storebrand

Interim report 4th quarter 2017

Storebrand Boligkreditt AS

(unaudited)

Contents

This document contains Alternative Performance Measures as defined by the European Securities and Market Authority (ESMA).
An overview of APMs used in financial reporting is available on storebrand.com/ir.

Storebrand Boligkreditt AS
- Interim report for the fourth quarter of 2017

(Profit figures for the corresponding period in 2016 are shown in parentheses. Balance sheet figures in parentheses are for the end of 2016.)

- Profit before taxes of NOK 25 million in the fourth quarter and NOK 76 million for the year
- Good portfolio quality
- Stable lending volume for the quarter

FINANCIAL PERFORMANCE

Pre-tax profit was NOK 25 million (NOK 7 million) for the fourth quarter and NOK 76 million (NOK 48 million) for the year. This performance is in line with general market trends.

Net interest income was NOK 43 million (NOK 25 million) for the fourth quarter and NOK 154 million (NOK 118 million) for the year. The interest margin has improved in the quarter, but is still influenced by competitive pricing in the retail market. As a percentage of average total assets, net interest income was 1.12 per cent (0.70 per cent) for the fourth quarter and 1.00 per cent (0.79 per cent) for the year.

Other operating income in the fourth quarter amounted to NOK 0 million (NOK 0 million) and minus NOK 8 million (minus NOK 3 million) for the year, and was related to commission income on loans and net accounting loss on financial instruments at fair value.

Operating expenses totalled NOK 17 million (NOK 17 million) for the fourth quarter and NOK 67 million (NOK 67 million) for the year.

Losses in the portfolio are low, and in the fourth quarter the company recognised an expense of NOK 1 million (NOK 0 million) and has recognised an expense of NOK 3 million (NOK 0 million) for total write-downs on loans for the year.

BALANCE SHEET PERFORMANCE

The lending volume has increased by NOK 1.2 billion since the end of 2016 and amounted to NOK 14.5 billion (NOK 13.4 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with conservative lending practices. The average loan-to-value ratio in the portfolio was 51 per cent at the end of the fourth quarter, an increase of three percentage point compared with the end of 2016. 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 over-collateralisation of 127 per cent (118 per cent).

Defaulted loans at the end of the fourth quarter amounted to NOK 26 million (NOK 25 million), equivalent to 0.18 per cent of gross loans in the company (0.19 per cent). All defaulted loans have a loan-to-value ratio within 75 per cent of market value or have practically been written down. Individual loan write-downs amounted to approximately NOK 1 million (NOK 3 million) and group loan write-downs amounted to NOK 3 million (NOK 1 million) at the end of the fourth quarter.

The company's loan programme is AAA rated by S&P Global Ratings.

At the end of the fourth quarter of 2017, the company had a liquidity portfolio consisting of fixed-income securities with a AAA rating from S&P Global Ratings with a market value of NOK 41 million. The investment is classified at fair value in the balance sheet with changes in value through profit or loss (FVO).

The company's total assets under management as at 31 December 2017 were NOK 14.9 billion (NOK 13.7 billion), an increase of NOK 1.3 billion compared with the end of 2016.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements require a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 31 days.

Equity in the company at the end of the fourth quarter amounted to NOK 1.2 billion (NOK 1.0 billion). The eligible capital (Tier 1 capital + Tier 2 capital) at the end of the fourth quarter amounted to NOK 1.1 billion (NOK 1.1 billion). The capital base of Storebrand Boligkreditt AS consists entirely of Core Equity Tier 1 (CET1). The CET1 adequacy ratio in the company was 19.0 per cent (19.6 per cent) at the end of the fourth quarter. The requirement for the capital base was 15.5 per cent from 31 December 2017. The company has satisfactory solvency and liquidity based on the company's business activities. The company satisfied the combined capital and capital buffer requirements by a good margin at the end of the quarter.

The purpose of the liquidity coverage requirement (LCR) is to measure 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 LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016 with a minimum LCR with escalation. From 31 December 2017 Storebrand Boligkreditt AS must comply with an LCR of 100 per cent. At the end of the quarter, the company's LCR was 205 per cent.

STRATEGY AND FUTURE PROSPECTS

In 2018, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2018.

The market trends and the non-performing loans are being closely monitored. Efforts to ensure good working 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 AS in 2018.

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

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.

Lysaker, 6 February 2018
The Board of Directors of Storebrand Boligkreditt AS

Heidi Skaaret
- Chairman of the Board -

Jostein Dalland
- Deputy Chairman -

Leif Helmich Pedersen
- Board Member -

Tor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

Storebrand Boligkreditt AS

Income statement

		Q4		Full Year	
(NOK million)	note	2017	2016	2017	2016
Interest income	4, 13	89.3	79.3	358.0	340.7
Interest expense	4, 13	-46.3	-54.6	-204.1	-222.7
Net interest income	**13**	**43.0**	**24.7**	**153.8**	**118.0**
Net gains on financial instruments		-0.8	-0.9	-10.1	-5.1
Other income		0.4	0.5	1.7	2.1
Total other operating income		**-0.4**	**-0.4**	**-8.3**	**-3.0**
Staff expenses		-0.1	-0.1	-0.2	-0.2
General administration expenses		-0.1	0.0	-0.2	-0.2
Other operating costs	4	-17.1	-17.4	-66.6	-67.0
Total operating costs		**-17.2**	**-17.4**	**-67.0**	**-67.4**
Operating profit before loan losses		**25.4**	**6.8**	**78.5**	**47.6**
Loan losses for the period	15	-0.6	0.1	-2.5	-0.1
Profit before tax		**24.8**	**6.9**	**76.0**	**47.5**
Tax	3	-6.0	-1.8	-18.3	-11.9
Profit for the year		**18.7**	**5.1**	**57.7**	**35.6**

Statement of comprehensive income

	Q4		Full Year	
(NOK million)	2017	2016	2017	2016
Profit for the period	18.7	5.1	57.7	35.6
Other comprehensive income				
Total comprehensive income for the period	**18.7**	**5.1**	**57.7**	**35.6**

Storebrand Boligkreditt AS
Statement of financial position

(NOK million)	Note	31.12.2017	31.12.2016
Loans to and deposits with credit institutions	6, 14	251.2	141.0
Financial assets designated at fair value through profit and loss:			
Bonds and other fixed-income securities	6, 11	40.9	41.4
Derivatives	6	87.1	123.0
Other current assets	4, 6	25.9	12.7
Gross loans	11	14,542.2	13,375.5
- Loan loss provisions on individual loans	15	-1.4	-2.9
- Loan loss provisions on groups of loans	15	-3.3	-1.2
Net loans to customers	6	14,537.5	13,371.4
Deferred tax assets		2.3	1.0
Total assets		**14,944.9**	**13,690.5**
Liabilities to credit institutions	4, 6, 8	2,295.8	1,091.0
Other financial liabilities:			
Commercial papers and bonds issued	6, 9	11,474.5	11,575.4
Other liabilities	4, 6	21.2	13.8
Total liabilities		**13,791.5**	**12,680.3**
Paid in equity		1,074.4	949.4
Retained earnings		79.0	60.8
Total equity	**10**	**1,153.4**	**1,010.2**
Total liabilities and equity		**14,944.9**	**13,690.5**

Lysaker, 6 February 2018
The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS
Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
Equity at 31.12.2015	**455.0**	**270.1**	**118.9**	**844.0**	**130.6**	**130.6**	**974.6**
Profit for the period					35.6	35.6	35.6
Other comprehensive income					0.0	0.0	0.0
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**35.6**	**35.6**	**35.6**
Equity transactions with the owner:							
Group contribution received			105.4	105.4			105.4
Provision for group contribution					-105.4	-105.4	-105.4
Equity at 31.12.2016	**455.0**	**270.1**	**224.3**	**949.4**	**60.8**	**60.8**	**1,010.2**
Profit for the period					57.7	57.7	57.7
Other comprehensive income					0.0	0.0	0.0
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**57.7**	**57.7**	**57.7**
Equity transactions with the owner:							
Group contribution received			125.0	125.0			125.0
Provision for group contribution					-39.5	-39.5	-39.5
Equity at 31.12.2017	**455.0**	**270.1**	**349.3**	**1,074.4**	**79.0**	**79.0**	**1,153.4**

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35 000 000 of nominal value NOK 13 per share.

Storebrand Boligkreditt AS
Statement of cash flow

(NOK million)	31.12.2017	31.12.2016
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	355.7	344.4
Net disbursements/payments on customer loans	-1,170.0	886.6
Net receipts/payments on securities	-6.7	-42.9
Payments of operating costs	-73.8	-54.9
Net cash flow from operating activities	**-894.9**	**1,133.1**
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-3,065.0	-3,599.2
Receipts - new loans and issuing of bond debt	4,202.6	2,500.0
Payments - interest on loans	-205.0	-236.0
Receipts - group contribution	125.0	105.4
Payments - group contribution	-52.7	-144.4
Net cash flow from financing activities	**1,005.0**	**-1,374.1**
Net cash flow in the period	**110.1**	**-241.0**
Cash and bank deposits at the start of the period	141.0	382.0
Cash and bank deposits at the end of the period	**251.2**	**141.0**

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA
The amount drawn on the credit facilities is recognized in the item ”Liabilities to credit institutions” as at 31.12.2017. See also Note 8.

Storebrand Boligkreditt AS
Notes

Note 01 Accounting principles

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 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 2016 annual report, and the interim financial statements are prepared with respect to these accounting policies.

There are none new nor amended accounting standards that entered into effect as at 1 January 2017 that have caused significant effects on Storebrand Boligkreditt AS's interim financial statements.

New standards and changes in standards that have not come into effect

IFRS 9

IFRS 9 Financial Instruments will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 covers recognition, classification and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective from 1 January 2018 and the standard is endorsed by the EU-commission. Early application is permitted, but Storebrand Boligkreditt AS has not early adopted the standard.

Transitional rules
IFRS 9 shall be applied retrospectively, with the exception of hedge accounting. Retrospective application means that Storebrand Boligkreditt AS shall calculate the opening balance for 1 January 2018 as if it has always applied the new principles. Storebrand Boligkreditt AS does not intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Storebrand Boligkreditt AS has chosen to introduce hedge accounting pursuant to IFRS 9. This means that hedge accounting shall be done pursuant to the IFRS 9 principles prospectively from the date of transition to IFRS 9.

The effects of the new principles on the opening balance for 2018 are recognised in equity.

CLASSIFICATION AND MEASUREMENT

Financial assets
Under IFRS 9, financial assets shall be classified into three measurement categories: fair value through profit and loss, fair value through other comprehensive income (OCI) and at amortised cost. For financial assets, a distinction is made between debt instruments, derivatives, and equity instruments, where debt instruments are all financial assets that are not derivatives or equity instruments.

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

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

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

Financial liabilities
The rules governing financial liabilities are essentially the same as in IAS 39. A significant change from IAS 39 is that for financial liabilities that it has been decided are to be recognised at fair value through profit or loss, changes in value attributable to the company's own credit risk must be presented in comprehensive income rather than in profit or loss, as is the case at present, unless this creates or enlarges an accounting mismatch.

Hedge accounting

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

IMPAIRMENT LOSSES ON LOANS

In IAS 39, losses shall only be impaired if there is objective evidence of the occurrence of a loss event after initial recognition of the asset. Under IFRS 9, loss allowances are recognised on the basis of expected credit loss (ECL). The general model for impairment of financial assets in IFRS 9 will apply to financial assets that are measured at amortised cost or at fair value through other comprehensive income and for which no losses were determined at initial recognition. Loan commitments, financial guarantee contracts not measured at fair value through profit and loss, and lease receivables are also encompassed by the model.

Measurement of the allowance for expected loss in the general model depends on whether the credit risk has increased significantly since initial recognition. On initial recognition and when the credit risk has not increased significantly since initial recognition, provisions should be equal to 12-month expected loss. The 12-month expected loss is the loss that is expected to occur over the lifetime of the instrument, but that can be linked to events occurring during the initial 12 months. If the credit risk has increased significantly since initial recognition, a loss allowance must be made for expected loss during the lifetime of the instrument. Expected credit loss are calculated on basis of the present value of all cash flows over the remaining life expectancy, i.e. the difference between the contractual cash flows according to the contract and the cash flows expected to be received, minus the effective interest on the instrument.

In addition to the general model, there are separate principles for issued, including renegotiated, loans that are treated as new, and bought loans where there is accrued credit loss on initial recognition in the balance sheet. For these, an effective interest rate will be calculated that takes into account expected credit loss, and in the event of any changes in expected cash flows, the change will be discounted with the originally set effective interest rate and recognised in the income statement. For these assets, there is thus no need to monitor whether there has been a substantial increase in credit risk after initial recognition, as the expected losses over the whole lifetime are taken into account.
For accounts receivable without a significant financing component, a simplified model will be used, where provisions will be made for expected loss over the entire lifetime from initial recognition. Storebrand Boligkreditt AS has chosen to use the simplified model as the accounting policy also for accounts receivable with a significant financing component and lease receivables.

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised on the trading day, i.e. the date on which Storebrand Boligkreditt AS becomes party to the instruments' contractual terms.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the rights to the cash flows from the asset are transferred such that substantially all the risks and returns relating to ownership of the asset are transferred.
Financial liabilities are derecognised when the contractual terms have been fulfilled, cancelled or expire.

EFFECTS OF IMPLEMENTING IFRS 9

New requirements under IFRS 9 will not have any impact in the financial statements for Storebrand Boligkreditt AS due to reclassification of financial instruments at the date for transition. The impairment requirements in IFRS 9 provide a positive accounting effect of NOK 3 million due to reduced impairment loss. The implementation effects are recognised in equity at the transition date 1 January 2018.

IFRS 15

New standard for accounting of operating revenues from contracts with customers comes into effect from 1 January 2018. IFRS 15 introduces a five-step model for recognition of income from contracts with customers. Under IFRS 15, revenue is recognised equivalent to an amount that reflects the consideration an undertaking expects to be entitled to receive in exchange for goods or services supplied to a customer. The standard applies to all contracts that are entered into starting from 1 January 2018, and to existing contracts that have not yet been fulfilled. The purpose of this standard is to remove inconsistencies and weaknesses in the current revenue recognition standards and to improve the comparability of revenue recognition between businesses, industries and geographical regions.

The new revenue standard will replace all the current revenue recognition requirements according to IFRS.

Revenue recognition in Storebrand Boligkreditt AS is primarily governed by IAS 39 / IFRS 9. Revenue that is recorded under "Other income" is assessed against IFRS 15. Implementation of IFRS 15 will not have a significant effect on Storebrand Boligkreditt AS's financial statements.

IFRS 16

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

Storebrand is working to prepare for implementation of IFRS 16, including mapping the effects of implementation of IFRS 16 for Storebrand Boligkreditt AS's financial statements.

Note 02 Estimates

Critical accounting estimates and judgements are described in the 2016 annual financial statements' note 2 and valuation of financial instruments at fair value are described in note 8.

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

Actual results may differ from these estimates.

The company's critical estimates and assessments that could result in material adjustment of recognised amounts apply for financial assets carried at amortised cost, whereby an assessment is made on each balance sheet date of whether there are any objective indications that a financial asset or group of financial assets is/are impaired.

Note 03 Tax

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 per cent to 24 per cent effective from 1 January 2017. In October 2017, the Norwegian Parliament agreed to reduce the company tax rate from 24 per cent to 23 per cent effective from 1 January 2018. At the same time, the Norwegian Parliament agreed to continue financial tax on 25 per cent.

Storebrand Boligkreditt AS has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, but since the company does not have any employees it is not subject to finance tax. A tax rate of 23 per cent has been used for capitalizing deferred tax asset in the balance sheet.

Note 04 Related Parties

ISSUED COVERED BONDS

Storebrand Bank ASA has invested NOK 286 million in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2017.

LOANS TRANSFERRED FROM STOREBRAND BANK ASA

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt 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.

CREDIT FACILITIES WITH STOREBRAND BANK ASA

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. See note 8 for more information.

OTHER

Storebrand Boligkreditt AS has no employees, and purchases personnel resources from Storebrand Bank ASA and services including accounting functions from Storebrand Livsforsikring AS.

Storebrand Boligkreditt AS conducts transactions with close associates as part of its normal business activities. The terms for transactions with senior employees and related parties are stipulated in note 27 in the 2016 annual report for Storebrand Boligkreditt AS.

Note 05 Financial risk

Storebrand Boligkreditt AS' financial assets and liabilities fluctuate in value due to risk in the financial markets. Notes 3 to 7 in the 2016 annual report provide a more detailed overview of the company's financial risk.

A credit company's core activity is credit exposure with low risk. Storebrand Boligkreditt AS is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. The risk profile is considered very low.

Risk in Storebrand Boligkreditt is monitored in accordance with the Board's adopted guidelines for risk management and internal control. For the individual forms of risk defined in the guidelines, policy documents are prepared that state the target parameters. The development of these parameters is monitored through risk reports to the company's Board.

Credit risk and liquidity risk are the most significant forms of risk for Storebrand Boligkreditt. The company is also exposed to operational risk, including IT risk, compliance risk and, to a lesser extent, market risk.

Credit risk

Storebrand Boligkreditt AS has lending totalling NOK 14.5 billion, in addition to unused credit facilities of NOK 1.5 billion as at 31 December 2017. Non-performing and doubtful loans accounted for 0.18 per cent of gross lending. Even though the non-performing volume is low, the default volume is monitored carefully.

Liquidity risk

Liquidity in a credit company must at all times be sufficient to support balance sheet growth and to redeem loans that fall due. The company controls its liquidity position based on minimum liquid holdings and maximum volume per issue within a 6 month period.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. Refer to note 8 for further information.

The purpose of the liquidity coverage requirement (LCR) is to measure 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 LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016 with a minimum LCR with escalation. From and including 31 December 2017, the credit company must comply with an LCR of 100 per cent. At the end of the year, the company's LCR was 205 per cent.

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 2016 Annual report for Storebrand Boligkreditt AS.

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

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK million)	Fair value 31.12.2017	Fair value 31.12.2016	Book value 31.12.2017	Book value 31.12.2016
Financial assets				
Loans to and deposits with credit institutions	251.2	141.0	251.2	141.0
Net loans to customers - retail market	14 537.5	13 371.4	14 537.5	13 371.4
Other current assets	25.9	12.7	25.9	12.7
Financial liabilities				
Liablities to credit institutions	2 295.8	1 091.0	2 295.8	1 091.0
Commercial papers and bonds issued	11 482.2	11 612.6	11 474.5	11 575.4
Other liabilities	21.2	13.8	21.2	13.8

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2017	Book value 31.12.2016
Government and government guaranteed bonds		40.9		40.9	41.4
Total bonds 31.129.2017	**0.0**	**40.9**	**0.0**	**40.9**	
Total bonds 31.12.2016		41.4			
Interest rate derivatives		87.1		87.1	123.0
Total derivatives 31.12.2017	**0.0**	**87.1**	**0.0**	**87.1**	
Derivatives with a positive fair value		87.1		87.1	123.0
Derivatives with a negative fair value					
Total derivatives 31.12.2016		123.0			

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

Note 07 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 4th quarter of 2017 therefore relate entirely to the Retail Lending segment.

Note 08 Liabilities to credit institutions

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements provide a minimum capacity to cover at least interests and payments on covered bonds and derivatives the following 31 days.

Note 09 Commercial papers and bonds issued

COVERED BONDS

(NOK million) ISIN Code	Nominal value	Currency	Interest	Maturity [1]	Book value 31.12.2017
NO0010548373	1,250.0	NOK	Fixed	28.10.2019	1,339.9
NO0010660822	2,125.0	NOK	Floating	20.06.2018	2,128.6
NO0010736903	2,500.0	NOK	Floating	17.06.2020	2,496.4
NO0010760192	3,000.0	NOK	Floating	16.06.2021	3,008.2
NO0010786726	2,500.0	NOK	Floating	15.06.2022	2,501.5
Total commercial papers and bonds issued [2]	**11,375.0**				**11,474.5**
Total commercial papers and bonds issued as at 31.12.2016	11,440.0				11,575.4

1) Maturity date in this summary is the first possible maturity date (Call date).
2) For covered bonds (OMFs) that are allocated to the company's security, regulatory requirements for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent apply for bonds issued prior to 21 June 2017. See note 11.

Note 10 Capital Adequacy

ELIGIBLE CAPTITAL

(NOK million)	31.12.2017	31.12.2016
Share capital	455.0	455.0
Other equity	698.4	555.2
Total equity	**1,153.4**	**1,010.2**
Deductions		
AVA justments	-0.1	0.0
Provision for group contribution	-62.2	-39.5
Additions		
Group contriubution received	5.9	125.0
Core Equity Tier 1 (CET1)	**1,096.9**	**1,095.7**
Additional Tier 1 capital		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
Tier 1 capital	**1,096.9**	**1,095.7**
Tier 2 capital		
Subordinated loans		
Tier 2 capital deductions		
Eligible captital (Tier 1 capital + Tier 2 capital)	**1,096.9**	**1,095.7**

MINIMUM CAPITAL REQUIREMENT

(NOK million)	31.12.2017	31.12.2016
Credit risk	432.3	407.8
Of which:		
International organisations	0.0	0.0
Local and regional authorities	0.5	0.2
Institutions	8.2	7.6
Retail market	0.0	0.0
Loans secured against real estate	407.7	384.3
Loans past-due	2.5	2.1
Covered bonds	0.0	0.0
Other	13.6	13.5
Total minimum requirement for credit risk	**432.3**	**407.8**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	25.8	32.5
CVA risk [1]	3.1	6.4
Deductions		
Loan loss provisions on groups of loans	-0.3	-0.1
Minimum requirement for net primary capital	**460.9**	**446.6**

CAPITAL ADEQUACY

	31.12.2017	31.12.2016
Capital ratio	19.0 %	19.6 %
Tier 1 capital ratio	19.0 %	19.6 %
Core equity Tier 1 (CET1) capital ratio	19.0 %	19.6 %

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

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 (CET 1 + CET 2) are 12 per cent and 15.5 per cent respectively from 31 December 2017 due to increase in requirement to countercyclical capital buffer with 0.5 percent from 31 December 2017

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	31.12.2017	31.12.2016
Credit risk	5,404.0	5,097.0
Of which:		
International organisations	0.0	0.0
Local and regional auuthorities	5.7	2.4
Institutions	102.0	95.3
Retail market	0.0	0.0
Loans secured against real estate	5,095.7	4,803.3
Loans past-due	31.1	26.7
Covered bonds	0.0	0.0
Other	169.5	169.3
Total basis of calculation credit risk	**5,404.0**	**5,097.0**
Total basis of calculation market risk	**0.0**	**0.0**
Operational risk	322.2	406.6
CVA risk	38.5	80.3
Deductions		
Loan loss provisions on groups of loans	-3.3	-1.2
Total basis of calculation of minimum requirements for capital base	**5,761.4**	**5,582.8**

Note 11 Loan to value ratios and collateral

(NOK million)	31.12.2017	31.12.2016
Gross lending [1]	14,542.2	13,375.5
Average loan balance	1.8	1.7
No. of loans	7,858	7,861
Weighted average seasoning (months)	41	41
Weighted average remaning term (months)	240	219
Average loan to value ratio	51 %	48 %
Over-collateralisation [2]	127.0 %	117.9 %
Cover pool:		
Residential mortgages [1]	14,468.2	13,316.5
Supplementary security	102.9	140.0
Total	**14.571.1**	**13,456.5**

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending can not exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2017 the company had NOK 36.6 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2017, the company has 5 non-performing loans without evidence of impairment, equivalent to NOK 9.3 million. There are 9 non-performing loans with evidence of impairment of NOK 16.9 million where the impairment is assessed to be NOK 1.4 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 11.4 billion (nominal value).

Note 12 Key figures

(NOK million)	Q4 2017	Q4 2016	Full Year 2017	Full Year 2016
Profit and loss account: (as % of avg. total assets) 1)				
Net interest income	1.12 %	0.70 %	1.00 %	0.79 %
Main balance sheet figures:				
Total assets			14,944.9	13.690.5
Average total assets	15,181.2	14,029.7	15,328.5	14.852.7
Gross lending to customers			14,542.2	13.375.5
Equity			1,153.4	1.010.2
Other key figures:				
Loan losses and provisions as % of average total lending	0.02 %	0.00 %	0.02 %	0.00 %
Individual loan loss provisions as % of gross loss-exposed loans 3)			31.2 %	22.6 %
Cost/income ratio	40.39 %	71.89 %	46.1 %	58.6 %
Return on equity after tax 2)			5.2 %	3.6 %
Core equity Tier 1 (CET1) capital ratio			19.0 %	19.6 %
LCR 4)			205.0 %	189.0 %

Definitions:

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

2) Annualised profit after tax as % of average equity.

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

4) Liquidity coverage requirement.

Note 13 Net interest income

(NOK million)	Q4 2017	Q4 2016	Full Year 2017	Full Year 2016
Interest and other income on loans to and deposits with credit institutions	0.2	1.3	1.7	4.7
Interest and other income on loans to and due from customers	88.9	77.8	354.4	335.3
Interest on short-term debt instruments, bonds and other interest-bearing securi-ties	0.2	0.2	1.8	0.6
Other interest income				
Total interest income	**89.3**	**79.3**	**358.0**	**340.7**
Interest and other expenses on debt to credit institutions	-8.1	-6.1	-34.9	-31.7
Interest and other expenses on deposits from and due to customers				
Interest and other expenses on securities issued	-38.2	-48.5	-169.2	-191.1
Interest and other expenses on subordinated loan capital				
Other interest expenses				
Total interest expenses	**-46.3**	**-54.6**	**-204.1**	**-222.7**
Net interest income	**43.0**	**24.7**	**153.8**	**118.0**

Note 14 Off balance sheet liabilities and contingent liabilities

(NOK million)	31.12.2017	31.12.2016
Unused credit facilities	1,514.5	1,736.4
Total contingent liabilities	**1,514.5**	**1,736.4**

Unused credit facilities encompass unused flexible mortgage facilities.

Per 31 December 2017, the company has not pledged any collateral..

Note 15 Non-performing loans and loan losses

(NOK million)	31.12.2017	31.12.2016
Non-performing loans		
Non-performing loans without evidence of impairment	9.3	9.8
Loss-exposed loans with evidence of impairment	16.9	15.0
Gross non-performing and loss-exposed loans	**26.2**	**24.8**
Loan loss provisions on individual loans	-1.4	-2.9
Net non-performing and loss-exposed loans	**24.8**	**21.9**
Key figures		
Net non-performing and loss-exposed loans as % of gross lending	0.18 %	0.19 %

Loans are regarded as non-performing and loss-exposed:
- when a credit facility has been overdrawn for more than 90 days and the overdrawn amount minimum is NOK 2,000
- when an ordinary mortgage has arrears older than 90 days and thee arrears minimum is NOK 2,000
- when a credit card has arrears older than 90 days

When one of the three situations described above occurs, the loans and the rest of the customer's commitments are considered as non-performing.

	Q4		Full Year	
(NOK million)	2017	2016	2017	2016
Change in individual loan loss provisions	-0.3		1.5	-0.6
Change in grouped loan loss provisions	-0.5	0.1	-2.1	0.6
Other effects on loan loss provisions				
Realised losses specifically provided for previously			-2.1	
Realised losses not specifically provided for previously				
Recoveries on previous realised losses	0.2		0.2	
Loan losses for the period	**-0.6**	**0.1**	**-2.5**	**-0.1**

Note 16 Quarterly income statement

(NOK million)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	89.3	93.0	93.0	82.7	79.3
Interest expense	-46.3	-50.7	-53.5	-53.6	-54.6
Net interest income	**43.0**	**42.3**	**39.5**	**29.1**	**24.7**
Net gains on financial instruments	-0.8	-0.9	-2.0	-6.3	-0.9
Other income	0.4	0.4	0.5	0.5	0.5
Total other operating income	**-0.4**	**-0.5**	**-1.5**	**-5.8**	**-0.4**
Staff expenses	-0.1	0.0	-0.1	0.0	-0.1
General administration expenses	-0.1	0.0	0.0	-0.1	0.0
Other operating cost	-17.1	-17.6	-17.2	-14.6	-17.4
Total operating costs	**-17.2**	**-17.7**	**-17.3**	**-14.8**	**-17.4**
Operating profit before loan losses	**25.4**	**24.0**	**20.7**	**8.4**	**6.8**
Loan losses for the period	-0.6	-1.7	-0.3	0.2	0.1
Profit before tax	**24.8**	**22.3**	**20.4**	**8.6**	**6.9**
Tax	-6.0	-5.4	-4.9	-2.1	-1.8
Profit for the year	**18.7**	**17.0**	**15.5**	**6.6**	**5.1**

Financial Calender 2018

25 April	Results Q1 2018
13 July	Results Q2 2018
24 October	Results Q3 2018
February 2019	Results Q4 2018

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