

Interim report

Storebrand Boligkreditt AS



1st quarter
2014

Storebrand Boligkreditt AS

- interim report for the 1st quarter of 2014

(Result figures for the corresponding period in 2013 are shown in brackets.)

Balance figures in brackets are for the end of 2013.)

- Profit before tax of NOK 62 million for the first quarter
- Good portfolio quality
- Lending volume unchanged

Financial performance

Profit before tax for the quarter was NOK 62 million (NOK 46 million). This performance is in line with general market trends.

Net interest income amounts to NOK 65 million (NOK 55 million) for the quarter. Lending margins have increased in 2014 in line with market trends. As a percentage of average total assets, net interest income was 1.67 per cent (1.20 per cent) for the quarter.

Other operating income in the first quarter amounts to minus NOK 0.1 million (minus NOK 4 million), and primarily comes from changes in the market value of financial investments.

Operating costs are stable.

Losses in the portfolio are low, and in the first quarter the company recognised plus NOK 0.2 million (minus NOK 1.4 million) against loan losses.

Balance sheet performance

Total lending was almost unchanged in the quarter compared with the end of 2013, and amounts to NOK 14.8 billion (NOK 14.8 billion). Storebrand Bank and Storebrand Boligkreditt operate with conservative lending practices. The average loan-to-value ratio in the portfolio is 49 per cent, against 48 per cent at the end of 2013. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The risk in the loan portfolio is considered to be very low. The company has an over-collateralisation of 127 per cent (126 per cent).

The volume of non-performing loans at the end of the first quarter amounts to NOK 28 million (NOK 39 million), equivalent to 0.19 per cent of gross lending in the company (0.26 per cent). All the loans have a loan-to-value ratio within 70 per cent of market value or are fully written down. Individual loan write-downs amount to NOK 2 million at the end of the first quarter (NOK 2 million). At the end of the first quarter, group write-downs amount to NOK 1 million (NOK 1 million).

The company's total assets at the end of the first quarter of 2014 were NOK 15.6 billion compared with NOK 15.5 billion at the end of 2013.

At the end of the quarter, the company had issued covered bonds worth NOK 11.9 billion, with remaining terms of about 1 month to 5.5 years. NOK 9.2 billion of these bonds have been placed in the market, while the

remaining NOK 2.7 billion are being held in the parent bank. The bank has redeemed NOK 1.0 billion of a swap facility with covered bonds, administered by Norges Bank.

Storebrand Boligkreditt has a credit facility agreement with Storebrand Bank ASA for the day-to-day operations of the company including the purchase of loans from Storebrand Bank, and to cover interest and repayment on covered bonds for the next 12 months at any given time.

Equity in the company at the end of the quarter amounted to NOK 924 million. The net capital base at the end of the quarter, following the group contribution, amounted to NOK 879 million (NOK 879 million). The company's capital adequacy and core capital adequacy are 14.7 per cent (14.7 per cent). Storebrand Boligkreditt aims to comply with the applicable buffer capital requirements at all times. Storebrand Boligkreditt has satisfactory solvency and liquidity based on the company's business activities.

In 2014, Storebrand Boligkreditt will continue its core activity which is the acquisition and management of home mortgages from Storebrand Bank. The company is aiming for moderate growth in collateralisation during 2014.

The company is working systemically to adapt to the new statutory capital and capital buffer requirements in Norway.

The housing market and developments in total non-performing loans will be closely monitored. The work of ensuring good work procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt in 2014.

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

Since the balance sheet date there have not been any events, changes, occurrences or state of facts that, individually or in the aggregate, have had or could reasonably be expected to have a material effect on the interim financial statements.

Lysaker, 6 May 2014

The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

PROFIT AND LOSS ACCOUNT

NOK MILLION	NOTE	Q1		FULL YEAR
		2014	2013	2013
Interest income	3, 7	144.0	161.9	645.6
Interest expense	3, 7	-78.9	-107.4	-390.0
Net interest income	3	65.2	54.5	255.6
Commission income		0.0	0.0	0.1
Commission expense		0.0	0.0	0.0
Net commission income		0.0	0.0	0.1
Net gains on financial instruments	4	-0.1	-3.5	-5.5
Total other operating income		-0.1	-3.5	-5.5
Staff expenses		0.0	0.0	-0.1
General administration expenses		0.0	0.0	-0.1
Other operating costs	7	-3.7	-4.0	-15.9
Total operating costs		-3.7	-4.0	-16.1
Operating profit before loan losses		61.4	46.9	234.1
Loan losses for the period	10	0.2	-1.4	-2.0
Profit before tax		61.6	45.5	232.0
Tax	6	-16.6	-12.8	-64.8
Profit for the year		45.0	32.8	167.2

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q1		FULL YEAR
	2014	2013	2013
Profit for the period	45.0	32.8	167.2
Other comprehensive income			
Total comprehensive income for the period	45.0	32.8	167.2

Storebrand Boligkreditt AS

STATEMENT OF FINANCIAL POSITION

NOK MILLION	NOTE	31.03.2014	31.12.2013
Loans to and deposits with credit institutions	17	474.2	403.7
Financial assets designated at fair value through profit and loss:			
Derivatives	18	285.0	247.7
Other current assets	7	53.2	28.4
Gross lending	9	14 786.6	14 808.9
- Loan loss provisions on individual loans	10	-1.9	-2.4
- Loan loss provisions on groups of loans	10	-0.9	-0.7
Net lending to customers	17	14 783.8	14 805.9
Total assets		15 596.3	15 485.6
Liabilities to credit institutions	7, 11, 17	2 397.2	2 148.5
Other financial liabilities:			
Commercial papers and bonds issued	12, 17	12 254.6	12 219.0
Other liabilities	7	16.8	66.0
Deferred tax		3.9	3.9
Total liabilities		14 672.4	14 437.3
Paid in equity		844.0	844.0
Other equity		79.8	204.3
Total equity		923.8	1 048.3
Total liabilities and equity		15 596.3	15 485.6

Lysaker, 6 May 2014
The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

RECONCILIATION OF EQUITY

NOK MILLION	PAID IN CAPITAL				OTHER EQUITY			TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID IN EQUITY	TOTAL PAID IN EQUITY	REVENUE & COSTS APPLIED TO EQUITY	OTHER EQUITY	TOTAL OTHER EQUITY	
Equity at 31.12.2012	350.0	200.1	118.9	669.0	0.0	122.4	122.4	791.4
Profit for the period						167.2	167.2	167.2
Other comprehensive income								
Total other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	167.2	167.2	167.2
Equity transactions with the owner:								
Capital increase	105.0	70.0		175.0				175.0
Group contribution paid						-85.3	-85.3	-85.3
Equity at 31.12.2013	455.0	270.1	118.9	844.0	0.0	204.3	204.3	1 048.3
Profit for the period						45.0	45.0	45.0
Other comprehensive income								
Total other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	45.0	45.0	45.0
Equity transactions with the owner:								
Group contribution paid						-169.5	-169.5	-169.5
Equity at 31.03.2014	455.0	270.1	118.9	844.0	0.0	79.8	79.8	923.8

Storebrand Boligkreditt AS is 100 percent owned by Storebrand Bank ASA. Number of shares are 35.000.000 of nominal value NOK 13 per share.

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

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

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

For further information on the company's fulfilment of the capital requirements, see note 14.

Storebrand Boligkreditt AS

CASH FLOW STATEMENT

NOK MILLION	31.03.2014	31.3.2013
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	145.1	160.2
Net disbursements/payments on customer loans	-3.5	-216.7
Net receipts/payments on securities	-0.1	-3.5
Payments of operating costs	-3.8	-4.4
Net cash flow from operations	137.7	-64.4
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-0.7	-297.3
Receipts - new loans and issuing of bond debt	248.7	719.4
Payments - interest on loans	-79.8	-109.7
Payments - group contribution	-235.4	-118.5
Net cash flow from financing activities	-67.2	193.9
Net cash flow in the period	70.5	129.5
Cash and bank deposits at the start of the period	403.7	408.3
Cash and bank deposits at the end of the period	474.2	537.8

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.03.2014. See also Note 11.

The cash flow analysis shows the company's cash flows for operations, investment and financing activities pursuant to the direct method. The cash flows show the overall change in cash and bank deposits over the year.

Operations

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

Investment activities

Includes cash flows from tangible fixed assets.

Financing activities

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

Cash and bank deposits

Cash and bank deposits are defined as lending to and claims on financial institutions.

Notes Storebrand Boligkreditt AS

NOTE 1 ACCOUNTING PRINCIPLES

The interim accounts for Q1 2014 are prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required for full annual accounts prepared in accordance with all the current IFRS standards. The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2012 annual report, and the interim financial statements are prepared with respect to these accounting policies with the exceptions discussed in more detail below. Changes to the IFRS rules that now apply or can be used for IFRS financial statements prepared after 1 January 2014 are shown below. The changes have not caused significant effects on Storebrand Boligkreditt's interim financial statements.

New IFRS 10: Consolidated financial statements
 New IFRS 11: Joint Arrangements
 New IFRS 12: Disclosure of interests in other entities
 Amendment in IAS 27: Separate financial statements
 Amendment in IAS 28: Investments in associates and joint ventures
 Amendment in IAS 32: Financial instruments – Presentation
 Amendment in IAS 36: Impairment of assets
 Amendment in IAS 39: Financial instruments

NOTE 2 ESTIMATES

The preparation of the interim accounts involves the use of estimates and assumptions that have an effect on assets, liabilities, revenue, costs, the notes to the accounts and information on potential liabilities. In the future, actual experience may deviate from the estimates used. Please refer to note 1 and 2 in the annual report and accounts for 2013.

NOTE 3 NET INTEREST INCOME

NOK MILLION	Q1		FULL YEAR
	2014	2013	2013
Interest and other income on loans to and deposits with credit institutions	1.9	2.9	10.2
Interest and other income on loans to and due from customers	142.1	159.0	635.5
Interest on short-term debt instruments, bonds and other interest-bearing securities			
Other interest income			
Total interest income	144.0	161.9	645.6
Interest and other expenses on debt to credit institutions	-11.5	-33.5	-101.4
Interest and other expenses on deposits from and due to customers			
Interest and other expenses on securities issued	-67.4	-73.9	-288.7
Interest and other expenses on subordinated loan capital			
Other interest expenses			
Total interest expenses	-78.9	-107.4	-390.0
Net interest income	65.2	54.5	255.6

Notes Storebrand Boligkreditt AS

NOTE 4 NET GAINS FROM FINANCIAL ASSETS AND LIABILITIES

NOK MILLION	Q1		FULL YEAR
	2014	2013	2013
<i>Fair value hedging</i>			
Realised gain/loss on derivatives and bonds issued, fair value hedging		-2.8	-2.8
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-0.1	-0.7	-2.7
Net gain/loss on financial instruments at fair value hedging	-0.1	-3.5	-5.5
<i>Bonds issued</i>			
Realised gain/loss on bonds issued at amortised cost			
Total gain/loss on bonds issued at amortised cost	0.0	0.0	0.0
Net gains from financial assets and liabilities	-0.1	-3.5	-5.5

The note includes gain and loss on financial derivatives, net gain and loss on fair value hedging and bonds issued. Other financial assets and liabilities are not included in the note.

NOTE 5 KEY FIGURES

NOK MILLION	Q1		FULL YEAR
	2014	2013	2013
Profit and Loss account: (as % of avg. total assets) ¹⁾			
Net interest income	1.67%	1.20%	1.48%
Main balance sheet figures:			
Total assets	15 596.3	18 421.8	15 485.6
Average total assets	15 513.3	18 344.8	17 320.1
Gross lending to customers	14 786.6	17 496.8	14 808.9
Equity	923.8	738.9	1 048.3
Other key figures:			
Loan losses and provisions as % of average total lending	-0.01%	0.03%	0.01%
Individual loan loss provisions as % of gross loss-exposed loans ³⁾	12.4 %	11.1 %	8.6 %
Cost/income ratio	5.7 %	7.9 %	6.4 %
Return on equity before tax ²⁾	24.3 %	23.5 %	25.8 %
Core (tier 1) capital ratio	14.7 %	10.3 %	14.7 %

Definitions:

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

²⁾ Annualised profit before tax adjusted for hedging ineffectiveness as % of average equity.

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

Notes Storebrand Boligkreditt AS

NOTE 6 TAX

Tax cost is based on an expected average tax rate of 27% of company's profit before tax adjusted for permanent difference if there are any differences.

NOTE 7 CLOSE ASSOCIATES

Transactions with group companies as at 31 March 2014:

NOK MILLION	STOREBRAND BANK ASA	OTHER GROUP COMPANIES
Interest income	1.2	
Interest expense	25.9	
Services sold		
Services purchased	3.1	0.2
Due from	335.6	
Liabilities to	2 397.2	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 2.7 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 March 2014.

Storebrand Boligkreditt AS has no employees, and purchases personnel resources from Storebrand Bank ASA and services including accounting functions from Storebrand Livsforsikring AS. All loans made by the company are purchased from Storebrand Bank ASA pursuant to an agreement entered into with Storebrand Bank ASA to purchase loans, as well as a management agreement with Storebrand Bank ASA for management of the loan portfolio. In outline terms, the management agreement involves the company paying fees to Storebrand Bank ASA for management of the company's loan portfolio. In addition, the company has entered into agreements with Storebrand Bank ASA for two credit facilities to finance loans purchased and settlement of covered bonds (see Note 11).

NOTE 8 SEGMENT INFORMATION

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for Q1 2014 therefore relate entirely to the Retail Lending segment.

Notes Storebrand Boligkreditt AS

NOTE 9 LOAN TO VALUE RATIOS AND COLLATERAL

NOK MILLION	31.03.2014	31.12.2013
Gross lending ¹⁾	14 786.6	14 808.9
Average loan balance	1.5	1.5
No. of loans	9 741	9 861
Weighted average seasoning (months)	39	39
Weighted average remaining term (months)	203	202
Average loan to value ratio	49%	48%
Over-collateralisation ²⁾	126.7 %	126.3 %
Cover pool:		
Residential mortgages ¹⁾	14 704.1	14 715.0
Supplementary security	473.9	403.3
Total	15 178.0	15 118.3

¹⁾ In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2013 the company had NOK 55.9 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2013, the company has 14 non-performing loans, equivalent to NOK 27.5 million. There are 8 non-performing loans with evidence of impairment of NOK 11.0 million where the impairment is assessed to be NOK 2.4 million. Non-performing loans are not included in the cover pool.

²⁾ Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 11.9 billion (nominal value).

NOTE 10 NON-PERFORMING LOANS AND LOAN LOSSES

NOK MILLION	31.03.2014	31.12.2013
Non-performing loans		
Non-performing loans without evidence of impairment	15.4	27.5
Loss-exposed loans with evidence of impairment	12.3	11.0
Gross non-performing and loss-exposed loans	27.8	38.5
Loan loss provisions on individual loans	-1.9	-2.4
Net non-performing and loss-exposed loans	25.9	36.1
Key figures		
Net non-performing and loss-exposed loans as % of gross lending	0.19%	0.26%

Commitments are regarded as non-performing and loss-exposed:

- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn. If a repayment plan has been agreed with the customer and is being adhered to, the overdraft is not regarded as a non-performing loan.

When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing. The number of days is counted from when the arrears exceed NOK 2,000. The account is given a clean bill of health when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

Notes Storebrand Boligkreditt AS

NOTE 11 LIABILITIES TO CREDIT INSTITUTIONS

The company has two credit facilities with Storebrand Bank ASA. The first agreement is used for general operations, such as the acquisition of home mortgages from Storebrand Bank. The second agreement may be used for repayment of interest and principal on covered bonds and related derivatives. At all times, the size of the available credit facility should cover the interest and repayment of covered bonds for the coming 12 months.

NOTE 12 COMMERCIAL PAPERS AND BONDS ISSUED

Covered bonds:

NOK MILLION					BOOK VALUE
<i>ISIN Code</i>	NOMINAL VALUE	CURRENCY	INTEREST	MATURITY ¹⁾	31.03.2014
NO0010466071	850.0	NOK	Fixed	24.04.2014	899.1
NO0010428584	1 000.0	NOK	Fixed	06.05.2015	1 089.5
NO0010548373	1 250.0	NOK	Fixed	28.10.2019	1 407.2
NO0010507809	2 040.0	NOK	Floating	27.04.2015	2 047.1
NO0010638307	1 000.0	NOK	Floating	17.06.2015	1 000.7
NO0010575913	646.5	NOK	Floating	03.06.2016	647.7
NO0010612294	2 000.0	NOK	Floating	15.06.2016	1 998.0
NO0010635071	2 650.0	NOK	Floating	21.06.2017	2 665.4
NO0010660822	500.0	NOK	Floating	20.06.2018	500.0
Total commercial papers and bonds issued					12 254.6

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

The loan agreements contain standard covenants. Under the loan programme the company's overcollateralisation requirement was 109.5 per cent fulfilled. In 2013, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

NOTE 13 OFF BALANCE SHEET LIABILITIES AND CONTINGENT LIABILITIES

NOK MILLION	31.03.2014	31.12.2013
Undrawn credit limits	1 777.7	1 732.5
Total contingent liabilities	1 777.7	1 732.5

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

The company has not pledged nor received any collateral.

Notes Storebrand Boligkreditt

NOTE 14 CAPITAL ADEQUACY

Net primary capital

NOK MILLION	31.03.2014	31.12.2013
Share capital	455.0	455.0
Other equity	468.8	593.3
Total equity	923.8	1 048.3
Deductions		
Provision for group contribution		-169.5
Profit not included in the calculation of net primary capital	-45.0	
Core capital exc. Hybrid Tier 1 capital	878.9	878.9
Deductions		
Core capital	878.9	878.9
Deductions		
Net primary capital	878.9	878.9

Minimum capital requirement

NOK MILLION	31.03.2014	31.12.2013
Credit risk	455.8	454.5
Of which:		
Institutions	13.0	10.9
Loans secured against real estate	430.7	431.0
Loans past-due	1.8	2.9
Other	10.3	9.9
Total minimum requirement for credit risk	455.8	454.7
Total minimum requirement for market risk	0.0	0.0
Operational risk ¹⁾	22.8	22.8
Deductions		
Loan loss provisions on groups of loans	-0.1	-0.1
Minimum requirement for net primary capital	478.6	477.5

Notes Storebrand Boligkreditt

NOTE 14 CAPITAL ADEQUACY (continued)

Capital adequacy

	31.03.2014	31.12.2013
Capital ratio	14.7 %	14.7 %
Core (tier 1) capital ratio	14.7 %	14.7 %
Core capital ratio excl. Hybrid Tier 1 capital	14.7 %	14.7 %

The standard method is used for credit risk and market risk, and the basic method for operational risk. New capital requirements came into force from 1 July 2013. The overall requirements for core tier 1 capital and the capital base are 9 and 12.5 per cent respectively as of 1 July 2013, and 10 and 13.5 per cent respectively as of 1 July 2014. The introduction of a counter-cyclical capital buffer of 1 per cent core tier 1 capital should be expected from 30 June 2015.

Basis of calculation (risk-weighted volume)

NOK MILLION	31.03.2014	31.12.2013
Credit risk	5 697.3	5 680.7
Of which:		
Institutions	163.1	136.3
Loans secured against real estate	5 383.8	5 387.1
Loans past-due	22.0	35.7
Other	128.4	124.2
Total basis of calculation credit risk	5 697.3	5 683.4
Total basis of calculation market risk	0.0	0.0
Operational risk	285.5	285.5
Deductions		
Loan loss provisions on groups of loans	-0.9	-0.7
Total basis of calculation of minimum requirements for capital base	5 981.9	5 968.2

Notes Storebrand Boligkreditt

NOTE 15 QUARTERLY PROFIT AND LOSS

NOK MILLION	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Interest income	144.0	149.4	162.3	172.0	161.9	161.1	159.5	161.8
Interest expense	-78.9	-84.0	-93.2	-105.5	-107.4	-110.1	-119.2	-122.2
Net interest income	65.2	65.4	69.2	66.5	54.5	51.0	40.3	39.6
Fee and commission income from banking services								
Fee and commission expenses for banking services								
Net fee and commission income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net gains on financial instruments	-0.1	-0.2	-0.4	-1.3	-3.5	0.1	-0.5	1.2
Total other operating income	-0.1	-0.2	-0.4	-1.3	-3.5	0.1	-0.5	1.2
Staff expenses		-0.1				-0.1		-0.1
General administration expenses								-0.1
Other operating cost	-3.7	-3.7	-4.3	-4.0	-4.0	-4.0	-4.1	-4.2
Total operating costs	-3.7	-3.8	-4.3	-4.0	-4.0	-4.1	-4.1	-4.4
Operating profit before loan losses	61.4	61.5	64.5	61.2	46.9	47.1	35.7	36.4
Loan losses for the period	0.2	0.9	-1.2	-0.3	-1.4	0.0	-0.8	-0.5
Profit before tax	61.6	62.4	63.2	60.9	45.5	47.1	34.9	35.9
Tax	-16.6	-17.3	-17.7	-17.1	-12.8	-13.2	-9.8	-10.1
Profit for the year	45.0	45.0	45.5	43.9	32.8	33.9	25.1	25.8

NOTE 16 RISK

The market value of Storebrand Boligkreditt's financial assets and liabilities varies due to financial market risks. Note 3 to note 7 of the 2013 Annual report explains the company's financial risks which also is representative of the financial risks as per 31 March 2014.

Notes Storebrand Boligkreditt

NOTE 17 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

NOK MILLION	31.03.2014		31.12.2013	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Financial assets				
Loans to and deposits with credit institutions	474.2	474.2	403.7	403.7
Lending to customers	14 783.8	14 783.8	14 805.9	14 805.9
Financial liabilities				
Deposits from and due to credit institutions	2 397.2	2 397.2	2 148.5	2 148.5
Commercial papers and bonds issued	12 254.6	12 345.9	12 219.0	12 312.9

All of the loans are mortgages subject to variable interest rates in which the loan's interest rate can be adjusted at short notice. This had a minimal effect on the valuation of the loans. The fair value of lending to customers with variable interest is stated at amortised cost with deduction of individual write-downs and group write-downs. The fair value of lending and liabilities to financial institutions is based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers.

Fair value classified per level

NOK MILL.	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE 31.03.2014	FAIR VALUE 31.12.2013
	QUOTED PRICES	OBSERVABLE ASSUMPTIONS	NON-OBSERVABLE ASSUMPTIONS		
Financial assets					
Loans to and deposits with credit institutions		474.2		474.2	403.7
Lending to customers		14 783.8		14 783.8	14 805.9
Total fair value at 31.12.2013		15 209.6			
Financial liabilities					
Deposits from and due to credit institutions		2 397.2		2 397.2	2 148.5
Commercial papers and bonds issued		12 345.9		12 345.9	12 312.9
Total fair value at 31.12.2013		14 461.3			

Notes Storebrand Boligkreditt

NOTE 18 VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Storebrand Boligkreditt AS conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value.

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

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

The Storebrand Group categorises financial instruments that are valued at fair value into three different levels which are described in more detail in the Annual report for 2013. The levels express the differing degrees of liquidity and different measurement methods used.

Specification of financial assets at fair value

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE 31.03.2014	FAIR VALUE 31.12.2013
	QUOTED PRICES	OBSERVABLE ASSUMPTIONS	NON-OBSERVABLE ASSUMPTIONS		
Interest rate derivatives		285.0		285.0	247.7
Total derivatives	0.0	285.0	0.0	285.0	247.7
Derivatives with a positive fair value		285.0		285.0	247.7
Derivatives with a negative fair value					
Total derivatives 31.12.2012		247.7			

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

Translation from the original Norwegian version

To the board of Storebrand Boligkreditt AS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the statement of financial position of Storebrand Boligkreditt AS as of 31 March 2014, and the related statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the three-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by EU.

Oslo, 6 May 2014
Deloitte AS

Ingebret G. Hisdal (signed)
State Authorized Public Accountant (Norway)

Company information

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Åse Jonassen CEO

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Geir Holmgren	Deputy chairman
Thor Bendik Weider	Board Member
Leif Helmich Pedersen	Board Member

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Other sources of information:

The Annual Report and interim reports of Storebrand Boligkreditt AS are published on www.storebrand.no.