terms.

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,

(NOK 1000)	Remuneration	Loan	No. of shares owned [2]
Board of Directors [1]			
Heidi Skaaret [3]		3,254	69,690
Karin Greve-Isdahl Flaa [3]		31,143	12,861
Inger Roll-Matthiesen	139		
Leif Helmich Pedersen	233		
Maria Skotnes	125	3,986	1,549
Total 2019	**497**	**38,383**	**84,100**
Total 2018	557	12,273	75,308

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 nor Karin Greve-Isdahl Flaa receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board.

THE BOARD OF DIRECTORS' STATEMENT ON THE FIXING OF THE SALARIES OF EXECUTIVE PERSONNEL

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 OF DIRECTORS' STATEMENT ON THE FIXING OF THE SALARIES AND OTHER REMUNERATION OF 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 Compensation Committee is tasked with making a recommendation to the Board of Directors concerning all matters regarding the Company's remuneration of its Chief Executive Officer. The Committee is responsible for keeping itself informed and proposing guidelines for the determination of remuneration of executive employees in the Group. The Committee also acts as an advisory body to the Chief Executive Officer with regard to remuneration schemes that encompass all employees of the Storebrand Group, including Storebrand's bonus and pension schemes. The Compensation Committee satisfies the follow-up requirements set forth in the remuneration schemes.

Storebrand Asset Management AS has two subsidiaries, Skagen AS and Cubera Private Equity AS, each of which has its own board-appointed compensation committee and separate guidelines for financial remuneration. The Group's guidelines will therefore not directly apply for these two subsidiaries in 2020.

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 shall have an incentive model that supports the strategy, with emphasis on the customers' interests and long-term perspective, an ambitious model of cooperation, as well as transparency that enhances the Group's reputation. Therefore, the Company will primarily stress a fixed salary as a means of overall financial compensation, and utilise variable remuneration to a limited extent.

The salaries of executive employees are determined based on the position's responsibilities and level of complexity. Comparisons with equivalent external positions are regularly made in order to adjust the salary level to the market rates. Storebrand does not wish to be a pay leader in relation to the industry.

Bonus scheme and other benefits

The Group's executive management team and executive personnel who have a significant influence on the Company's risk receive only fixed salaries. Some members of the executive management have fringe benefits in the form of a car allowance and fixed amounts for coverage of expenses for newspaper, telephone and electronic communication. These are arrangements linked to employment contracts entered into in the past and are not included in new contracts.

Pension scheme and insurance

The Company shall arrange and pay for ordinary group pension scheme common to all employees, from the moment employment commences, and in accordance with the pension rules in force at any given time. All employees are also included in group insurance schemes which apply in the event of illness, disability or death. Since 2015, the Company has had defined-contribution pension schemes for all employees. For executive management, the calculated cash value of pension rights for pay above 12 G that was already earned as of the transition to a defined-contribution scheme was paid out over a five-year period, with the final payment in 2019. The payment period was fixed, regardless of whether the employee left the company before the end of that period.

Severance pay

The CEO is entitled to 24 months of severance pay. Other members of the executive management have severance pay agreements of up to 18 months from the agreed resignation date. The amount of potential severance pay will be subject to an assessment in accordance with the individual agreements and relevant rules pertaining to remuneration.

The severance pay corresponds to the pensionable salary at the end of the employment, excluding any bonus schemes. Deductions are made to the severance pay for all work-related income, including fees from the provision of services, offices held, etc.

BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS ETC. FOR THE UPCOMING 2020 FINANCIAL YEAR

To ensure that the Group's executive management team has incentive schemes that accord with the long-term interests of the owners, a proportion of the fixed salary will be linked to the purchase of physical Storebrand shares with a lock-in period of three years. The Chief Executive Officer may decide that a limited group of employees shall be covered by an equivalent scheme. The purchase of shares will take place once a year.

Like other employees of 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 guidelines for the executive remuneration policy set for 2019 have been followed. The annual independent assessment of the guidelines and the practising of these guidelines in connection with bonuses to be paid in 2020 will be carried out during 2020.

STATEMENT ON THE EFFECTS OF SHARE-BASED REMUNERATION AGREEMENTS ON THE COMPANY AND THE SHAREHOLDERS

A proportion of the executive management's fixed salary will be linked to the purchase of physical Storebrand shares with a lock-in period of three years. The purchase of shares will take place once a 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 executive vice president's portfolio of shares in Storebrand ASA.

Note 37 - Related Parties

TRANSACTIONS WITH GROUP COMPANIES

	2019		2018	
(NOK million)	Subsidiaries	Other group companies	Subsidiaries	Other group companies
Interest income	59.6		69.1	
Interest expense				
Services sold	74.0	2.6	68.3	7.0
Services purchased		74.6		75.5
Due from	4,547.7	189.0	3,645.6	83.6
Liabilities to	69.1	246.6	60.0	156.6

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 LOANS TO/FROM STOREBRAND BOLIGKREDITT AS

(NOK million)	2019	2018
To Storebrand Boligkreditt AS - accumulated transfer	20,404.9	18,486.0
Fra Storebrand Boligkreditt AS - this year's transfer	80.9	212.5

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 2019, there has been sold loans of total NOK 5.9 billion. The total portfolio of loans sold as of 31 December 2019 is NOK 34.6 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 70.2 million as revenue in the accounts for 2019.

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 36.

LOANS TO EMPLOYEES

(NOK million)	2019	2018
Loans to employees of Storebrand Bank ASA	78.4	57.0
Loans to employees of Storebrand group excl. Storebrand Bank ASA	693.8	631.5

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 at subsidised interest rate, which is set at 42 bp below the best current market interes rate. 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

	2019	2018
Number of employees at 31.12.	106	105
Number of employees expressed as full-time equivalent positions	105	104

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 2019 financial year and as at 31 December 2019 (2019 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 2019. 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 2019, 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 2019.

In the best judgement of the Board and the CEO, the annual financial statements for 2019 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 2019. 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, 11 February 2020
The Board of Directors of Storebrand Bank ASA

Translation – not to be signed

Heidi Skaaret
Chairman of the Board

Karin Greve-Isdahl
Board Member

Leif Helmich Pedersen
Board Member

Jan Birger Penne
Board Member

Maria Skotnes
Board Member

Camilla Leikvoll
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 the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2019, 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 2019, 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.

The Bank's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events that qualified as new Key Audit Matters. The area *Impairment of loans to customers* have the same characteristics and risks this year as last year, and have therefore been an important focus area in our audit in 2019 as well.

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 Bank's total assets. The assessment of impairment losses is a model-based framework which includes elements of management judgement. The framework is complex and 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.

In accordance with IFRS 9, write-downs on loans are to be based on more forward-looking assessments, so that write-downs reflect expected 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;
- the categorisation of loans into

In our audit of expected loss provisions, we assessed and reviewed the design and effectiveness of internal control to provide assurance for the assumptions and calculation methods used.

We obtained a detailed understanding of the process and relevant controls associated with:

- the calculation and methodologies used by management;
- whether the management-approved model was in compliance with the framework and the model worked as intended;
- the reliability of the sources of the data used in the model.

Our review of the process and controls did not indicate material errors in the model or deviation from IFRS 9.

Our work also included tests aimed at the Company's financial reporting systems relevant to financial reporting. The Company use external service providers to operate some central core IT systems. The auditor of the relevant service organizations is used to evaluate the design and effectiveness of and test established controls to ensure the integrity of the IT systems relevant to financial reporting. In this conjunction, the auditor has issued an ISAE 3402 type 2 report, ISRS 4400 report and ISAE 3000 on the Company's IFRS 9 model. The auditor's testing included, among other things, whether key calculations made by the core systems were performed in line with expectations, including interest rate calculations and amortization. The testing also included data integrity, changes to and access to the stages; and

- various parameters such as PD, LGD and scenarios.

The Bank's business is mainly concentrated on consumer finance. The impairment model is designed to estimate loan-loss impairment provisions for this segment.

In addition, individual provisions are made for loans with incurred credit losses or where there is objective evidence of impairment. This assessment requires judgements by management.

For the part of the group that has issued covered bonds, compliance with the requirements for collateral in real estate is of fundamental importance. The requirement is that the security pool is always within 75% of the value of the real estate. For this reason, this topic has also been an area of focus for the audit.

systems.

In order to decide whether we could use the information in the auditor's reports as the basis for our assessments, we examined the auditor's competence and objectivity and reviewed the reports sent and considered possible deviations and measures taken. We also carried out testing of access controls to IT systems and segregation of duties where necessary for the sake of our own specific audit procedures.

Our assessments and tests substantiate that we could rely on that the data handled in- and the calculations made by the Company's external core system were reliable. This was a necessary basis for our audit.

For loans where there were objective evidence of impairment and where the write-down amount was individually calculated, we tested a sample. The Company's processes included that the realization value was calculated using external tariffs or internal assessments. To assess the realization value, we reviewed the tariffs. For assessments made internally without using tariffs, we interviewed credit personnel and management and challenged the relevance and reasonableness of important assumptions and the methodology used in calculating the impairment amount. This testing included testing of whether the securities where within 75% of the real estate value for the part of the securities financed with covered bonds. Further we tested if loans with objective evidence of impairment were classified correctly in the model and evaluated the reasonableness of the total impairment provisions. Deviations uncovered was deemed immaterial.

The group's note 2, 15, 23 and 24 and the Company's note 2, 16, 25 and 26 in the annual report is relevant for the description of the Bank's model 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 to give a balanced overview of the model, parameters and judgemental assumptions used.

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.

(3)

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 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, 11 February 2020
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

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

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