



Interim report 2019

Storebrand Bank ASA

(unaudited)

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

Storebrand Bank Group

– Interim report for the fourth quarter of 2019

(Profit figures for the corresponding period in 2018 are shown in brackets. Balance sheet figures in brackets are for the end of 2018.)

- Increased loan growth
- Low volume of non-performing loans
- Good cost control

Loans outstanding increased by NOK 1.6 billion during the quarter and has increased by NOK 1.7 billion in the year to date. The home loan portfolio managed on behalf of Storebrand Livsforsikring AS decreased by NOK 0.2 billion during the quarter and decreased by NOK 0.1 billion in the year to date. The loan growth in the quarter was influenced by more competitive home loan pricing.

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.

FINANCIAL PERFORMANCE

The bank group achieved a pre-tax profit of NOK 72 million (NOK 50 million) in the fourth quarter and a pre-tax profit of NOK 272 million (NOK 199 million) year to date.

Net interest income was NOK 114 million (NOK 100 million) for the fourth quarter and NOK 434 million (NOK 376 million) year to date. The interest margin was slightly reduced in the quarter due to increased interbank rates. Net interest income as a percentage of average total assets was 1.31 per cent (1.18 per cent) for the fourth quarter and 1.26 per cent (1.16 per cent) year to date.

Net commission revenues represented NOK 28 million (NOK 31 million) in the fourth quarter, and NOK 107 million (NOK 111 million) year to date.

Other revenues amounted to NOK 9 million (expense of NOK 2 million) for the fourth quarter, and NOK 21 million (NOK 6 million) for the year. This development is primarily due to changes in value of fixed-rate loans at fair value, derivatives and other financial instruments.

Operating costs increased in the quarter and totalled NOK 74 million (NOK 63 million) in the fourth quarter and NOK 271 million (NOK 264 million) year to date. The operating costs increase was mainly due to write-downs of intangible assets, both in the quarter and year to date.

NOK 5 million was recognised as expenses (NOK 16 million) for write-downs on lending in the fourth quarter, and NOK 18 million has been recognised as expenses (NOK 29 million) year to date.

BALANCE SHEET PERFORMANCE

The loan portfolio including loans managed on behalf of Storebrand Livsforsikring AS amounted to NOK 48,2 billion (NOK 46.5 billion) at the end of the fourth quarter, of which the share to Storebrand Livsforsikring AS was

net NOK 18.0 billion (NOK 18.1 billion). Lending to customers in the bank group totalled NOK 30.2 billion (NOK 28.5 billion) at the end of the fourth quarter.

The bank group's portfolio mainly consists of low risk home mortgages. The weighted average loan-to-value ratio in the bank group is approximately 57 per cent for home mortgages, compared to 56 per cent at the end of 2018.

The total volume of non-performing loans decreased by NOK 16 million in the fourth quarter and accounts for 0.4 per cent (0.5 per cent) of gross lending at the end of the fourth quarter. The bank considers the portfolio quality to be good. Non-performing loans without impairment amounted to NOK 74 million (NOK 71 million) at the end of the fourth quarter. Non-performing impaired loans amounted to NOK 51 million (NOK 59 million) at the end of the fourth quarter, where impairment gives loan loss provisions of NOK 20 million (NOK 21 million).

LIQUIDITY RISK AND FUNDING

The bank has established solid liquidity buffers and puts great importance on a balanced funding structure with varying time to maturity and issuances in various markets. The volume of deposits from customers was NOK 14.4 billion (NOK 14.4 billion) at the end of the fourth quarter, which represents a deposit-to-loan ratio of 48 per cent (51 per cent).

Storebrand Bank ASA issued senior bonds of NOK 0.4 billion (maturity 2022) in the fourth quarter. Storebrand Boligkreditt AS has not issued any new debt in the quarter. During 2019 Storebrand Bank ASA issued senior bonds of NOK 1.5 billion (maturity 2022), new additional tier 1 capital of NOK 0,125 billion (call 2024) and tier 2 capital of NOK 0,125 billion (call 2025) Storebrand Boligkreditt issued NOK 1,5 billion. The long term counterparty credit rating is unchanged A- (stable) from S&P Global.

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, given a stress situation in the money and capital markets. The bank group must comply with an LCR of 100 per cent. The bank group's LCR was 179 per cent at the end of the fourth quarter.

CAPITAL ADEQUACY

The bank has had an increase in the risk-weighted balance sheet of NOK 0.7 billion in the year. The Storebrand Bank Group had capital (Tier 1 capital + Tier 2 capital) of NOK 2.6 billion at the end of the fourth quarter. The capital adequacy ratio was 19.6 per cent and the Core Equity Tier 1 (CET1) ratio was 15.8 per cent at the end of the fourth quarter, compared to 18.9 per cent and 15.2 per cent, respectively, at the end of 2018. The combined requirements for capital and CET1 were 17.8 per cent and 14.3 per cent respectively at the end of the fourth quarter, including increased countercyclical capital buffer requirement of 0.5 percentage points from 31 December 2019.

The bank group aims to comply with the applicable buffer capital requirements at any given time. The bank group has satisfactory financial strength and liquidity based on its operations. The bank group, parent bank and Storebrand Boligkreditt AS satisfied the combined capital and capital buffer requirements by a good margin as of 31 December 2019.

PERFORMANCE OF STOREBRAND BANK ASA

Storebrand Bank ASA achieved a pre-tax profit of NOK 132 million (NOK 93 million) for the fourth quarter, and NOK 281 million (NOK 192 million) for the year.

Net interest revenues for Storebrand Bank ASA totalled NOK 73 million (NOK 61 million) for the fourth quarter and NOK 271 million (NOK 224 million) for the year.

NOK 4 million was recognised as expenses (NOK 16 million recognised as expenses) from write-downs on lending in the fourth quarter and NOK 18 million has been recognised as expenses (NOK 28 million recognised as expenses) for the year. In the fourth quarter of 2018 the model for loss provisions was changed which caused increased increased write-downs on lending.

STRATEGY AND FUTURE PROSPECTS

In 2020, the Storebrand Bank group will continue to support Storebrand's focus on savings and sustainability. Storebrand Bank, through savings and deposit accounts, customer's down payment of mortgages together with

frequent customer interaction, is an integral part of Storebrand's ambition to build a world class savings business. Storebrand Bank will continue developing attractive products and digital services, and exploiting open banking opportunities. Improving profitability and competitiveness through higher efficiency is prioritized, and the bank will continue to reduce costs and increase the degree of automation in customer and work processes.

The development in the housing market in different parts of the country is closely monitored. The bank will also maintain a moderate to low risk profile with a strong balance sheet and

Sound management of the bank's credit and liquidity risk, and control of the operational risk in key processes, will be maintained. The bank will continue monitoring closely the 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 future results of Storebrand Bank Group.

The Board of Directors are not aware of any events of material importance to the preparation of the interim financial statements that have occurred since the balance sheet date.

11 February 2020

The Board of Directors of Storebrand Bank ASA

Storebrand Bank Group

Income statement

NOK million	note	Q4		Full Year	
		2019	2018	2019	2018
Interest income from financial instruments valued at amortised cost		18.5	14.3	70.0	55.3
Interest income from financial instruments valued at fair value		229.0	176.6	830.0	660.3
Interest expense		-133.2	-91.3	-466.2	-340.0
Net interest income	11	114.3	99.6	433.8	375.6
Fee and commission income from banking services		32.3	33.9	123.6	121.8
Fee and commission expenses for banking services		-4.7	-2.6	-16.9	-11.3
Net fee and commission income		27.5	31.3	106.7	110.5
Net gains on financial instruments valued at amortised cost		-0.5	-0.8	-11.1	-3.1
Net gains on other financial instruments		9.2	-1.4	31.9	8.8
Total other operating income		8.7	-2.2	20.9	5.7
Staff expenses		-25.1	-26.4	-87.5	-94.4
General administration expenses		-18.1	-17.9	-66.4	-60.4
Other operating costs		-30.7	-18.2	-117.2	-109.5
Total operating costs		-73.9	-62.5	-271.0	-264.2
Operating profit before loan losses		76.6	66.2	290.4	227.5
Loan losses for the period	13	-4.5	-16.0	-18.3	-28.7
Profit before tax		72.1	50.2	272.0	198.7
Tax	3	-10.6	-12.7	-65.5	-51.3
Result after tax sold/discontinued operations				-0.1	-0.1
Profit for the period		61.4	37.4	206.5	147.3
Profit for the period is attributable to:					
Portion attributable to shareholders		58.5	35.5	194.9	138.0
Portion attributable to additional Tier 1 capital holders		3.0	1.9	11.6	9.3
Profit for the period		61.4	37.4	206.5	147.3

Consolidated statement of comprehensive income

(NOK million)	Q4		Full Year	
	2019	2018	2019	2018
Profit for the period	61.4	37.4	206.5	147.3
Pension experience adjustments	-1.9	-0.2	-1.9	-0.2
Tax on pension experience adjustments	0.5	0.1	0.5	0.1
Total other result elements not to be classified to profit/loss	-1.4	-0.2	-1.4	-0.2
Change unrealised gain/loss financial instruments at fair value through OCI	2.7		3.5	19.6
Tax on change in unrealised gain/loss financial instruments at fair value through OCI	-0.9		-0.9	
Total other result elements that may be classified to profit/loss	1.8	0.0	2.6	19.6
Total comprehensive income for the period	61.9	37.2	207.7	166.7
Total comprehensive income for the period is attributable to:				
Portion attributable to shareholders	58.9	35.3	196.1	157.5
Portion attributable to additional Tier 1 capital holders	3.0	1.9	11.6	9.3
Total comprehensive income for the period	61.9	37.2	207.7	166.7

Storebrand Bank Group

Statement of financial position

NOK million		31.12.2019	31.12.2018
Cash and deposits with central banks		280.2	376.0
Loans to and deposits with credit institutions	6	40.9	318.1
Loans to customers	6, 13	30,197.6	28,459.7
Financial assets designated at fair value through profit and loss:			
Equity instruments	6	46.1	41.7
Bonds and other fixed-income securities	6, 12	3,268.8	2,697.9
Derivatives	6	57.8	95.1
Bonds at amortised cost	6, 12	1,136.8	694.0
Tangible assets			
Intangible assets and goodwill		84.2	76.3
Deferred tax assets	3	2.3	5.1
Other current assets	6	26.0	42.2
Total assets		35,140.6	32,806.2
Liabilities to credit institutions			
Deposits from and due to customers	6	14,404.3	14,419.4
Other financial liabilities:			
Derivatives	6	62.5	72.0
Commercial papers and bonds issued	6, 8	17,420.7	15,715.4
Other liabilities	6	114.8	110.4
Provision for accrued expenses and liabilities	13	11.8	8.1
Deferred tax			0.3
Pension liabilities		5.6	6.0
Subordinated loan capital	6, 8	276.0	276.3
Total liabilities		32,741.4	30,610.3
Paid in capital		1,660.6	1,590.9
Retained earnings		512.6	429.1
Additional Tier 1 capital		225.9	176.0
Total equity	9	2,399.2	2,196.0
Total equity and liabilities		35,140.6	32,806.2

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

Storebrand Bank ASA

Income statement

NOK million	note	Q4		Full Year	
		2019	2018	2019	2018
Interest income from financial instruments valued at amortised cost		33.7	27.0	100.1	103.4
Interest income from financial instruments valued at fair value		93.9	75.9	362.9	285.4
Interest expense		-54.3	-42.4	-192.1	-164.6
Net interest income	11	73.4	60.5	270.9	224.2
Fee and commission income from banking services		50.9	51.6	197.5	189.9
Fee and commission expenses for banking services		-4.7	-2.5	-16.6	-11.2
Net fee and commission income		46.3	49.1	180.9	178.7
Net gains on financial instruments valued at amortised cost		-0.5	-0.8	-3.4	-1.4
Net gains on other financial instruments		9.9	-2.9	39.9	15.0
Other income		80.3	64.4	79.5	64.4
Total other operating income		89.7	60.6	116.0	78.0
Staff expenses		-25.0	-26.3	-87.3	-94.0
General administration expenses		-18.1	-17.9	-66.4	-60.2
Other operating costs		-30.6	-17.1	-115.5	-106.2
Total operating costs		-73.7	-61.3	-269.1	-260.5
Operating profit before loan losses		135.6	108.9	298.7	220.4
Loan losses for the period	13	-4.0	-15.6	-18.0	-28.2
Profit before tax		131.7	93.2	280.7	192.2
Tax	3	-23.7	-22.7	-67.9	-49.3
Profit for the period		108.0	70.5	212.8	142.9
Profit for the period is attributable to:					
Portion attributable to shareholders		105.0	68.6	201.3	133.6
Portion attributable to additional Tier 1 capital holders		3.0	1.9	11.6	9.3
Profit for the period		108.0	70.5	212.8	142.9

Statement of comprehensive income

NOK mill.	Q4		Full Year	
	2019	2018	2019	2018
Profit for the period	108.0	70.5	212.8	142.9
Pension experience adjustments	-1.9	-0.2	-1.9	-0.2
Tax on pension experience adjustments	0.5	0.1	0.5	0.1
Total other result elements not to be classified to profit/loss	-1.4	-0.2	-1.4	-0.2
Change unrealised gain/loss financial instruments at fair value through OCI	2.7		3.5	19.6
Tax on change in unrealised gain/loss financial instruments at fair value through OCI	-0.9		-0.9	
Total other result elements that may be classified to profit/loss	1.8	0.0	2.6	19.6
Total comprehensive income for the period	108.4	70.4	214.1	162.3
Total comprehensive income for the period is attributable to:				
Portion attributable to shareholders	105.5	68.5	202.5	153.0
Portion attributable to additional Tier 1 capital holders	3.0	1.9	11.6	9.3
Total comprehensive income for the period	108.4	70.4	214.1	162.3

Storebrand Bank ASA

Statement of financial position

NOK million		31.12.2019	31.12.2018
Cash and deposits with central banks		280.2	376.0
Loans to and deposits with credit institutions	6	4,501.5	3,071.8
Loans to customers	6, 13	9,794.2	9,975.0
Financial assets designated at fair value through profit and loss:			
Equity instruments	6	46.1	41.7
Bonds and other fixed-income securities	6, 12	3,188.0	4,167.1
Derivatives	6	57.8	55.6
Bonds at amortised cost	6, 12	1,094.4	694.0
Tangible assets			
Intangible assets		84.2	76.3
Deferred tax assets	3		4.5
Other current assets		1,745.9	1,571.1
Total assets		20,792.3	20,033.0
Liabilities to credit institutions	6	445.7	2.4
Deposits from and due to customers	6	14,404.3	14,421.1
Other financial liabilities:			
Derivatives	6	62.5	72.0
Commercial papers and bonds issued	6, 8	2,887.1	2,887.4
Other liabilities	6	367.1	283.9
Provision for accrued expenses and liabilities	13	11.8	8.1
Deferred tax		0.4	
Pension liabilities		5.6	6.0
Subordinated loan capital	6, 8	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	9	2,331.7	2,075.8
Total equity and liabilities		20,792.3	20,033.0

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

Storebrand Bank Group

Statement of changes in equity

NOK million	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
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
Total other result elements not to be classified to profit/loss					-0.2	-0.2		-0.2
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
Provision for group contribution					-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
Total other result elements not to be classified to profit/loss					-1.4	-1.4		-1.4
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
Provision for group contribution					-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

Storebrand Bank ASA

Statement of changes in equity

NOK million	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
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
Total other result elements not to be classified to profit/loss					-0.2	-0.2		-0.2
Total other result elements that may be classified to profit/loss					19.6	19.6		19.6
Total comprehensive income for the period	0.0	0.0	0.0	0.0	153.0	153.0	9.3	162.3
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.3	2.3	-50.0	-47.7
Payment to additional Tier 1 holders							-9.2	-9.2
Group contribution received			69.8	69.8				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	9.3	212.8
Total other result elements not to be classified to profit/loss					-1.4	-1.4		-1.4
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
Provision for group contribution					-183.5	-183.5		-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 share capital is made up of 64 037 183 shares of nominal value NOK 15.

Statement of cash flow

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
		Cash flow from operations		
510.9	558.0	Receipts of interest, commissions and fees from customers	1,014.5	850.5
-95.5	-115.2	Payments of interest, commissions and fees to customers	-115.2	-95.5
2,749.9	187.9	Net disbursements/payments on customer loans	-1,729.3	-1,185.6
-208.8	-16.8	Net receipts/payments of deposits from banking customers	-15.0	-208.6
-965.0	696.3	Net receipts/payments - securities	-920.3	238.9
-301.7	-254.9	Payments of operating costs	-326.4	-368.3
1,689.9	1,055.3	Net cash flow from operating activities	-2,091.7	-768.6
		Cash flow from investment activities		
	1.9	Net receipts from sale of subsidiaries and associated companies		
-315.0		Net payments on purchase/capitalisation of subsidiaries		
-19.8	-29.4	Net payments on purchase/sale of fixed assets etc.	-29.4	-19.8
-334.8	-27.5	Net cash flow from investment activities	-29.4	-19.8
		Cash flow from financing activities		
-621.0	-1,499.9	Payments - repayments of loans and issuing of bond debt	-1,268.5	-2,746.0
400.0	1,500.0	Receipts - new loans and issuing of bond debt	3,000.0	4,177.3
-81.5	-96.6	Payments - interest on loans	-371.7	-223.3
	125.0	Receipts - subordinated loan capital	125.0	
	-125.0	Payments - repayments of subordinated loan capital	-125.0	
-7.3	-10.1	Payments - interest on subordinated loan capital	-10.1	-7.3
100.0	125.0	Receipts - new additional Tier 1 capital	125.0	100.0
-150.0	-75.0	Payments of additional Tier 1 capital	-75.0	-150.0
-9.2	-11.6	Payments - interest on additional Tier 1 capital	-11.6	-9.2
-152.6	443.2	Net receipts/payments of liabilities to credit institutions	443.2	-152.6
		Receipts - issuing of share capital and other equity		
		Payments - repayment of share capital		
81.9	134.1	Receipts - group contribution	69.8	0.0
-297.8	-202.9	Payments - group contribution / dividends	-153.0	-292.0
-737.6	306.1	Net cash flow from financing activities	1,748.2	696.8
617.5	1,333.9	Net cash flow in the period	-373.0	-91.6
2,830.2	3,447.7	Cash and bank deposits at the start of the period	694.0	785.6
3,447.7	4,781.6	Cash and bank deposits at the end of the period	321.1	694.0
		Cash and bank deposits consist of:		
376.0	280.2	Cash and deposits with central banks	280.2	376.0
3,071.8	4,501.5	Loans to and deposits with credit institutions	40.9	318.1
3,447.7	4,781.6	Total cash and bank deposits in the balance sheet	321.1	694.0

Notes

Storebrand Bank Group

Note 01 | Accounting principles

The Group's financial statements include Storebrand Bank ASA together with subsidiaries. The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in full annual financial statements.

The interim accounts of Storebrand Bank ASA are prepared in accordance with Section 1-5 of the Norwegian regulations for the annual accounts of banks and finance companies etc. that provides for simplified application of international accounting standards, (hereinafter termed simplified IFRS), and with IAS 34 Interim Financial Reporting. Simplified IFRS permits recognition to profit and loss of provisions for dividend and group contribution, and allows the Board of Director's proposal for dividend and group contribution to be recognized as a liability on the balance sheet date. The full application of IFRS stipulates that dividend and group contribution must remain part of equity until approved by the company's general meeting. Other than this, simplified IFRS requires the use of the same accounting principles as the full application of IFRS.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2018 annual report, and the interim financial statements are prepared with respect to these accounting policies.

There are new accounting standards that entered into effect in 2019.

IFRS 16

IFRS 16 Leases replaces the current standard IAS 17, and entered into force from 1 January 2019. IFRS 16 sets out principles for recognition, measurement, presentation and publication of leases. The new leasing standard do not entail any major changes for lessors, but significantly change lessees' accounting. IFRS 16 requires that lessees must, as a starting point, recognise all lease contracts in the balance sheet according to a simplified model that resembles accounting of financial leases under IAS 17. The present value of total lease payments must be recognised as a lease liability and an asset that reflect a right of use of the asset during 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` asset and liability is the same amount and have no effect on equity. Storebrand Bank ASA did not have any lease agreements according to IFRS 16 as of 1 January 2019.

Storebrand Bank ASA has no lease agreements according to IFRS 16 at the end of the fourth quarter of 2019.

Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2018 annual financial statements in note 2 and valuation of financial instruments at fair value are described in note 8.

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

Actual results may differ from these estimates.

Note 03 | Tax

In December 2018, the Norwegian Parliament (Stortinget) agreed to reduce the company tax rate from 23 to 22 per cent with effect from 1 January 2019. It was also agreed to maintain the tax rate at 25 per cent for companies subject to the financial tax. 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 that applies for the individual Group companies is used.

Note 04 | Related Parties

Covered bonds issued by Storebrand Boligkreditt AS

Storebrand Bank ASA has invested a total of NOK 20 million in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2019. The investments are included in the liquidity portfolio in the parent company and are classified at fair value through profit or loss. The investment has been eliminated in the consolidated accounts against bonds issued by Storebrand Boligkreditt AS.

Loans sold to Storebrand Boligkreditt AS

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are sold, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt AS that receives all the cash flows from the loan customer. Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made, i.e. if there is a request to increase the loan amount, change from variable to fixed interest, conversion to employee loan or conversion to a flexible mortgage. The costs are included in the contractual administration fee. Non-performing loans in Storebrand Boligkreditt AS remain in the company. These loans will, pursuant to the service agreement with Storebrand Bank ASA, be treated in the same way as non-performing loans in the bank. Specific reports are prepared for non-performing loans in Storebrand Boligkreditt AS. These loans are not included in the cover pool. Loans to employees can be transferred to Storebrand Boligkreditt AS. The difference between the market interest rate and the subsidised interest rate is covered monthly by the company in which the debtor is employed.

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

Storebrand Bank ASA and Storebrand Boligkreditt AS have signed a management agreement pursuant to which Storebrand Boligkreditt AS will purchase administrative services from the bank. Storebrand Boligkreditt AS also purchases administrative services from 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 30 September 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 the fourth quarter of 2019.

Credit facilities with Storebrand Boligkreditt AS

The bank has issued two credit facilities to Storebrand Boligkreditt AS. One of these facilities is a normal overdraft facility, with a commitment of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The amount of the other facility is the payment obligations of Storebrand Boligkreditt the following 31 days on interest and principal amounts regarding Covered Bonds, including any connected derivatives. This facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. In 2019 all covenant requirements are fulfilled.

Other related parties

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. The terms for transactions with senior employees and related parties are stipulated in notes 37 and 38 in the 2018 annual report for Storebrand Bank ASA.

Note 05 | Financial risk

Storebrand Bank ASA's financial assets and liabilities fluctuate in value due to the risk in the financial markets. Notes 4 to 8 in the 2018 annual report provide a more detailed overview of the bank group's financial risk which is also applicable for the financial risk as at 31 December 2019. The bank's corporate market portfolio has declined since the end of 2018, and this has significantly changed the risk in the remaining portfolio.

Note 06 | Valuation of financial instruments

The Storebrand Group categorises financial instruments on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 8 in the 2018 annual report for Storebrand Bank ASA.

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

STOREBRAND BANK GROUP

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

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

STOREBRAND BANK GROUP

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

NOK million	Level 1	Level 2	Level 3	Book value	Book value
	Quoted prices	Observable assumptions	Non-observable assumptions	31.12.2019	31.12.2018
Assets:					
Equities		26.9	18.2	45.1	41.7
Total equities 31.12.2019	0.0	26.9	18.2	45.1	
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	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			2,697.9
Interest derivatives		-4.7		-4.7	23.1
Currency derivatives					
Total derivatives 31.12.2019	0.0	-4.7	0.0	-4.7	
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

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

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

NOK million	Level 1	Level 2	Level 3	Book value	Book value
	Quoted prices	Observable assumptions	Non-observable assumptions	31.12.2019	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 31.12.2019			29,520.3	29,520.3	
Total loans to customers 31.12.2018			27,923.7		27,923.7

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

NOK million	Equities	Loans to customers	Loans to customers at
		at fair value through profit and loss	fair value through other comprehensive income
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			
Translation differences			
Other			
Book value 31.12.2019	19.4	389.2	29,520.3

SENSITIVITY ANALYSIS

LOANS TO CUSTOMERS

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.

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 quarter, 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.

(NOK million)	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 value	
	Changes in market spread	Changes in market spread	Changes in market spread	Changes in market spread	+ 25 bp	- 25 bp
	+ 10 BP	- 10 BP	+ 25 bp	- 25 bp	+ 25 bp	- 25 bp
Increase/reduction in fair value at 31.12.2019	-3.4	3.4	-8.5	8.5	6.4	-6.9
Increase/reduction in fair value at 31.12.2018	-3.2	3.2	-8.0	8.0	-2.7	2.7

Note 07 | Segment information

PROFIT AND LOSS BY SEGMENT:

NOK million	Corporate				Retail			
	Q4		Full Year		Q4		Full Year	
	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income				3.7		97.7		382.5
Net fee and commission income				0.3		31.3		110.2
Other income				-13.5				
Total operating costs		-1.5		-7.2		-61.0		-257.0
Operating profit before loan losses	0.0	-1.5	0.0	-16.8	0.0	68.0	0.0	235.8
Loan losses		1.9		-3.5		-17.9		-23.0
Ordinary profit from continuing operations	0.0	0.3	0.0	-20.3	0.0	50.1	0.0	212.8
Ordinary profit from discontinued businesses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance sheet items:								
Gross loans to customers		29.0		29.0		28,477.4		28,477.4
Deposits from and due to customers		7.6		7.6		14,345.8		14,345.8
Key figures:								
Net interest income as % of total assets		-0.37 %		2.76 %		1.21 %		1.22 %
Cost/income ratio						47 %		52 %
Deposits from customers as % of gross loans		26 %		26 %		50 %		50 %
Total level of provisioning		48 %		48 %		41 %		41 %

(NOK million)	Treasury / Other				Total			
	Q4		Full Year		Q4		Full Year	
	2019	2018	2019	2018	2019	2018	2019	2018
Profit and loss items:								
Net interest income		2.0		-10.7	114.3	99.6	433.8	375.6
Net fee and commission income					27.5	31.3	106.7	110.5
Other income		-2.2		19.2	8.7	-2.2	20.9	5.7
Total operating costs		-0.1			-73.9	-62.5	-271.0	-264.2
Operating profit before loan losses	0.0	-0.3	0.0	8.5	76.6	66.2	290.4	227.5
Loan losses		0.0		-2.2	-4.5	-16.0	-18.3	-28.7
Ordinary profit from continuing operations	0.0	-0.3	0.0	6.2	72.1	50.2	272.0	198.7
Ordinary profit from discontinued businesses	0.0	0.0		-0.1	0.0	0.0	-0.1	-0.1
Balance sheet items:								
Gross loans to customers					30,238.0	28,506.4	30,238.0	28,506.4
Deposits from and due to customers		66.0		66.0	14,404.3	14,419.4	14,404.3	14,419.4
Key figures:								
Net interest income as % of total assets					1.31 %	1.18 %	1.26 %	1.16 %
Cost/income ratio					49 %	49 %	48 %	54 %
Deposits from customers as % of gross loans					48 %	51 %	48 %	51 %
Total level of provisioning					42 %	42 %	42 %	42 %

DESCRIPTION OF THE SEGMENTS:

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 decided in 2013 to wind up the corporate market at the bank.

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.

Securities issued and subordinated loan capital

(NOK million)	Storebrand Bank Group	
	31.12.2019	31.12.2018
Bond loans	17,420.7	15,715.4
Subordinated loan capital	276.0	276.3
Total securities issued and subordinated loan capital	17,696.7	15,991.7

SPECIFICATION OF COMMERCIAL PAPERS, BONDS ISSUED AND SUBORDINATED LOAN CAPITAL AS OF 31 DECEMBER 2019 - STOREBRAND BANK GROUP

NOK million							Book value
ISIN code	Issuer	Net nominal value	Currency	Interest	Maturity 1)		31.12.2019
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 loans		2,879.0					2,887.1

(NOK million)							Book value
ISIN code	Issuer	Net nominal value	Currency	Interest	Maturity 1)		31.12.2019
Covered bonds							
NO0010736903	Storebrand Boligkreditt AS	2,480.0	NOK	Floating	17.06.2020		2,481.3
NO0010760192	Storebrand Boligkreditt AS	4,000.0	NOK	Floating	16.06.2021		4,015.9
NO0010786726	Storebrand Boligkreditt AS	4,000.0	NOK	Floating	15.06.2022		4,015.2
NO0010813959	Storebrand Boligkreditt AS	4,000.0	NOK	Floating	20.06.2023		4,021.2
Total covered bonds ²⁾		14,480.0					14,533.6
Total commercial papers and bonds issued 31.12.2019		17,359.0					17,420.7
Total commercial papers and bonds issued 31.12.2018		15,629.0					15,715.4

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

2) For issued covered bonds, a regulatory requirement for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent for bonds issued before 21 June 2017 apply. In 2019 all covenants are fulfilled

(NOK million)						Book value
ISIN code	Issuer	Net nominal value	Currency	Interest	Call date	31.12.2019
Dated subordinated loan capital						
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 31.12.2019		275.0				276.0
Total subordinated loan capital 31.12.2018		275.0				276.3
Total securities issued and subordinated loan capital 31.12.2019						17,696.7
Total securities issued and subordinated loan capital 31.12.2018						15,991.7

Note 09 | 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. According to the capital requirement regulations, the valuation rules used in the company's accounts form the basis for consolidation. Consolidation is mainly carried out in accordance with the same principles as those used in the accounts, with all internal transactions eliminated, including shares, loans and deposits as well as other receivables and liabilities.

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 Pillar 2 requirement for Storebrand Bank is 1.8 per cent of the risk-weighted volume. From 31 March 2020 Finanstilsynet has stipulated the Pillar 2 requirement to be 1.3 per cent.

ELIGIBLE CAPITAL

STOREBRAND BANK ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
960.6	960.6	Share capital	960.6	960.6
1,115.2	1,371.1	Other equity	1,438.7	1,235.4
2,075.8	2,331.7	Total equity	2,399.2	2,196.0
-175.0	-225.0	Additional Tier 1 capital included in total equity	-225.0	-175.0
-1.0	-0.9	Accrued interest on capital instruments included in total equity	-0.9	-1.0
1,899.8	2,105.7	Total equity included in Core Equity Tier 1 (CET1)	2,173.3	2,020.0
		Deductions		
		Profit not included in the calculation of eligible capital		
-14.0	-12.9	AVA adjustments	-33.4	-31.1
-76.3	-84.2	Intangible assets	-84.2	-76.3
		Deferred tax asset		
		Provision for group contribution	-183.5	-114.8
		Addition		
		Group contribution received	184.0	69.8
1,809.4	2,008.6	Core Equity Tier 1 (CET1)	2,056.2	1,867.5
		Other Tier 1 capital		
175.0	225.0	Capital instruments eligible as Additional Tier 1 capital	225.0	175.0
		Capital instruments not eligible as Additional Tier 1 capital		
		Addition		
1,984.4	2,233.6	Tier 1 capital	2,281.2	2,042.5
		Tier 2 capital		
275.0	275.0	Subordinated loans	275.0	275.0
		Subordinated loans not eligible as Tier 2 capital		
		Tier 2 capital deductions		
2,259.4	2,508.6	Eligible capital (Tier 1 capital + Tier 2 capital)	2,556.2	2,317.5

MINIMUM CAPITAL REQUIREMENT

STOREBRAND BANK ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
663.9	677.2	Credit risk	950.6	910.9
		Of which:		
0.9	0.9	Local and regional authorities	1.4	1.0
206.9	212.3	Institutions	0.7	6.8
277.0	272.0	Loans secured in residential real estate	836.0	788.1
45.4	43.5	Retail market	52.8	52.4
9.2	8.9	Loans past-due	15.7	17.0
108.0	126.4	Covered bonds	23.4	17.9
16.4	13.2	Other	20.7	27.8
663.9	677.2	Total minimum requirement for credit risk	950.6	910.9
		Settlement risk		
0.0	0.0	Total minimum requirement for market risk	0.0	0.0
55.5	66.2	Operational risk	77.8	70.3
0.2	12.7	CVA risk ¹⁾	12.7	0.8
		Deductions		
719.5	756.1	Minimum requirement for net primary capital	1,041.2	982.0

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

CAPITAL ADEQUACY

Storebrand Bank ASA		Storebrand Bank Group	
31.12.2018	31.12.2019	31.12.2019	31.12.2018
25.1 %	26.5 %	Capital ratio	19.6 %
22.1 %	23.6 %	Tier 1 capital ratio	16.7 %
20.1 %	21.3 %	Core equity Tier 1 (CET1) capital ratio	15.2 %

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
8,298.7	8,465.1	Credit risk	11,883.0	11,386.6
		Of which:		
11.3	11.2	Local and regional authorities	16.9	12.8
2,586.8	2,654.3	Institutions	9.0	84.7
3,463.1	3,399.6	Loans secured in residential real estate	10,449.9	9,851.2
567.5	543.7	Retail market	659.4	654.9
115.0	111.7	Loans past-due	195.9	212.1
1,349.5	1,579.4	Covered bonds	292.7	223.5
205.0	165.1	Other	259.2	347.4
8,298.7	8,465.1	Total basis of calculation credit risk	11,883.0	11,386.6
		Settlement risk		
0.0	0.0	Total basis of calculation market risk	0.0	0.0
693.9	828.0	Operational risk	973.0	878.6
2.1	158.4	CVA risk	158.4	9.8
		Deductions		
8,994.8	9,451.5	Total basis of calculation of minimum requirements for capital base	13,014.4	12,274.9

Note
10

Key figures

NOK million and percentage	Storebrand Bank Group			
	Q4		Full Year	
	2019	2018	2019	2018
Profit and Loss account: (as % of avg. total assets)				
Net interest income	1.31 %	1.18 %	1.26 %	1.16 %
Other operating income ²⁾	0.41 %	0.37 %	0.37 %	0.36 %
Main balance sheet figures:				
Total assets			35,140.6	32,806.2
Average total assets ¹⁾	34,713.1	33,411.5	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⁾	0.00 %	0.22 %	0.06 %	0.10 %
Gross non-performing and loss-exposed loans as % of total loans			0.4 %	0.4 %
Cost/income ratio ³⁾	49.1 %	48.6 %	48.3 %	53.7 %
Adjusted return on equity ⁶⁾	10.1 %	7.6 %	9.9 %	7.5 %
Core equity Tier 1 (CET1) capital ratio			15.8 %	15.2 %
LCR ⁵⁾			179.0 %	198.0 %

Storebrand Bank ASA

(NOK million)	Q4		Full Year	
	2019	2018	2019	2018
Profit and Loss account: (as % of avg. total assets)				
Net interest income	1.41 %	1.13 %	1.31 %	1.07 %
Other operating income ²⁾	2.61 %	2.05 %	1.44 %	1.23 %
Main balance sheet figures:				
Total assets			20,792.3	20,033.0
Average total assets ¹⁾	20,639.2	21,180.3	20,628.2	20,880.0
Gross lending to customers			9,833.0	10,020.4
Deposits from customers			14,404.3	14,421.1
Deposits from customers as % of gross loans			146.5 %	143.9 %
Equity			2,331.7	2,075.8
Other key figures:				
Loan losses and provisions as % of average total loans ⁴⁾	0.15 %	0.60 %	0.17 %	0.26 %
Gross non-performing and loss-exposed loans as % of total loans			0.9 %	0.9 %
Cost/income ratio ³⁾	35.2 %	36.0 %	47.4 %	54.2 %
Core equity Tier 1 (CET1) capital ratio			21.3 %	20.1 %
LCR ⁵⁾			170.0 %	171.0 %

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 Measures" on our website www.storebrand.no/en/investor-relations/reporting-changes-and-special-effects.

Net interest income

STOREBRAND BANK GROUP

(NOK million)	Q4		Full Year	
	2019	2018	2019	2018
Interest on financial assets valued at amortised cost				
Interest on loans to credit institutions	2.9	1.6	11.0	6.4
Interest on loans to customer	10.2	10.6	41.6	42.8
Interest on commercial papers, bonds and other interest-bearing securities	5.4	2.1	17.4	6.0
Total interest on financial assets valued at amortised cost	18.5	14.3	70.0	55.3
Interest on financial assets valued at fair value through other comprehensive income (OCI)				
Interest on loans to customer	210.0	165.0	759.7	608.8
Total interest on financial assets valued at fair value through other comprehensive income (OCI)	210.0	165.0	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	15.9	9.5	58.5	38.7
Interest on loans to customer	3.0	2.1	11.7	11.1
Other interest income	0.1	0.1	0.2	1.6
Total interest on financial assets valued at fair value through profit and loss	19.0	11.6	70.4	51.4
Total interest income	247.5	191.0	900.0	715.5
Interest on financial liabilities valued at amortised cost				
Interest on debt to credit institutions	-1.4	-0.3	-2.5	-0.9
Interest on deposits from customers	-26.8	-21.5	-98.6	-84.1
Interest on securities issued	-94.3	-64.6	-337.6	-235.9
Interest on subordinated loan capital	-2.4	-1.9	-9.9	-7.5
Other interest expenses	-8.3	-2.9	-17.6	-11.6
Total interest on financial liabilities valued at amortised cost	-133.2	-91.3	-466.2	-340.0
Total interest expenses	-133.2	-91.3	-466.2	-340.0
Net interest income	114.3	99.6	433.8	375.6

STOREBRAND BANK ASA

(NOK million)	Q4		Full Year	
	2019	2018	2019	2018
Interest on financial assets valued at amortised cost				
Interest on loans to credit institutions	18.3	14.3	41.6	54.5
Interest on loans to customer	10.2	10.6	41.6	42.8
Interest on commercial papers, bonds and other interest-bearing securities	5.2	2.1	16.9	6.0
Total interest on financial assets valued at amortised cost	33.7	27.0	100.1	103.4
Interest on financial assets valued at fair value through other comprehensive income (OCI)				
Interest on loans to customer	72.8	59.8	266.9	215.4
Total interest on financial assets valued at fair value through other comprehensive income (OCI)	72.8	59.8	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	18.1	14.0	84.1	57.3
Interest on loans to customer	3.0	2.1	11.7	11.1
Other interest income	0.1	0.1	0.2	1.6
Total interest on financial assets valued at fair value through profit and loss	21.2	16.1	96.0	70.0
Total interest income	127.7	102.9	463.0	388.8
Interest on financial liabilities valued at amortised cost				
Interest on debt to credit institutions	-1.4	-0.3	-2.5	-0.9
Interest on deposits from customers	-26.8	-21.5	-98.6	-84.1
Interest on securities issued	-17.5	-15.8	-65.7	-60.5
Interest on subordinated loan capital	-2.4	-1.9	-9.9	-7.5
Other interest expenses	-6.1	-2.9	-15.4	-11.6
Total interest on financial liabilities valued at amortised cost	-54.3	-42.4	-192.1	-164.6
Total interest expenses	-54.3	-42.4	-192.1	-164.6
Net interest income	73.4	60.5	270.9	224.2

Note 12 | Off balance sheet liabilities and contingent liabilities

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
1.4	1.5	Guarantees	1.5	1.4
4,958.8	3,374.9	Unused credit limits	3,071.6	3,361.7
1,671.8	1,466.3	Loan commitments retail market	1,466.3	1,671.8
6,632.0	4,842.7	Total contingent liabilities	4,539.3	5,034.9
1,204.6	903.6	Booked value of bonds pledged as security for the bank's D-loan and F-loan facility with the Norwegian central bank	903.6	803.7
150.5	151.1	Booked value of bonds pledged as security with other credit institutions	151.1	50.3
1,355.1	1,054.8	Total book value of off balance sheet liabilities	1,054.8	854.0

Guarantees essentially encompass payment guarantees and contract guarantees. Unused credit facilities encompass granted and any unused credit accounts and credit cards, as well as, any unused flexible mortgage facilities.

Unused credit facilities reported in Storebrand Bank ASA as of 31 December 2019 includes NOK 1.5 billion to the subsidiary Storebrand Boligkreditt AS (see note 4).

Non-performing loans and loan losses

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
		Non-performing loans		
45.5	42.8	Non-performing loans without evidence of impairment	73.5	70.6
49.7	46.8	Loss-exposed loans with evidence of impairment	50.8	55.3
95.2	89.5	Gross non-performing and loss-exposed loans	124.3	125.9
-21.0	-19.1	Loan loss provisions on individual loans excl. statistical provisions (IFRS9)	-19.8	-21.2
74.1	70.4	Net non-performing and loss-exposed loans	104.5	104.6
		Key figures		
-45.5	-38.8	Total loan loss provisions (NOK million)	-40.4	-46.7
42 %	41 %	Level of provisioning for individual loss-exposed loans ¹⁾	39 %	38 %
48 %	43 %	Total level of provisioning ²⁾	32 %	37 %

1) Provisions for individual loan losses excl. statistical provisions in percent of loss-exposed loans with evidence of impairment.

2) Total loan loss provisions in per cent of gross non-performing and loss-exposed loans.

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 these 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. This is a change in the definition of non-performing loans compared to earlier periods and therefore the comparable figures are restated in the note.

LOSSES ON LOANS, GUARANTEES AND UNUSED CREDITS

Storebrand Bank ASA			Storebrand Bank Group	
31.12.2018	31.12.2019	NOK million	31.12.2019	31.12.2018
0.2	0.7	The periods change in impairment losses stage 1	0.8	0.0
-4.0	-5.2	The periods change in impairment losses stage 2	-5.1	-4.4
6.8	7.3	The periods change in impairment losses stage 3	6.8	8.1
-34.5	-21.4	Realised losses	-21.4	-35.7
2.8	1.3	Recoveries on previously realised losses	1.3	2.8
-0.1		Credit loss on interest-bearing securities		-0.1
0.5	-0.7	Other changes	-0.7	0.6
-28.2	-18.0	Loss expense for the period	-18.3	-28.7

LOAN PORTFOLIO AND GUARANTEES

(NOK million)	Storebrand Bank ASA		Storebrand Bank Group	
	31.12.2019 Book value	31.12.2018 Book value	31.12.2019 Book value	31.12.2018 Book value
Loans to customers at amortised cost	306.3	338.7	306.3	338.7
Loans to customers at fair value through profit and loss	389.2	220.2	389.2	220.2
Loans to customers at fair value through other comprehensive income (OCI)	9,137.6	9,461.4	29,542.5	27,947.4
Total gross loans to customers	9,833.0	10,020.4	30,238.0	28,506.4
Provision for expected loss Stage 1	-2.4	-2.6	-2.7	-3.0
Provision for expected loss Stage 2	-3.8	-3.0	-4.4	-3.7
Provision for expected loss Stage 3	-32.6	-39.8	-33.3	-40.1
Net loans to customers	9,794.2	9,975.0	30,197.6	28,459.7

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT AMORTISED COST

STOREBRAND BANK GROUP				
(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
STOREBRAND BANK ASA				
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

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

STOREBRAND BANK GROUP				
(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
STOREBRAND BANK ASA				
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

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

STOREBRAND BANK GROUP				
(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 loans	247.7	3.7		251.4
Derecognition	-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
STOREBRAND BANK ASA				
Gross loans 01.01.2019	193.3	26.9		220.2
Transfer to stage 1				
Transfer to stage 2				
Transfer to stage 3				
New loans	247.7	3.7		251.4
Derecognition	-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

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNSUED CREDITS

STOREBRAND BANK GROUP

(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 loans	144.5	15.9		160.4
Derecognition	-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	3,073.1

STOREBRAND BANK ASA

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 loans	179.2	15.9		195.1
Derecognition	-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

CHANGE IN LOAN LOSS PROVISIONS

STOREBRAND BANK GROUP

(NOK million)	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	
Loan loss provisions 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 impairment)	-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
ECL allowance on written-off (financial) assets		-0.2	-11.3	-11.5
Changes in models/risk parameters				
Foreign exchange and other changes				
Loan loss provisions 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

STOREBRAND BANK ASA

(NOK million)	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	
Loan loss provisions 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
ECL allowance on written-off (financial) assets		-0.2	-11.3	-11.4
Changes in models/risk parameters				
Foreign exchange and other changes				
Loan loss provisions 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

Periodic changes in individual write-downs, expected losses on loans (ECL), loan obligations and guarantees are listed above. Booked losses in the period are not included in the overview above.

Storebrand Bank Group does not have any expected write-downs (ECL) related to loans given to Norges Bank, credit institutions, certificates and bonds.

Quarterly income statement

STOREBRAND BANK GROUP

	Q4	Q3	Q2	Q1	Q4
NOK million	2019	2019	2019	2019	2018
Interest income	247.5	234.0	216.1	202.4	191.0
Interest expense	-133.2	-117.6	-109.9	-105.5	-91.3
Net interest income	114.3	116.4	106.2	96.9	99.6
Fee and commission income from banking services	32.3	31.7	30.5	29.2	33.9
Fee and commission expenses for banking services	-4.7	-3.8	-4.5	-3.8	-2.6
Net fee and commission income	27.5	27.8	26.0	25.4	31.3
Net gains/losses on financial instruments	8.7	0.7	2.6	8.9	-2.2
Total other operating income	8.7	0.7	2.6	8.9	-2.2
Staff expenses	-25.1	-23.6	-22.1	-16.6	-26.4
General administration expenses	-18.1	-16.8	-14.7	-16.9	-17.9
Other operating cost	-30.7	-26.8	-29.8	-29.9	-18.2
Total operating costs	-73.9	-67.2	-66.6	-63.4	-62.5
Operating profit before loan losses	76.6	77.7	68.2	67.9	66.2
Loan losses for the period	-4.5	-7.3	-5.2	-1.2	-16.0
Profit before tax	72.1	70.4	63.0	66.6	50.2
Tax	-10.6	-17.6	-20.6	-16.7	-12.7
Result after tax sold/discontinued operations				-0.1	
Profit for the year	61.4	52.8	42.4	49.8	37.4

STOREBRAND BANK ASA

	Q4	Q3	Q2	Q1	Q4
NOK million	2019	2019	2019	2019	2018
Interest income	127.7	119.4	111.8	104.1	102.9
Interest expense	-54.3	-47.9	-45.9	-44.1	-42.4
Net interest income	73.4	71.5	65.9	60.1	60.5
Fee and commission income from banking services	50.9	49.8	49.1	47.7	51.6
Fee and commission expenses for banking services	-4.7	-3.8	-4.4	-3.8	-2.5
Net fee and commission income	46.3	46.0	44.7	44.0	49.1
Net gains/losses on financial instruments	9.4	2.7	6.0	18.4	-3.8
Other income	80.3		-0.7		64.4
Total other operating income	89.7	2.7	5.2	18.4	60.6
Staff expenses	-25.0	-23.6	-22.1	-16.6	-26.3
General administration expenses	-18.1	-16.8	-14.7	-16.8	-17.9
Other operating cost	-30.6	-26.7	-29.0	-29.1	-17.1
Total operating costs	-73.7	-67.2	-65.7	-62.5	-61.3
Operating profit before loan losses	135.6	53.1	50.1	59.9	108.9
Loan losses for the period	-4.0	-7.5	-5.0	-1.6	-15.6
Profit before tax	131.7	45.6	45.1	58.3	93.2
Tax	-23.7	-12.1	-16.9	-15.2	-22.7
Profit for the year	108.0	33.5	28.3	43.1	70.5

Financial Calendar 2020



30 April	Results 1Q 2020
15 July	Results 2Q 2020
21 October	Results 3Q 2020
10 February 2021	Results 4Q 2020

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