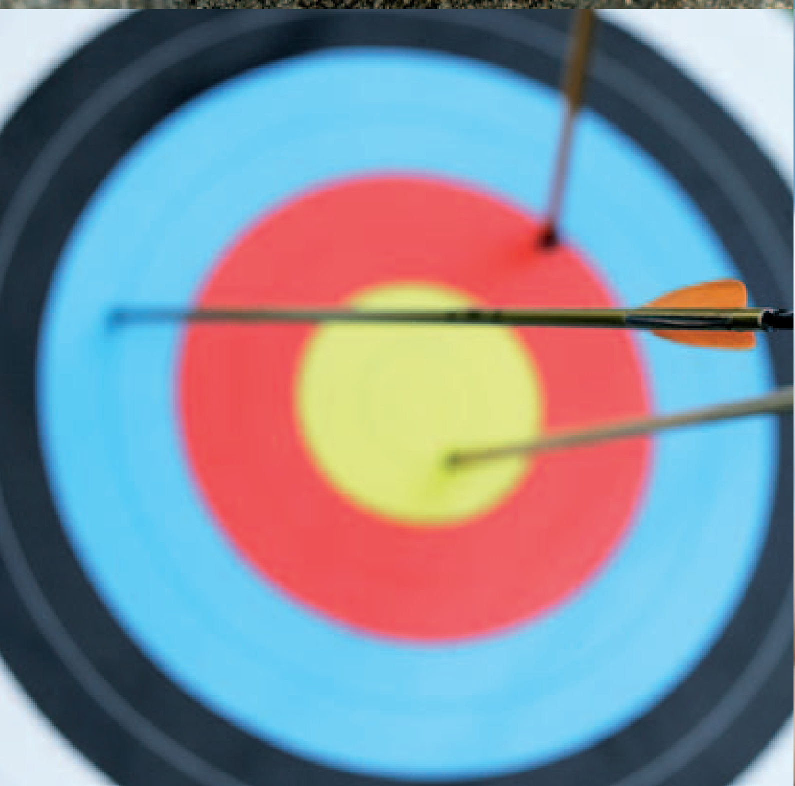
Storebrand Boligkreditt AS

4th Quarter 2009

storebrand



Storebrand Boligkreditt AS

- interim report for and as of Q4 2009

(Figures for the corresponding period in 2008 shown in brackets)

- Pre-tax profit of NOK 27 million for Q4 and NOK 105 million for the full year
- Lending volume NOK 12.9 billion, a reduction of 2.3% in the quarter
- Average loan-to-collateral value ratio stable
- NOK 1 billion of 10 year bonds issued during the quarter
- EUR 95 million of bond issue due in 2010 bought back
- Core (tier 1) capital ratio of 12.5%
- Good liquidity

Financial performance
The pre-tax profit was NOK 27 million for Q4 and NOK 105 million for the full year. This is on a par with the result in Q3 and was due to the company now being fully operational and having a stable lending volume.

Net interest income amounted to NOK 29 million for Q4 and NOK 117 million (NOK 25 million) for 2009. Net interest income as a percentage of average total assets was 0.81% for Q4 and 0.90% for the full year, compared to 0.36% for the full year 2008. The change in Q4 was primarily due to the changed balance sheet structure compared to the previous quarter.

Other income was affected by developments in the financial market and saw a reduction in Q4 compared to Q3.
Net income and gains from financial instruments at fair value had a negative effect on the result of NOK 1.6 million (minus NOK 2.3 million) for Q4 and a positive effect of NOK 3.1 million (minus NOK 3.7 million) for the full year. The liquidity portfolio was stable in Q4. The reduction since year-end 2008 of almost NOK 50 million was due to the maturing of fixed income securities in June 2009.

Operating costs totalled NOK 3.9 million in Q4 and NOK 15.1 million for the full year. Costs as a percentage of income remained stable and was 12.8% for Q4 and 12.5% for the full year, compared to 45% for the full year 2008. The company primarily purchases services from Storebrand Bank ASA and Storebrand Livsforsikring AS.

Development of the balance sheet
The lending volume decreased in Q4 from NOK 13.2 billion at the close of Q3 to NOK 12.9 billion as per 31 December 2009. The company's collateral and lending portfolio were regarded as good at the close of the quarter and its average loan-to-collateral value ratio was 51% as per 31 December 2009, an increase since 2008. An increase in the volume of non-performing and loss-exposed loans since Q3 was registered at the close of Q4. The reason for this is the changed definition of non-performing and loss exposed, which results in an increase in non-performing and loss exposed without impairment, without a corresponding increase in risk. The volume of non-performing and loss exposed pursuant to the new definition amounted to NOK 12.4 million as per 1 January 2009, which results in an increase in 2009 of NOK 20.7 million. The volume of non-performing and loss exposed pursuant to the new definition amounted to NOK 33.3 million as per 31 December 2009, equivalent to 0.25% of gross lending in the company. The management does not believe there is a need for individual write-downs in connection with these commitments. Due to the development of the volume of non-performing and loss-exposed loans and macro factors, the group write-downs decreased in Q4 and amounted to NOK 1.1 million (NOK 0.7 million) at year-end 2009. The company has significant surplus collateral relative to the covered bonds it has issued. It has therefore not invested in any additional collateral.

The company's assets under management at the close of Q4 totalled NOK 13.7 billion. The lending portfolio amounted to NOK 12.9 billion and relates entirely to lending in the retail customer segment. The company's liquidity portfolio amounted to NOK 260 million at year-end 2009, unchanged during the quarter.

During the quarter the company bought back a further EUR 95 million of issued bonds due in 2010. At year-end 2009 the net issued amounts to EUR 141 million of the originally issued amount of EUR 500 million. The company issued NOK 1 billion of 10 year bonds during the quarter. The bonds were in their entirety purchased by the parent company Storebrand Bank ASA and used in the swap scheme with the government.

At the close of the quarter the company had drawn NOK 2.0 billion from the company's drawing facility of NOK 5 billion with its parent company, Storebrand Bank ASA. The company's overdraft was reduced from NOK 10 billion to NOK 5 billion during the quarter. The company's liquidity is deemed satisfactory and the liquidity risk is regarded as having changed little since the last report.

The capital ratio at year-end 2009 was 12.5% and its core (tier 1) capital ratio was 12.5%. Net primary capital at year-end 2009 amounted to NOK 633 million. Primary capital includes result allocations and received group contributions.

No events have occurred since the balance sheet date that would be material to the interim accounts.

Developments in the capital market, interest rate levels, unemployment and the housing market are considered the most significant risk factors that could affect the company's accounting figures over the next six months.

Lysaker, 16 February 2010
The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

PROFIT AND LOSS ACCOUNT

NOK 1000	NOTE	Q4 2009	Q4 2008	FULL YEAR 2009	FULL YEAR 2008
Interest income	6	113 842	200 865	503 898	473 055
Interest expense	6	-84 878	-194 144	-386 596	-448 392
Net interest income	**3**	**28 964**	**6 720**	**117 301**	**24 662**
Commission income		13	18	65	49
Commission expense					
Net commission income		**13**	**18**	**65**	**49**
Net gains on financial instruments at fair value	4	1 560	-2 328	3 102	-3 723
Other income					
Total other operating income		**1 560**	**-2 328**	**3 102**	**-3 723**
Staff expenses		-69	12	-182	-100
General administration expenses		-97	-8	-333	-353
Other operating costs	6	-3 737	-2 140	-14 580	-9 048
Total operating costs		**-3 903**	**-2 137**	**-15 095**	**-9 501**
Operating profit before losses and other items		**26 634**	**2 274**	**105 373**	**11 487**
Loss provisions on loans and guarantees	9	461	-100	-404	-666
Profit before tax		**27 095**	**2 174**	**104 969**	**10 821**
Tax	5	-7 588	-609	-29 393	-3 030
Profit for the year		**19 507**	**1 565**	**75 576**	**7 791**

STATEMENT OF COMPREHENSIVE INCOME

NOK 1000	NOTE	Q4 2009	Q4 2008	FULL YEAR 2009	FULL YEAR 2008
Other comprehensive income					
Profit for the period		19 507	1 565	75 576	7 791
Total comprehensive income for the period		**19 507**	**1 565**	**75 576**	**7 791**

Storebrand Boligkreditt AS

STATEMENT OF FINANCIAL POSITION

NOK 1000	NOTE	31.12.2009	31.12.2008
Loans to and deposits with credit institutions		58 375	49
Financial assets designated at fair value through profit and loss:			
Bonds and other fixed-income securities	10, 16	260 443	310 819
Derivatives	16	417 216	914 779
Other current assets	6	85 980	72 743
Gross lending	8	12 871 239	11 617 812
- Write-downs of individual loans	9		
- Write-downs of groups of loans	9	-1 070	-666
Net lending to customers		12 870 169	11 617 146
Deferred tax assets			1 770
Total assets		**13 692 183**	**12 917 306**
Liabilities to credit institutions	6, 11	1 978 419	1 005 346
Other financial liabilities:			
Derivatives	16	90 750	
Commercial paper and bonds issued	12	10 918 644	11 313 547
Other liabilities	6	69 131	40 538
Deferred tax		1 790	
Total liabilities		**13 058 733**	**12 359 431**
Paid-in equity		604 522	557 875
Other equity		28 928	
Total equity		**633 450**	**557 875**
Total liabilities and equity		**13 692 183**	**12 917 306**

Lysaker, 16 February 2010

The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

KEY FIGUES

NOK 1000	Q4 2009	Q4 2008	FULL YEAR 2009	FULL YEAR 2008
Profit and Loss account: (as % of avg. total assets) 1)				
Net interest income 2)	0.81 %	0.65 %	0.90 %	0.36 %
Main balance sheet figures:				
Total assets			13 692 183	12 917 306
Average total assets	13 042 474	11 130 913	13 057 939	6 813 043
Total lending to customers			12 871 239	11 617 812
Equity			633 450	557 875
Other key figures:				
Total non-interest income as % of total income	5.15 %	-52.38 %	2.63 %	-17.50 %
Loan losses and provisions as % of average total lending	-0.01 %	0.00 %	0.00 %	0.01 %
Individual impairment loss as % of gross defaulted loans 4)			3.22 %	25.62 %
Costs as % of operating income	12.78 %	48.45 %	12.53 %	45.27 %
Return on equity after tax 3)			12.74 %	2.25 %
Capital ratio			12.5 %	11.0 %

Definitions:

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

2) Annualised net interest income adjusted for hedging ineffectiveness.

3) Annualised profit after tax adjusted for hedging ineffectiveness as % of average equity.

4) Gross defaulted loans with identified loss of value .

Storebrand Boligkreditt AS

CHANGES IN EQUITY

NOK 1000	PAID-IN CAPITAL SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-IN CAPITAL	TOTAL PAID-IN CAPITAL	OTHER EQUITY REVENUE & COSTS APPLIED TO EQUITY	OTHER EQUITY	TOTAL OTHER EQUITY	TOTAL EQUITY
Equity at 31.12.2007	50 000	30 084		80 084			0	80 084
Profit for the period				0		7 791	7 791	7 791
Pension experience adjustments								
Total other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**7 791**	**7 791**	**7 791**
Equity transactions with the owner:								
Capital increase paid in	300 000	170 000		470 000			0	470 000
Group contribution received			12 341	12 341			0	12 341
Provision for group contribution			-4 550	-4 550		-7 791	-7 791	-12 341
Equity at 31.12.2008	**350 000**	**200 084**	**7 791**	**557 875**	**0**	**0**	**0**	**557 875**
Profit for the period				0		75 576	75 576	75 576
Pension experience adjustments								
Total other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**75 576**	**75 576**	**75 576**
Equity transactions with the owner:								
Group contribution received			46647	46647			0	46647
Provision for group contribution				0		-46 647	-46 647	-46 647
Other changes				0		-1	-1	-1
Equity at 31.12.2009	**350 000**	**200 084**	**54 438**	**604 522**	**0**	**28 928**	**28 928**	**633 450**

Storebrand Boligkreditt AS is 100 percent owned by Storebrand Bank ASA. Number of shares are 35.000.000 of nominal value NOK 10 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 fund and other equity is evaluated and managed together. The share premium fund may be used to cover a loss, and other equity may be used in accordance with the provisions of the Companies Act.
Storebrand Boligkreditt pays particular attention to the active management of equity in the company. This management is tailored to the business-related financial risk and capital requirements in which the composition of its business areas and their growth will be an important driver for the company's capital requirements. The goal of the capital management is to ensure an effective capital structure and reserve an appropriate balance between internal goals in relation to regulatory and the rating companies' requirements. If there is a need for new equity, this must be procured 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 carry the greatest significance in its capital management.
The company's goal is to achieve a core (tier 1) capital ratio of 10% over time. In general, the equity of the company can be managed without material restrictions if the capital requirements are met and the respective legal entities have adequate solidity. For further information on the company's fulfilment of the capital requirements, see note 14.

Storebrand Boligkreditt AS

CASH FLOW STATEMENT

NOK 1000	31.12.2009	31.12.2008
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	519 619	741 789
Net disbursement/payments on customer loans	-1 263 495	-11 583 112
Net receipts/payments - securities at fair value	56 807	-303 254
Payments of operating costs	-14 648	-9 425
Net cash flow from operating activities	**-701 717**	**-11 154 002**
Cash flow from investment activities		
Net payments on purchase/sale of fixed assets etc.		
Net cash flow from investment activities	**0**	**0**
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-1 397 500	
Receipts - new loans and issuing of bond debt	2 500 010	10 914 817
Payments - interest on loans	-337 668	-310 850
Receipts - issuing of share capital and other equity		470 000
Receipts - group contribution	12 341	
Payments - group contribution	-17 140	-487
Net cash flow from financing activities	**760 043**	**11 073 480**
Net cash flow in period	**58 326**	**-80 522**
Cash and bank deposits at the start of the period	49	80 571
Cash and bank deposits at the end of the period	**58 375**	**49**

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.09. See also Note 11.

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

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

Investment activities
Includes cash flows from tangible fixed assets.

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

Cash/cash equivalents
Cash/cash equivalents are defined as claims on central banks and lending to and claims on financial institutions.
Last year's figures have been restated in accordance with this definition.

Notes to the accounts

NOTE 1 ACCOUNTING PRINCIPLES

The interim accounts for the fourth quarter of 2009 are prepared in accordance with the Norwegian regulations for the annual accounts of banks and finance companies etc., and 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 company has elected to apply Section 1-5 of the regulations for the annual accounts of banks and finance companies etc. that provides for "Simplified application of international accounting standards", (hereinafter termed simplified IFRS). A description of the accounting principles applied by the company in preparing the accounts is found in the Annual report for 2008 with exception of the changes described below. See www.storebrand.no.

NEW AND AMENDED STANDARDS
IAS 1 Presentation of Financial Statements
The revised standard entails some changes to the layout of the equity statement and the statement of non-owner transactions. Storebrand has amended the statements with respect to these changes in accordance with IAS 34, which has been changed in lines with the revised IAS 1 Presentation of Financial Statements. The changes to IAS 1 have no effect on the reporting of the company's financial position.

IFRS 8 Operating Segments
IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting, is based to a greater degree on the management's internal monitoring. Storebrand Boligkreditt's segment reporting was previously also based on the management's internal monitoring and the transition to IFRS 8 therefore entails no changes in segment reporting. Nor have any changes been made to the measurement of the segment results, which is based on principles used in IFRS in the financial statements.

The changes to IAS 1 and IFRS 8 came into force on 1 January 2009. Both standards relate to notes to the accounts and their implementation therefore has no effect on the measurement or periodising of the items in the financial statements for the accounting period.

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. In the opinion of the Board of Directors, the interim accounts are based on best estimates at the time the accounts were prepared.

The risk of experiencing a loss in the portfolio has increased somewhat due to the recent financial instability and the uncertainty in the real estate and housing markets, which means increased uncertainty in the assessment of the size of individual and group write-downs. The company changed its definition of non-performing and loss-exposed loans in Q4, which resulted in more loans being defined as non-performing and loss exposed. See the new definition in note 9.

Notes to the accounts

NOTE 3 NET INTEREST INCOME

NOK 1000	Q4 2009	Q4 2008	FULL YEAR 2009	FULL YEAR 2008
Interest and other income on loans to and deposits with credit institutions	195		835	
Interest and other income on loans to and due from customers	101 572	195 896	484 454	464 563
Interest on short-term debt instruments, bonds and other interest-bearing securities	12 074	4 968	18 609	8 492
Other interest income				
Total interest income	**113 842**	**200 865**	**503 898**	**473 055**
Interest and other expenses on debt to credit institutions	-8 776	-32 808	-44 956	-137 478
Interest and other expenses on deposits from and due to customers				
Interest and other expenses on securities issued	-76 103	-161 337	-341 640	-310 915
Interest and other expenses on subordinated loan capital				
Other interest expenses				
Total interest expenses	**-84 878**	**-194 145**	**-386 596**	**-448 392**
Net interest income	**28 964**	**6 720**	**117 301**	**24 662**

NOTE 4 NET INCOME AND GAINS FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

NOK 1000	Q4 2009	Q4 2008	FULL YEAR 2009	FULL YEAR 2008
Commercial paper and bonds:				
Realised gain/loss on commercial paper and bonds	91	-672	91	-1 172
Unrealised gain/loss on commercial paper and bonds	105	268	566	-731
Total gain/loss on commercial paper and bonds	**196**	**-404**	**657**	**-1 903**
Financial derivatives and foreign exchange:				
Gain/loss on foreign exchange related to bonds issued	2 773	0	16 216	0
Realised gain/loss on financial derivatives, held for trading	1 997	428	1 092	532
Unrealised gain/loss on financial derivatives, held for trading	-3 406	-2 352	-14 863	-2 352
Total financial derivatives and foreign exchange	**1 364**	**-1 924**	**2 445**	**-1 820**
Net income and gains from financial assets and liabilities at fair value	**1 560**	**-2 328**	**3 102**	**-3 723**

NOTE 5 TAX

Tax cost is based on an expected average tax rate of 28% of profit before tax adjusted for permanent differences.

Notes to the accounts

NOTE 6 CLOSE ASSOCIATES

Transactions with group companies as at 31 December 2009:

NOK 1000	STOREBRAND BANK ASA	OTHER GROUP COMPANIES
Interest income	10 633	
Interest expense	210 246	
Services sold		
Services purchased	9 465	2 598
Due from	24 408	
Liabilities to	1 982 311	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 5.6 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2009.
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 an agreement with Storebrand Bank ASA for a credit facility to finance loans purchased (see Note 11). Agreements entered into with other companies in the group are based on the principle of business at arm's length.

NOTE 7 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 2009 therefore relate entirely to the Retail Lending segment.

NOTE 8 LOAN TO VALUE RATIOS AND COLLATERAL

NOK 1000	31.12.2009	31.12.2008
Gross lending 1)	12 871 239	11 617 812
Average loan balance	1 255	1 337
No. of loans	10 252	9 509
Weighted average seasoning (months)	33	31
Weighted average remaning term (months)	189	211
Average loan to value ratio 1)	51 %	47 %
Overcollateralisation 3)	118 %	110 %
Composition of collateral:		
Residential mortgages	12 708 115	11 429 490
Supplementary security 2)		
Total	**12 708 115**	**11 429 490**

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 2009 the company had NOK 130 million that exceeds the base value limit and has therefore not been included in the calculation of the collateralisation. As per 31 December 2009, the company has 15 non-performing loans, equivalent to NOK 33.2 million. Non-performing loans are note included in the collateralisation.
2) The company has no supplementary security.
3) Surplus collateral amounting to NOK 10.6 billion has been calculated based on the total net issued bonds.

Notes to the accounts

NOTE 9 LOSSES AND POVISIONS FOR NON-PERFORMING AND LOSS-EXPOSED LOANS, GUARANTEES ETC.

NOK 1000	31.12.2009	31.12.2008
Non-performing and loss-exposed loans		
Non-performing loans without evidence of impairment	33 252	2 600
Non-performing and loss-exposed loans with evidence of impairment		
Gross defaulted and loss-exposed loans	**33 252**	**2 600**
Provisions for individual impairment losses		
Net defaulted and loss-exposed loans	**33 252**	**2 600**

The definition of non-performing and loss exposed was changed in Q4 2009. Commitments are regarded as non-performing and loss exposed:
- when a credit facility has been overdrawn for more than 90 days
- when a repayment loan 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 a non-performance. When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing and loss exposed. 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. The new definition is stricter than the previous version and results in more commitments being classed as non-performing and loss exposed. Comparable figures for 2008 have not been changed.

	Q4		FULL YEAR	
NOK 1000	2009	2008	2009	2008
Losses on loans and guarantees etc. during period				
Change in individual impairment loss provisions				
Change in grouped impairment loss provisions	461	100	-404	-666
Other write-down effects				
Realised losses specifically provided for previously				
Realised losses not specifically provided for previously				
Recoveries on previous realised losses				
Loss provisions on loans and guarantees	**461**	**100**	**-404**	**-666**

The loan portfolio is purchased from Storebrand Bank ASA. In the opinion of the Board of Directors, the quality of the loan portfolio is such that there is no need for individual write-downs or write-downs for groups of loans in addition to the write-downs recordes as at 31 December 2009.

Notes to the accounts

NOTE 10 INVESTMENT PORTFOLIO

Rating per issuer category

NOK 1000	AAA FAIR VALUE	AA FAIR VALUE	A FAIR VALUE	BBB FAIR VALUE	GRADE FAIR VALUE	TOTAL FAIR VALUE
Sovereign and Government Guaranteed	190,254	30,101				220,355
Local authorities	40,088					40,088
Total	**230,342**	**30,101**	**0**	**0**	**0**	**260,443**

Rating categories are based on Standard & Poors.

NOTE 11 LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

The company has entered into an agreement with Storebrand Bank ASA for a drawing facility of NOK 5 billion, which will be principally used to make payment for loans purchased and for payments in respect of covered bonds issued.
The agreement was entered into on the principle of business at arm's length.

NOTE 12 COMMERCIAL PAPER AND BONDS ISSUED

Covered bonds:

NOK 1000 *ISIN Code*	NOMINAL VALUE	CURRENCY	INTEREST	ISSUED	MATURITY	BOOK VALUE 31.12.2009
XS0366475662	141 150	EUR	Fixed	28.05.2008	28.05.2010	1 188 161
NO0010428584	1 000 000	NOK	Fixed	06.05.2008	06.05.2015	1 048 533
NO0010428592	1 700 000	NOK	Fixed	02.05.2008	02.05.2011	1 699 655
NO0010466071	1 250 000	NOK	Floating	24.10.2008	24.04.2014	1 295 386
NO0010479967	2 500 000	NOK	Floating	12.12.2008	12.06.2012	2 506 634
NO0010507809	2 040 000	NOK	Floating	27.04.2009	27.04.2015	2 037 699
NO0010548373	1 000 000	NOK	Floating	28.10.2009	28.10.2019	992 704
Amortised interest						149 872
Total commercial paper and bonds issued						**10 918 644**

Standard covenant requirements are attached to concluded loan agreements.
In 2009, Storebrand Boligkreditt AS has met all conditions with respect to conclude loan agreements.

NOTE 13 OFF BALANCE SHEET LIABILITIES AND CONTINGENT LIABILITIES

NOK 1000	31.12.2009	31.12.2008
Undrawn credit limits	1 292 083	745 930
Total contingent liabilities	**1 292 083**	**745 930**

Undrawn credit limits relate to the unused portion of credit limits on residential mortgage loans.
The company has not any collateral pledged or received.

Notes to the accounts

NOTE 14 CAPITAL ADEQUACY

Capital base

NOK 1000	31.12.2009	31.12.2008
Share capital	350 000	350 000
Other equity	283 450	207 875
Equity	**633 450**	**557 875**
Deductions		
Deferred tax assets		-1 770
Core capital	**633 450**	**556 104**
Deductions		
Net supplementary capital	**0**	**0**
Net capital base	**633 450**	**556 104**

Minimum requirement for capital base

NOK 1000	31.12.2009	31.12.2008
Credit risk	395 350	401 194
Of which:		
Institutions	9 280	20 040
Loans secured against real estate	377 373	323 256
Loans past-due	2 758	628
Other	5 939	57 271
Total minimum requirement for credit risk	**395 350**	**401 194**
Sum minimum requirement for market risk		
Operational risk	10 786	3 501
Deductions	-86	-53
Minimum requirement for capital base	**406 050**	**404 642**

Capital adequacy

	31.12.2009	31.12.2008
Capital ratio [1])	12.5 %	11.0 %
Core capital ratio	12.5 %	11.0 %

[1]) The minimum requirement for capital adequacy is 8.00%.

The company was granted its licence in January 2008, and has not calculated capital adequacy prior to this date. Capital adequacy is calculated in accordance with the new capital adequacy regulation (Basel II). The company uses the standard method for credit risk and market risk, and the basic method for operational risk.

Basel II is divided into three pillars (areas). Pillar 1 deals with the minimum requirement for capital adequacy and represents a continuation of the former regulations pursuant to Basel I. Pillar 2 deals with supervisory evaluation of of capital requirement and supervisory monitoring, while Pillar 3 deals with the requirements for publication of financial information. The introduction of the new regulatory framework has caused changes to the calculation base for capital adequacy. Calculation of operational risk is a new element of the Basel II regulations. Management of market risk is affected by the transition to the Basel II regulations to a minor extent.

Notes to the accounts

NOTE 15 RISK MANAGEMENT

Risk management in Storebrand Boligkreditt addresses the areas of credit risk, market risk, liquidity risk and operational risk. Specific risk management policies have been approved by the company's board for the areas of credit risk, market risk and liquidity risk, and the policies are subject to annual review.

Credit risk/counterparty risk
Storebrand Boligkreditt is exposed to credit risk through its lending, and is exposed to counterparty risk in connection with transactions in financial instruments.
Lending to retail customers is subject to a different credit approval process. Loans to private individuals are granted on the basis of credit scoring combined with case-by-case evaluation of debt service capacity. Loans are only granted against security in real estate. The average loan-to-collateral ratio is 51%, and at the transfer time the loan-to-collateral is equal to a maximum 75%.
The company's counterparty risk (i.e. its credit exposure to other financial institutions) is regulated on the basis of the counterparties' credit ratings and the amounts involved.

Market risk
Market risk is the risk that the company suffers a loss as a result of unexpected unfavourable market movements in interest rates and exchange rates. Storebrand Boligkreditt manages its exposure to interest rate risk so that the net interest rate exposure of both assets and liabilities is as small as possible. Interest rate hedging is structured so that it has moderate accounting impact. All instruments with an interest rate fixing period in excess of six months are subject to a hedging policy for financial and accounting hedging. The financial interest rate risk is calculated on the basis of a stress test that exposes all balance sheet items to a 2 percentage point adverse shift in the yield curve, and with varying distortions of the curve. The most unfavourable of these scenarios is used for the interest rate risk.
Storebrand Boligkreditt's policy is to minimise currency risk and that currency positions must be covered at the time the risk arises. Storebrand Boligkreditt has no currency risk as per 31 December 2009 when absolutely all of it was eliminated through swaps.

Derivatives
Derivatives are only used for hedging purposes. The company thus has no trading portfolio consisting of derivatives. The derivatives that can be used in hedging situations are interest rate swaps, interest and exchange rate swaps, exchange rate swaps, future interest rate agreements, currency options and interest rate options.
Storebrand Boligkreditt's exposure to market risk is therefore marginal in relation to the bank's total activities.
Market risk exposure is reported on a monthly basis to the Asset and Liability Committee and the Board.

Liquidity risk
Liquidity risk is the risk that the company is not able to meet all financial commitments as they fall due for payment. It is the company's policy to always have sufficient liquidity to support balance sheet growth as well as to repay loans and deposits as they fall due, and to not take on greater liquidity risk than is justifiable. The liquidity management is designed to ensure that sufficient funding is available to avoid liquidity problems in situations such as:

- Uncertainty among investors about the financial markets in general.
- Uncertainty among investors about the development of house prices.
- Uncertainty in respect of the bank's owner/other group companies.

Boligkreditt's liquidity is primarily affected by a relatively few large bonds reaching maturity. The company will, to the extent it makes business sense, take out "soft bullet bonds", which means the maturity period of a bond can be extended by up to one year, in order to ensure a proper liquidity situation. In addition there will be limits with respect to how large each repayment can be.
The company will also maintain a minimum holding of liquid assets.
Repayments for new borrowing in Boligkreditt will also always be planned in such a way that no breach of any liquidity targets need be expected in any future periods.
It is highly likely that Boligkreditt's funding needs will be greater than what can be funded through covered bonds. This funding need will be continuously be covered by the bank. Boligkreditt will draw on the loan facility from the parent bank as needed for liquidity, including in connection with borrowing repayments.
The liquidity position is managed with the help of the indicators minimum liquidity level, maximum volume per issue and within very 6 month period, and the maximum volume of net repayments within 12 months.
The liquidity position is reported monthly to the Board.
The bank's treasury department carries out daily management of liquidity. A separate risk management system known as Quantitative Asset Management is used for the management and measurement of liquidity risk.

Operational risk
Storebrand Boligkreditt's structure for corporate governance stipulates that operational risk management is an integral part of management responsibility, in which risk exposure assessment plays an integral role in the company's ability to achieve the objectives set in its value-based management model. The company applies the principles of the group policy for risk evaluation and management (introduced in 2005). The objective of the group policy on risk evaluation is to achieve a common understanding of the overall risk exposure for the group's activities in order to help to provide a better basis for decision-making on important prioritisation. Risk evaluation is therefore an important part of the basis for determining the group's strategy and approving the level of risk in the group's business plan. Risk evaluation starts from the current situation and how the owners of risk exposure experience the risk based on existing internal control procedures. This is followed by an evaluation of the expected risk exposure following the implementation of recommended planned measures. This assumes that the owners of risk exposure implicitly confirm the function of internal control (cf. the internal control regulations). Risk evaluation is integrated in the group's value-based management system by linking risk evaluation to each unit's ability to achieve its commercial targets and comply with regulatory requirements as well as considering the extent to which the level of risk involved might affect Storebrand's reputation. The company's internal controls and procedures for evaluating, monitoring and reporting risk exposure satisfy the requirements of the Norwegian. authorities in this respect.

Notes to the accounts

NOTE 16 VALUATION

Specification of financial assets to fair value

Bonds and other fixed-income securities

NOK 1000	QUOTED PRICES	OBSERVABLE PRE-CONDITIONS	NON-OBSERVABLE PRE-CONDITIONS	BOOK VALUE 31.12.2009	BOOK VALUE 31.12.2008
Finance, Banking and Insurance					40 176
Sovereign and Government Guaranteed		220 355		220 355	270 643
Local authorities		40 088		40 088	
Total	**0**	**260 443**	**0**	**260 443**	**310 819**

Derivater

NOK 1000	QUOTED PRICES	OBSERVABLE PRE-CONDITIONS	NON-OBSERVABLE PRE-CONDITIONS	BOOK VALUE 31.12.2009	BOOK VALUE 31.12.2008
Basis swaps		105 387		105 387	914 779
Interst rate swaps		221 079		221 079	224 797
Total derivatives	**0**	**326 466**	**0**	**326 466**	**1 139 576**
- Derivatives designated to hedge accounting [1]					224 797
Total derivatives excl. hedge accounting	**0**	**326 466**	**0**	**326 466**	**914 797**
Derivatives with a positive fair value		417 216		417 216	914 779
Derivatives with a negative fair value		-90 750		-90 750	
Total	**0**	**326 466**	**0**	**326 466**	**914 779**

[1]) As per 31 December 2009, derivative contracts earmarked for hedge accounting are presented on the derivatives line under assets and liabilities on the balance sheet. The previous years figures have not been restated and derivatives earmarked for hedging are presented together with the hedging object as per 31 December 2008.

Changes between quoted prices and observable pre-conditions

NOK 1000	2009
From quoted prices to observable pre-conditions	0
From observable pre-condtitions to quoted prices	0

Below follows a description of the financial instruments booked in the balance sheet as per 31 December 2009 and the basis for measuring their fair value.

Bonds and other fixed-income securities
Norwegian bonds and other fixed-income securities are measured at fair value based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers and are quality assured using price checks at year-end, primarily through comparing prices against other price providers.

Derivatives
Equity-linked bonds are priced on the basis of received, tradeable market prices from our counterparties as per 29 December 2009. Foreign exchange contracts are translated to NOK based on Norges Bank's exchange rates as per 29 December 2009. Interest rate swaps and base rate swaps are measured at fair value based on valuation techniques. Interest rate curves from external providers are used in the valuation techniques.

Company information

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Company registration number:	990 645 515

Senior Management:

Åse Jonassen	Managing Director

Board of Directors:

Klaus-Anders Nysteen	Chairman
Truls Nergaard	Board Member
Thor Bendik Weider	Board Member
Inger Roll-Matthiesen	Board Member

Contact persons:
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Other sources of information:
The Annual Report and interim reports of Storebrand Boligkreditt AS are published on www.storebrand.no.

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